STATE OF CONNECTICUT PROPERTY CONTROL MANUAL
April 2006
PREFACE

A Summary Of The Key Points Of The Property Control Manual And New Policies

Inventorable Property - State Owned

1. Personal Property having a value of **one thousand dollars or more**.
2. "Controllable" Personal Property, as defined by the Comptroller and sanctioned by the agency head, personal property having a value of **less than one thousand dollars**.
3. All Software.

Reportable Property - CO-59

1. Real Property
2. Personal Property having a value of **one thousand dollars or more**
3. Software owned by the State
4. Infrastructure (DOT only)
5. Fine Art
6. Inventory in Warehouses
7. Other Property owned with Trustee Funds

Important Date
The CO-59 is due to the Office of the State Comptroller on or before October 1st of each year reflecting the total assets within each agency as of June 30th.

Buildings
Financial information on buildings are reported in the Asset Management Module of Core-CT. Additional building characteristics are reported via the Joint Effort State Inventory Reporting (JESTIR) system to the Office of Policy and Management.

Disposition of Property
Disposition of property is handled differently for land, buildings, personal property, and software. Refer to the appropriate section of the manual.

Reporting of Losses and/or Damage
Report all losses and/or damage to Real and Personal Property (Section 4-33a of the General Statutes of Connecticut). Refer to the appropriate section of the manual.

Software Inventory
A software inventory must be established by all agencies. This inventory will include software acquired with State funds (excluding external funding sources) and installed by an agency or its funding units. Most state software is not state-owned and consequently would not be included on the CO-59, but

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Software inventory that is reportable on the CO-59 would be listed in the Software category within the state-owned personal property section. This would include in-house developed software systems.

GASB Statement No. 34
The Governmental Accounting Standards Board Statement No. 34, “Basic Financial Statements-and Management’s Discussion and Analysis for State and Local Governments”, issued in June 1999, defines new financial reporting guidelines. The effective date of implementation for the State of Connecticut, except for retroactive reporting of infrastructure assets, was the fiscal year ending June 30, 2002. Most state agencies asset reporting will not be affected by this statement. The State Department of Transportation will be required to report infrastructure assets within the government-wide statement of net assets. Depreciation on assets will be required, which will be handled centrally by the Office of the State Comptroller and is now part of the Asset Management Module in Core-CT.

Works of Art and Other Historical Treasures
GASB Statement 34 provides a new definition of the category “works of art, historical treasures and similar assets”. The state needs to determine which agencies have any of these asset types, determine those which are exhaustible and therefore depreciable, if any, and define new accounting policy and procedures that will accommodate the reporting of these asset types. This category includes the following items:

- antiquated military and other equipment
- historical documents & artifacts
- buildings considered part of a display
- museum collections (including books)

Appraisals are no longer a mandatory requirement but highly recommended when resources are available.

Books, Maps, Records, Videos (For Libraries Only)
This category includes a regular book collection that is not included in the Fine Arts category and should be valued at cost. If the cost is not ascertainable, estimate cost by using “The Bowker Annual Library and Book Trade Almanac”. The “Current Value” column is used to report the “present value” or replacement cost value.

Questions and/or comments regarding the manual may be directed to:

Brenda Halpin, Director
Office of the State Comptroller, Fiscal Policy Division
55 Elm Street, Hartford, Connecticut 06106
(860) 702-3443
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Revisions to the Manual
The Comptroller’s Fiscal Policy Division will maintain a master control copy of the manual. This Division is responsible for updating the manual and distributing the new or revised policies and

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procedures to the State agencies.

The Office of the State Comptroller's Fiscal Policy Division maintains a distribution list for issuing Property Control Manual material. This list identifies each State agency and the address to which material will be sent. Normally, updates will be addressed to the agency property control individual.

Additional Copies
Requests for additional copies of this manual should be directed to:

Office of the State Comptroller
Fiscal Policy Division
55 Elm Street
Hartford, CT 06106
860) 702-3440

Upon request, this publication will be made available in large print, computer readable formats, or Braille pursuant to the requestor's requirements.

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Chapter 1

INTRODUCTION

Questions regarding this chapter should be directed to the following individual:
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Name (Print) Phone Number E-Mail Address

Authority - Section 4-36 of the General Statutes of Connecticut, inventory of state property provides:

"Each state agency shall establish and keep an inventory account in the form prescribed by the Comptroller, and shall, annually, on or before October first, transmit to the Comptroller a detailed inventory, as of June thirtieth, of all of the following property owned by the state and in the custody of such agency:

1. Real property, and
2. Personal property having a value of one thousand dollars or more.

For audit purposes, each state agency shall establish and keep a list of personal property having a value of less than one thousand dollars and defined as “controllable property” in the property control manual published by the Comptroller.”

Section 4-33a of the General Statutes of Connecticut, Illegal, irregular or unsafe handling of state or quasi-public agency funds provides:

“All boards of trustees of state institutions, state department heads, boards, commissions, other state agencies responsible for state property and funds and quasi-public agencies, as defined in Section 1-120, shall promptly notify the Auditors of Public Accounts and the Comptroller of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds or breakdowns in the safekeeping of any other resources of the state or quasi-public agencies or contemplated action to do the same within their knowledge.”

Purpose - All State agencies must have policies and procedures in place to ensure that all assets currently owned, purchased under a capital lease, or certain non-owned property in possession of the state where insurance is required be properly recorded and reported by each respective state agency. This manual establishes guidelines for providing adequate oversight.

Because property represents one of the largest investments being made by the State, complete accountability must be maintained and safeguards established to protect this investment.

The information generated from property records required in this manual will be used to determine the total value of all property owned by or in the custody of each State agency for the Comptroller’s Annual Report and additional cost accounting reports. The establishment of accurate records and reporting is necessary to ensure that State resources are adequately accounted for in accordance with generally

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accepted accounting principles (GAAP) for State governments.

In addition, the establishment of uniform property record systems and methods of reporting will provide this office with current values for determining adequate insurance coverage on all the assets of the State.

**Scope** - This policy applies to all branches of state government.

**Agency Responsibilities**

Each agency shall appoint a person to be responsible for the following:

1. The establishment and maintenance of a Property Control System, which includes an agency policy and procedure manual.

2. The preparation and timely submission of the Annual Report (Form CO-59 Fixed Assets/Property Inventory Report-GAAP Reporting Form) of all Real and Personal Property **having a value of one thousand dollars or more**.

3. The reporting of all losses and/or damage to Real and Personal Property (Section 4-33a of the General Statutes of Connecticut).

The Comptroller's Fiscal Policy Division must be notified of the name of the person designated by the agency head to be responsible for property control. This information must be updated annually on or before October 1st on the Property Control Questionnaire provided by the Comptroller's Office as part of the Annual Report of Real and Personal Property package.

**Accountable Capital Assets** - Proper accounting for fixed assets requires the **capitalization** of appropriate expenditures for each of the following major asset categories:

1. **Real Property** - (includes land, buildings, site improvements and improvements on leased property).

2. **Personal Property** - **having a value of one thousand dollars or more** (includes office and scientific equipment, vehicles, etc.)

These are the major asset categories that will be utilized for financial reporting by the State and the individual State agencies.

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Chapter 2

POLICIES

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Questions regarding this chapter should be directed to the following individual:
Brenda K. Halpin (860) 702-3443 brenda.halpin@os.state.ct.us
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Capitallization Policy - The State Comptroller's Office has established a Statewide policy for the capitalization of assets controlled by agencies. If the asset meets the following criteria it will be deemed an asset and will be disclosed on the Comptroller's annual financial statements:

1. Separate - an asset is tangible in nature and complete.

2. Multi-Year Life - an asset has an expected useful life of one or more years.

3. Significant Value - an asset which, individually, has a value or cost of $1,000 or more at the date of acquisition. Agencies desiring to capitalize assets with a value less than $1,000 due to programmatic requirements or other justifiable reasons, should write to the State Comptroller for an exception to the $1,000 limit, stating the reason and justification for the exception. If an item is in storage and has a value or cost of $1,000, it is to be treated as an asset and entered in the Core-CT Asset Management Module.

Controllable Property - Controllable property is tangible property with a unit value less than $1,000, an expected useful life of one or more years and/or, at the discretion of the agency head requires identity and control. It is mandatory that each agency maintains a written listing of controllable property that has been approved by the agency head. Such assets must be identified and controlled because of their sensitive, portable, and theft-prone nature. The item must be tagged and maintained on the agency's perpetual inventory. Different color or style tags can be used to separate controllable items from capitalized items. Controllable items are to be coded as minor equipment $4150.

Similar to capitalized property, controllable property is subject to the requirements of this manual regarding security, maintenance and utilization. These assets will be flagged with a control indicator in order to distinguish them from capitalized assets. Controllable assets must be inventoried on a regular basis, possibly more frequently than capitalized assets due to the nature of the items listed.

Examples of sensitive, portable and theft-prone items are listed below, however this list is only a suggestion. Individual agencies may add or delete items in this list based on the nature of their business.

- calculators
- measuring or metering devices
- radios
- small but expensive tools
- audio visual equipment
- scientific equipment
- shop equipment
- telephones and answering machines

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- weapons
- cameras
- computer equipment and accessories

Appraisals: Works of Art and Historical Treasures - Appraisals for all permanent collection pieces exceeding $10,000 should be conducted every five (5) years by an expert in the field.

Appraisals are no longer a mandatory requirement but highly recommended when resources are available.

Capital Asset Expenditure EPM Report - This report may be used as a tool to assist state agencies in compiling the Annual Physical Inventory of all Real and Personal Property, CO-59. This report lists all capital purchases for each agency charged to account codes 55610 through 55890, Capital Outlays-Land; Capital Outlays-Equipment; Capital Outlays-Buildings and Improvements. The report is now an EPM report in Core-CT.

Capital Equipment Purchase Fund - The Capital Equipment Purchase Fund (CEPF) is authorized pursuant to Section 4a-9 of the General Statutes. The Secretary of the Office of Policy and Management administers the fund. “The fund shall be used for the purpose of acquiring, by purchase or the exercise of prepayment or purchase options in existing capital leases entered into by the state, capital equipment with an anticipated remaining useful life of not less than five years from the date of purchase and (1) to the extent of not more than two million nine hundred thousand dollars, payment for projects under subsection (a) of section 4-67f, and (2) to the extent of not more than one hundred thousand dollars, payment for awards under subsection (b) of said section.”

Subsection (a) of Section 4-67f provides that OPM shall increase efficiencies through capital investment and energy efficiency measures. State agencies can request funding for capital purchases from the Office of Policy and Management.

Depreciation - Defined as the systematic allocation of the cost of a fixed asset over its estimated service life to the periods that are benefited by the use of the asset. The depreciation of State assets is limited to proprietary and internal service funds. Depreciation is calculated over the realistic useful lives of the assets using the straight-line method on a yearly basis.

The straight-line method is generally preferred for financial statements because it accumulates depreciation evenly over the asset's life. The Comptroller requires depreciation to be calculated on a straight-line basis for Statewide reporting purposes. Also, refer to the section on GASB 34 in this chapter.

Equipment with Component Parts (This section is optional for agencies to use.) Parent/child relationship in Core-CT. A component part is that part of a unit of equipment that cannot be used independently of the remaining piece of equipment or is physically connected to the major asset. This definition applies even though the component part may meet the capitalization criteria by itself.

For example: A CPU box (this term is used for simplification purposes, this “box” actually contains boards for CPU and all ancillary equipment, speakers, etc.) Various boards or cards can be purchased to increase the functions of the CPU such as a network interface card, fax modem card, external tape drive card, etc. This is considered to be one unit consisting of multiple parts - none of which can be used independently.

Therefore, the total cost of the CPU should be capitalized and tagged. The asset description would show

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a CPU consisting of the box and multiple cards.

Under normal conditions, if one of the cards had to be replaced, it would either be covered under a maintenance contract and no cost would be incurred, but the property control record must be corrected or the replacement piece would be purchased and an appropriate change would be made to the original equipment description.

Periodically, terminals are updated. Trade-in allowances are often part of a new purchase. The old serial number should be deleted on the property control record and the new serial number should be added with any additional cost incurred.

Enhancements to hardware simply increase the cost of the item. Change the property control record to reflect the additional cost.

Certain equipment components may be used with a large number of different equipment items. For example, a telephoto camera lens may be used on any of a number of cameras separately inventoried and tagged by the agency. Equipment is another area in which there would be equipment components, such as a printer connected to a mainframe. The key difference here is that these items can operate on many different pieces of equipment, and the equipment to which they are attached can operate independent of the component (e.g. the camera can operate without the telephoto lens and the mainframe can operate without the printer). Therefore, in the truest sense, the item is not a constituent piece of equipment. In these instances, if the item meets the capitalization criteria as an individual item, it should be separately recorded and tagged as an asset.

Due care and diligence should be exercised in determining whether an item is truly a component. If deemed to be a component, it should be included as part of the cost and description of the overall asset. If it is not, it should be recorded as a separate piece of equipment with its own cost and description. The majority of the items will probably fall into the latter category.

Equipment on Loan

General Information - Equipment owned by the State may be removed from its assigned location only with prior written permission from the appropriate agency head. State equipment is not intended to be used for personal reasons. Loan permission is to be granted only in order to conduct State business. The equipment may be loaned if the agency head is convinced that the removal of such equipment will not:

- interfere with the normal operation of the agency
- cause unreasonable wear and tear on the equipment
- cause expense to be incurred by the agency
- provide for profit-making activities

It is necessary to have control over equipment that leaves State premises. An individual who has been authorized to use State equipment on loan must sign the "Record of Equipment On Loan Form" - CO-1079 or a similar form prepared by the agency.

The individual will be responsible for theft or other cause and/or any damage to the equipment. They will provide due care and security for the equipment until it is returned to the agency. In the event of a theft, the procedures as prescribed in Chapter 9 regarding "Loss or Damage to Real and Personal Property" must be adhered to.

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Internal Agency Procedures

The CO-1079 "Record of Equipment Loan Form" or similar agency form must be completed in triplicate. One copy is retained by the division or department loaning the equipment, one copy is to be sent to the Property Control Unit and the final copy should be given to the individual authorized to use the equipment.

Equipment should not leave State premises unless an inventory tag is on the equipment.

The division or department should maintain a logbook to hold the forms. The forms should be numbered consecutively. It is the responsibility of the unit to follow up on equipment out on loan. If the equipment has not been returned by the expected date indicated, procedures should include making direct contact by letter or phone on a weekly basis with the individual until the equipment is returned. Equipment should not be loaned for extended periods of time and all equipment should be returned to the agency during a physical inventory.

Firearms Inventory Control Policy - Each agency must establish written internal procedures regarding firearms that include the agency's property control unit and cover the destruction of firearms. Firearms are to be reported on the agency's inventory regardless of the fair market value or cost; all firearms are considered controllable at a minimum or be reported as a capitalized item. Agencies may explore the feasibility of vendor trade-ins, to upgrade the firearms.

Each agency must ensure that all firearms are properly stored in a secure manner in accordance with Connecticut General Statutes, Section 29-371 - Responsibilities regarding the storage of loaded firearms with respect to minors.

Firearms loaned to another State agency or a municipality must be documented. The Record of Equipment on Loan Form (CO-1079) or facsimile must be completed.

All seized or confiscated items held in storage by the agency pending disposition will be exempt from this inventory control. Seized or confiscated firearms that are subsequently issued (assigned) to agency personnel, or used by the agency, for training purposes, must be added to the agency inventory.

All firearms considered surplus by an agency are to be handled in accordance with the disposal of surplus property procedures.


The effective date of implementation for the State of Connecticut, except for retroactive reporting of infrastructure assets, was the fiscal year ending June 30, 2002. Most state agencies' fixed asset reporting will not be affected by this statement.

The State Department of Transportation will be required to report infrastructure assets within the government-wide statement of net assets. Depreciation on assets will be required, which will be handled centrally by the Office of the State Comptroller and is now included in the Asset Management Module in Core-CT.

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Group Control Items (This section is optional for agencies to use.) - Group control items are those assets that have multiple quantities and must be accounted for an asset. Assets may be controlled by group within location if the original unit cost is greater than $1,000. A group control number (one tag number) is assigned for the group but they should be tagged for identification as a State asset. Group items may be tracked by total number of units at a location, and not by individual units.

A detailed example would be modular furniture associated with providing an open office workstation. If fifteen (15) panels plus shelves, rolling files, lighting, etc. were required to create an office area, and the aggregate cost met the capitalization criteria, but the individual cost per item did not, the item(s) would be capitalized. One group control number would be assigned for the entire system (the workstation) with multiple parts.

Leases

Capital Lease - Equipment being purchased under a capital lease should be recorded within the appropriate category at the beginning of the lease term. The initial recording value of a lease is the lesser of the fair market value of the leased property or the present value of the minimum lease payments (excluding interest payments).

The State Accounting Manual, within the Commitments Section, subsection 5, entitled "Installment Purchases, Lease Purchase And Capital Leases", elaborates criteria for determining if a lease is capital.

Operating Lease - An equipment item that is leased whereby ownership is not transferred to the lessees, in effect no purchase is made, is called an operating lease. Operating leases are not reportable as capital items. If, under the terms of the operating lease agreement, the state agency as lessee were responsible for insuring the property, then the agency should contact the Insurance & Risk Management Board for the coverage.

Maintain sufficient detail to identify property and location including value. However, enter only the total value for which the State is obligated for insurance purposes.

Maintenance - In order to properly perform the property management function, the agency should oversee all costs incurred for the maintenance of its assets. By reviewing and controlling maintenance costs, the agency can demonstrate stewardship over its available resources.

Being able to capture maintenance costs associated with a particular asset is essential in providing management with the information necessary to make allocation of resource decisions such as:

1. Consider replacing a particular asset that has maintenance costs higher than other similar assets.

2. Determine if the agency would be able to reduce maintenance cost by entering into a service contract.

3. Determine if the service contract costs more that a repair-as-needed program would cost for certain assets.

Also, the agency would have available detailed information about each asset regarding maintenance contract dates (inception, expiration, renewal, warranty), maintenance contract number, and maintenance cost. Controlling maintenance contracts and cost is essential in ensuring that the property management function is appropriately addressed.

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Property of the US Government - Separate records should be maintained of all property of the United States Government for which the State is held accountable.

The records should be segregated because of the various types of information required for insurance purposes and cost analysis. However, all items under this category will be retained at the agency.

1. On Loan from Federal Agencies - Agencies of the federal government may, as a result of an Act of Congress or by Executive Order, loan certain items to an agency of the State of Connecticut. The obligation of the State agency to the loaning agency of the federal government is spelled out in an agreement and varies with the nature of the materials on loan.

2. Insurance Purposes - In some cases the State must provide insurance in the name of the federal agency and against specified perils. The policy must be forwarded to the particular loaning agency of the federal government and the State must bear the cost.

In other cases the State must insure the federal property against perils that are normally insured by the State within its own program. The federal agency will repay the State for this coverage when billed.

Other federal property requires no specific insurance and the obligation of the controlling State agency may not warrant the purchase of coverage thereon.

If the agency of the State knows the details of the contractual obligation of the State to the agency of the federal government, then a notation should be made in the records as to the manner in which that obligation pertains to insurance.

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Chapter 3
Asset Management/Inventory Report
GAAP Inventory Reporting Form

Asset Management/Inventory Report/GAAP Reporting Form, CO-59 - The purpose of this form is to report all property owned by each State agency. Beginning with Fiscal Year 2006, Executive Branch agencies will generate information within Core-CT on assets that are capitalized and depreciated and include the information on the CO-59. Agencies will use the Asset Management queries to complete the CO-59 form for Fiscal Year 2006 and after. If the values recorded on the CO-59 do not reconcile with Core-CT, the agency must provide a written explanation of the discrepancy in an attachment.

The annual report of all capitalized real and personal property must be in the format prescribed by the Office of the State Comptroller. The report must be submitted by October 1st and must reflect the sum total of the physical inventory as of June 30th. Submit to: Office of the State Comptroller, Fiscal Policy Division, 55 Elm Street, Hartford, CT 06106. The physical inventory must be completed using the Core-CT application. There are two ways to conduct the physical inventory - hand held scanner count or manual count.

Required Forms - The following forms to be used in the completion of this data and will be mailed to all applicable State agencies on or before June 30th each year:

B. CO-648a Summary of Motor Vehicle Report (if applicable)
C. Property Control Questionnaire (revised 4/2006)

Required Queries:

In the Asset Management System there are four (4) queries that you will run to retrieve the information for the CO-59 form. There is a web based learning assistant document with information, on how to run the queries. All agencies using the Core-CT Inventory module, will need to report on their stores and supplies inventory and material and goods, if applicable.

The following queries are to be used by Executive Branch agencies using the CORE-CT module. Agencies not using the CORE-CT module will continue to report their assets on the CO-59, using their asset management systems.

CT_CORE_FIN_AM_COST_NEG - Select this query to calculate the negative cost of assets for a range of accounting dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit and Category.

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CT_CORE_FIN_AM_COST_POS - Select this query to calculate the positive cost of assets for a range of accounting dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit and Category.

CT_CORE_FIN_IN_CO-59_RCV - Select this query to calculate the receptions or items in inventory for a range of transaction dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by business Unit. You can also use this query to get results by Transaction Group and Business Unit.

CT_CORE_FIN_IN_CO-59_DEP - Select this query to calculate the depletions of items in Inventory for a range of transaction dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit. You can also use this query to get results by Transaction Group and Business Unit.

Only For OSC Use

CT_CORE_FIN_AM_DEPR_NEG - Select this query to calculate the negative depreciation of assets for a specific fiscal year for the CO-59 report to the Office of the State Comptroller. This Report is displayed by Business Unit and Category.

CT_CORE_FIN_DEPR_POS - Select this query to calculate the positive depreciation of assets for a specific fiscal year form CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit and Category.

CO-59 Completion Instructions:

Agency Name and Address - Complete Your Agency's Name and Address
Agency Acronym - 3 Letter Agency Acronym
Date of Physical Inventory - Date the last physical inventory was taken.

Asset Category (Column 1)
The Asset Categories defined on the CO-59 specify the classification of assets by type for accounting purposes. The equipment category combines aircraft, boats and cars, books, maps, records, capitalized equipment and furnishings. Categories reflect how assets are reported on balance sheets. An asset profile is assigned to every asset and the asset profiles should match major asset categories on the CO-59.

Cost Data or Fair Market Value - consists of "Last Year's Balance 06/30/XX" - column two (2) is used to record the beginning property cost balance for the fiscal year which has just ended. These beginning balances should be the same as the ending cost balances from the previous year's CO-59.

"Additions" - column three (3) is used to record all property additions for the year at the property's cost or fair market value depending upon the method of acquisition (estimated value if necessary). Additions should include transfers from the State and Federal Property Distribution Center during the fiscal year. They should also include purchases of new as well as used assets, all donated assets and assets acquired through capital leases. Refer to the appropriate section of the manual on acquisitions.

"Deletions" - column four (4) is used to record all property depletions for the year at the property's original cost or fair market value depending upon the method of acquisition (estimated value if necessary). Depletions should include retired property that was scrapped, lost or transferred to the State and Federal Property Distribution Center during the fiscal year.
Other Modifications

"Corrections" - Often, changes are made to an existing record. Usually, these changes are corrections to the original recording. Changes would include, but not necessarily be limited to, the following:

1. Error in prior classification of an asset
2. Item disposed of and property record previously not deleted.
3. Correction of cost
4. Price adjustment

"Erasures" (recorded in the deletion column) - The deletion of an item, which previously was recorded and should not have been recorded as an asset, is considered an erasure. Erasures are used when an error indicated that an item was recorded in a prior year as an addition, but should not have been capitalized. By making the item an erasure, the item can be removed completely from the master file just as if it had never been recorded in the first place. Therefore, the item will not be reported subsequently on a disposal listing.

"Lost/Missing/Unaccountable" Equipment - Equipment that is deemed "lost, missing or unaccountable" when taking a physical inventory must be accounted for. Instructions for reporting a loss are prescribed in this manual. The equipment is then considered a "deletion" from the inventory until such time as it may be recovered. The item can then be added back to the inventory as an "addition".

"Current Balance 06/30/XX" - column six (6): Add columns 3 and 4. Subtract column 5. This is your current balance for column 6.

Current Value - represents:

"Present Value This Year" column seven (7) sections that have been shaded are to remain as is. Blocks that have not been shaded should indicate the present appraised value. If no appraised value has been determined then the value should equal the "Current Balance 06/30/XX" column six (6).

Items of Property

Real Property - The term "Real Property" is generally related to real estate, which includes land, buildings, site improvements, and improvements on leased property.

Asset Category - LAND

A. Land (No. of Acres ___) - Total acreage of land.

Land is non-expendable, real property whose title is held by a state agency. The recorded asset cost should include, in addition to the acquisition price, such ancillary costs as legal and title fees, unpaid taxes assumed, surveying and recording fees, appraisal and negotiation fees, damage payments, site preparation costs (clearing, filling, and leveling), and demolition of unwanted structures. As easement is a business expense and not reported as an asset. These costs are set up in a separate asset category, "Site Improvements". Unlike land, these items have finite lives.

Note - The cost of land does not include expenditures in connection with land improvements such as paving, fencing, and lighting.

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The property control record for land owned by the State must contain the following minimum data:

1. Name of town
2. Date of acquisition
3. Method of acquisition
4. Complete expenditure coding - Fund, Department, Sid, Program, Account, Budget Reference Chartfield.
5. Original Cost - If applicable, plus other related costs as taxes and other liens assumed, title search costs, legal fees, surveying, filling, grading, drainage, and other costs of preparation for the use intended or the Appraised Value.
6. Appraised By
7. Dimensions - Number of acres
8. Additional Costs
   a. Amount
   b. Description
   c. Purchase order reference
10. Deed - If a copy of the deed is not available, the data can be obtained from the Office of the Town Clerk in the town in which the land is located.
   a. Kind
   b. Date
   c. Where recorded
   d. Where filed
11. Miscellaneous - Additional information may be recorded depending upon the needs and requirements of the particular agency.
12. Date of Disposal
13. Manner of Disposal
14. Amount Received

Land Acquisition - When land is being acquired, an initial report at the time of acquisition, in memorandum form, must be made to the Office of the State Comptroller, Fiscal Policy Division. The memorandum should contain the following information:

a. Agency Number
b. Town Name
c. Date Acquired
d. Cost (Dollars Only)
e. Owned or Leased
f. Usable-Unable
g. Purchased-Gift-Transferred
h. Number of Acres (Do not carry beyond two decimals)
i. Plot Number
j. Number of Buildings on Plot

Land acquired by the State by gift, requires the approval of the Governor and the Attorney General, as prescribed by Section 4b-22 Connecticut General Statutes.

Asset Category - IMPRO

B. Site Improvements - Cost of site improvements made to property.

http://www.osc.state.ct.us/manuals/PropertyCntl/chapter03.htm

6/15/2006
Site improvements include all improvements not specifically identifiable to an individual building except non-depreciable improvements to land parcels such as grading or filling expenditures. Included within this category are agency-maintained infrastructures such as roads, bridges, curbs, surface gutters, streets, sidewalks, drainage systems, parking lots, lighting systems and similar assets which, while not identifiable to any particular structure, nevertheless have a quantifiable value to the agency.

Site improvements that increase the value of the original property require a separate property control record. Site improvements include:

- Fences
- Shrubbery
- On-Site Sewer and Water Lines
- Tunnels
- Other Landscaping
- Underpasses
- Parking Lots
- Walls
- Paving

**Asset Category - BUILD**

**C. Buildings (Total Number______)** - Total number of buildings owned by the agency.

Enter the summary total from the JESTIR Building Inventory Report.

The Joint Effort for State Inventory Reporting (JESTIR) is a mutual effort on behalf of the Connecticut Office of Policy and Management, the Office of the State Comptroller and the Department of Public Works. Data supplied under JESTER is shared among the three agencies to consolidate real property inventory data.

For additional information regarding the JESTIR software please contact:

State of Connecticut - Office of Policy and Management
450 Capital Avenue - MS#52ASP, Hartford, CT 06106-1308
Attn: Patrick O'Brien, Phone: 860-418-6353 Fax: 860-418-6495
e-mail: patrick.obrien@po.state.ct.us

Buildings include all real estate, excluding land, which are used for shelter, dwelling, and other similar agency purposes. The statewide definition is “a relatively permanent structure to house persons or property”. The recorded asset cost should include the purchase or construction cost, professional fees for architects, attorneys, appraisers, or financial advisors, and any other expenditure necessary to put a building or structure into its intended state of operation.

The asset category “Buildings”: includes improvements to buildings as well as the original building cost. The main criteria for capitalization of building improvements are that the expenditures significantly extend the useful life or enhance the value of the individual building.

**Expenditures not meeting these criteria should be expensed.**

Building Fixed Equipment-Includes fixtures which are permanently attached to and made part of a building and which cannot be removed without damaging walls, ceiling or floors or without impairing the building in some manner.

Examples are:

- http://www.osc.state.ct.us/manuals/PropertyCntl/chapter03.htm

6/15/2006
An inventory record similar to that used for capitalized equipment should be maintained as part of the building inventory record for all fixed equipment for that particular building.

Asset Category - LIMPR

D. Improvements on Leased Property - Total cost of improvements on leased property.

Improvements to leased buildings and other structures, walkways, and permanently installed equipment items located on property leased to the State must be capitalized. Improvements on leased property require a separate property control record. The dollar value and a brief description of the improvements made should be recorded. Permanent improvements to leased assets are those items that cannot be removed without substantially damaging or necessitating substantial repair to the leased asset from which the improvement is removed. Assets that are merely located on leased property, rather than permanently installed thereon, should be recorded as capitalized assets.

Asset Category - CONST

E. Construction - Total cost of all construction in progress.

F. Total Real Property - All vertical columns for this section should be added together.

Asset Category - EQUIP

A. Books, Maps, Records - This category includes a regular book collection that is not included in the "Works of Art, Historical Treasures & Similar Assets" category.

All additions should be valued at cost. If the cost is not ascertainable, estimate cost by using "The Bowker Annual Library and Book Trade Almanac".

The "Current Value" column is now unshaded to report the "present value" or replacement cost value.

Institutions of higher education and any other agencies that maintain a library with a librarian assigned to it are required to maintain a separate inventory for library materials. Library materials include but are not limited to: books, maps, records, videos, electronic media, CD disks, other reference materials, etc. Because institutional libraries normally contain large volumes of individually categorized materials, and maintain sufficient records to support the total value, it is not appropriate to enter duplicate detailed information. Instead, acquisitions and deletions of materials for a library should be recorded directly into the separate control account and will be summarized on the CO-59 form. The summary total from the library inventory should be entered.

Note - Historical treasures and other museum collections should be included in the "Works of Art and Historical Treasures" category below (L). This would include book collections that have appreciated in value.

http://www.osc.state.ct.us/manuals/PropertyCntl/chapter03.htm

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B. Furnishings & Equipment (Capitalized) - Summary total from the agency's capitalized inventory.

All personal property items with a useful life of one year or more and a value or cost of $1,000 or more must be capitalized. Each item must be recorded separately.

Included are all types of data processing equipment, moveable telecommunication equipment, office machinery, furniture and other machinery and equipment necessary to the particular use of the building or property which are purchased outright or through an installment purchase plan.

Note - All purchases, leasing or licensing of data processing hardware or software should be reported to the Contracts and Purchasing Division of the Department of Information Technology on SDF-6, Data Processing Installation/Removal form located in Appendix B. Insurance coverage will be provided under the "All Risk" insurance policy. In case insurance coverage is requested. If the equipment has been purchased with funds other than the general fund, a premium reimbursement may be required to be paid to the State Insurance and Risk Management Board.

Mobile equipment, such as motorized lawn mowers, tractors, shovels, cranes, or other such equipment not for use on highways, should be included under Furnishings and Equipment of the building in which, or on the premises of which, this equipment is normally located.

Mobile equipment that has a license plate and is registered with the Department of Motor Vehicles is to be included under the category "Automobiles, trucks, buses, motorcycles, trailers".

C. If Furnishings & Equipment (Capitalized) are donated - Record fair market value of donated furnishings and equipment. Donated assets are generally capitalized, if it meets the established criteria, at their estimated fair market value at time of acquisition. If additional expenses are incurred, these costs should be considered as part of the total cost of the asset. That is, the value should incorporate the fair market value plus any expenses required placing the asset in service, e.g. freighting.

D. Live Stock - Summary total from the agency's detailed live stock inventory.

E. Aircraft & Equipment - Summary total from the agency's inventory system.

F. Cars, Trucks, Buses, Motorcycles, etc. - Summary total from the agency's inventory system. Cars, buses, trucks, motorcycles, tractors, trailers, and other vehicles with license plates are classified motor vehicles. Each vehicle must be recorded separately. Motor vehicles being purchased under a capital lease should be recorded in this category at the beginning of the lease term. The initial recording value of a lease is the lesser of the fair market value of the leased property or the present value of the minimum lease payments (excluding interest payments). Operating leases are not reportable. Refer to leases within the Policy chapter of the manual.

The State Accounting Manual, entitled "Installment Purchases, Lease Purchase And Capital Leases", elaborates criteria for determining if a lease is capital.

The property control record must contain the following minimum data for each vehicle:

1. Year, make and model
2. Vehicle identification number (VIN)
3. Serial number
4. Type of body

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5. Type of engine
6. Registration number
7. State car license plate number
8. Purchased from (date, name and address)
9. Additional equipment - permanently affixed to the vehicle or an item that would customarily be a part of the vehicle.
10. Gross cost (do not deduct trade-in amounts)
11. Date and contract award number
12. Assigned driver (if permanently assigned)
13. Permanently garaged at
14. Date of disposition
15. Method of disposition
16. Amount received or trade-in value

G. Boats - Summary total from the agency's inventory system.

Each boat and/or aircraft must be recorded separately. All larger inboard vessels are subject to a survey value periodically. The survey value must be established every three years and be carried with moderate annual depreciation in the interim time period. The survey value must be kept at the agency level but not entered on the CO-59, where only the initial cost is entered.

Rowboats, outboards, and the motors thereon, are included in the regular inventory for the agency or commission having jurisdiction and should not be included in this record.

To obtain assistance in determining a survey value, notify the State Insurance and Risk Management Board whom will advise the agent of record.

The property control record must contain the following minimum data for each:

1. Identification number
2. Type of body
3. Type of engine
4. Registration number
5. Purchased from (date, name and address)
6. Additional equipment - permanently affixed to the boat or aircraft or an item that would customarily be a part of the boat or aircraft.
7. Gross cost - do not deduct trade-in amounts
8. Date and contract award number
9. Inventory value
10. Assigned driver - if permanently assigned
11. Permanently garaged at
12. Date of disposition
13. Method of disposition
14. Amount received at disposition or trade-in value

H. Railroad Car Free Rolling/Self-Propelled - Summary total from the agency's Railroad Car Inventory.

The property control record must contain the following minimum data for each car:

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1. Full Description (make and model)
2. Identification Number - tag number assigned by the agency at the time of acquisition.
3. Engine Number
4. Original Cost - actual cost and ancillary charges.
5. Building Number, where garaged
6. Name of Manufacturer or Vendor and address
7. Manufacturer's serial number (if applicable).
8. Date Acquired
9. Method of Acquisition
10. Complete Chartfield Coding - Fund, Department, Sid, Program, Account, and Budget Reference.
11. Source of Funds - restricted or federal funds.
12. Present Value
13. Purchase Order Number
14. Condition
15. Useful Life
16. Date of Disposition
17. Method of Disposition

Asset Category - LEQUIP

I. Capital Leases - Equipment being purchased under a capital lease should be recorded in this category at the beginning of the lease term. The initial recording value of a lease is the lesser of the fair market value of the leased property or the present value of the minimum lease payments (excluding interest payments). Operating leases are not reportable. Refer to leases within the Policy chapter of the manual.

The property control record for each item must contain the following minimum data:

1. Name of Item or Brief Description
2. Specific Location - (Building Number or Name and Floor).
3. Department or unit responsible for custody
4. Name of Manufacturer or Vendor and address
5. Identification Number - (Tag number assigned by the agency at the time of acquisition. May be the same as the serial number).
6. Manufacturer's serial number (If applicable).
7. Date Acquired
8. Method of Acquisition
9. Complete Expenditure Coding (Fund, Department, Sid, Program, Account, and Budget Reference).
10. Source of Funds (Restricted or federal funds).
11. Catalogue of Federal Domestic Assistance (CFDA) number (If applicable).
12. Cost - Actual Cost and Ancillary Charges (installation, freight, transportation charges, site preparation expenditures, professional fees, and legal claims directly attributable to asset acquisition). All charges necessary to place the asset in its intended location and condition for use.
13. Estimated Cost - if there is lack of original documentation or because establishing the original cost is not practicable or if the cost must be established after many years of operating without these records.
14. Purchase Order Number
15. Maintenance Costs
16. Fair market value or appraised cash value at time of receipt of items either donated, received as

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surplus U.S. Government property or surplus state property with cost.
17. Condition
18. Useful Life (in months)
19. Date of Disposition
20. Method of Disposition

Asset Category - SOFT

J. Software - Software owned by the State of Connecticut, agency developed software which the State has ownership to and is capitalized.

Asset Category - INFRASTRUCTURE
K. Infrastructure includes roads, bridges, railways and airport landing areas.

GAAP Group Personal Property Subtotal - Subtotal the items in each column for the personal property section only. Do not include real property.

Asset Category - ART
L. Fine Art - includes:

Works of Art - statues, paintings, sculptures

Historical Treasures
- antiquated military and other equipment
- historical documents & artifacts
- buildings considered part of a display
- museum collections (including books)

Agencies that have these items in their custody must maintain a separate inventory account for each item regardless of cost or value. An additional enhancement would be a photograph of each item in case of a loss. Each item must be listed separately.

Note: Since the standard fine arts inventory for insurance purposes as reported to the Insurance & Risk Management Board has a $10,000 deductible, items of lower value than that (but over the $1,000 capital item threshold) may not be reported to the Board but should be included on the CO-59.

Each property control record must contain the following minimum data:

1. Assigned Identification Number
2. Name of Artist - First and Last
3. Subject Name - if a painting, portrait, mural, statue, etc.
4. Brief Description of Each Piece
5. Medium (Oil Painting - Watercolor - Drawing - Graphics - Sculpture - Photography - Mixed Medium - Other)
6. Dimensions: (Height - Width - Depth)
7. Signature Location
8. Other Inscriptions and/or Labels
9. Date Crafted
10. Is it an original or copy
11. Date of Acquisition
12. Method of Acquisition

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13. Cost at Acquisition
14. Location
15. Name/Address/Telephone Number
16. Appraised Value
17. Appraiser
18. Date of Appraisal
19. Date of Disposition
20. Method of Disposition
21. Amount Received at Disposition

Inventory Module

M. Materials & Goods-In-Process - Summary total from the agency's materials and goods-in-process inventory report.

Items under this section represent any resalable articles which are manufactured, fabricated or assembled in a school, prison or in any shop that is under the jurisdiction of the State agency.

The record for each item should contain the following data:

1. Item Description
2. Cost of Each Item
5. Raw Materials on hand

N. Stores & Supplies - Summary total from the agency's stores and supplies (perpetual) inventory.

Stock items and supplies, used and consumed in the daily operations of an agency, such as food, office supplies, perishables, table or bed linens, dishes, small tools, appliances, and articles of a similar nature should be recorded on a separate register page, in total, for each building.

A separate perpetual (continuous) inventory should be maintained of all stores and supplies (including repair parts for machinery, plumbing, general housekeeping, etc.) if the estimated value of the entire inventory is over $1,000. Perpetual inventories valued at less than $1,000 would not need to be maintained. Due to the rapid rate of turnover, strong internal control is especially important. A perpetual inventory system can provide the strongest possible internal control over the inventory of merchandise. The information required for a perpetual inventory system can be processed electronically or manually.

In a manual system a subsidiary record card is used for each type of merchandise on hand. If the agency has in stock 100 different kinds of products then 100 inventory record cards will make up the subsidiary inventory record. It should be reconciled annually for verification of amounts.

The record card or system should contain the following data:

1. Item Type
2. Location
3. Maximum Number - that should be on-hand
4. Minimum Number - that should be on-hand before reordering
5. Date Column
6. Purchased Column

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7. Distributed Column

a. Units Distributed
b. Unit Cost
c. Total Dollar Value

8. Balance Column

a. Units available
b. Unit Cost
c. Total Dollar Value

The perpetual inventory system should be maintained on a first-in, first-out basis. On each inventory card the maximum and minimum quantities that should be stocked should be indicated. This additional control over the amount invested in the inventory. By maintaining these limits, overstocking and out-of-stock situations can be avoided.

An adjusting entry can be made to reflect shortages, overages, or out-of-control situations in an annual or periodic physical inventory.

O. Other Property Owned With Trustee Funds

Summary total from the agency's inventory report, of items not owned by the agency but used by the property of patients and inmates or equipment owned by Student, Patient or Trustee.

P. Total Personal Property - Add the vertical column entitled, "GAAP Cost Sub-Total" above, and the individual items below that sub-total for the sub-total for the "Total Personal Property." Other personal property.

Q. Grand Totals For Real And Personal Property - Add The Vertical column grand totals for "Property" and "Total Personal Property" together for the "Grand Total Personal Property".

Prepared By - Name of individual who prepared the report.
Telephone Number - Preparer's phone number.
Date - The date the report was prepared.
Authorized Signature - Agency head's signature or his/her designee.
Date - The date the report was signed by the agency head.
Chapter 3
Asset Management/Inventory Report
GAAP Inventory Reporting Form

Preface | Contents | Chapter 1 | Chapter 2 | Chapter 3 | Chapter 4 | Chapter 5 | Chapter 6 | Chapter 7 | Chapter 8 | Chapter 9 | Appendix A | Appendix B | Appendix C | Appendix D

Questions regarding this chapter should be directed to the following individual:
Elise Helmecki Phone Number  
Name (Print)  600-702-3434  elise.helmecki@po.state.ct.us
E-Mail Address

Asset Management/Inventory Report/GAAP Reporting Form, CO-59 - The purpose of this form is to report all property owned by each State agency. Beginning with Fiscal Year 2006, Executive Branch agencies will generate information within Core-CT on assets that are capitalized and depreciated and include the information on the CO-59. Agencies will use the Asset Management queries to complete the CO-59 form for Fiscal Year 2006 and after. If the values recorded on the CO-59 do not reconcile with Core-CT, the agency must provide a written explanation of the discrepancy in an attachment.

The annual report of all capitalized real and personal property must be in the format prescribed by the Office of the State Comptroller. The report must be submitted by October 1st and must reflect the sum total of the physical inventory as of June 30th. Submit to: Office of the State Comptroller, Fiscal Policy Division, 55 Elm Street, Hartford, CT 06106. The physical inventory must be completed using the Core-CT application. There are two ways to conduct the physical inventory - hand held scanner count or manual count.

Required Forms - The following forms to be used in the completion of this data and will be mailed to all applicable State agencies on/or before June 30th each year:
B. CO-648a Summary of Motor Vehicle Report (if applicable)
C. Property Control Questionnaire (revised 4/2006)

Required Queries:
In the Asset Management System there are four (4) queries that you will run to retrieve the information for the CO-59 form. There is a web based learning assistant document with information, on how to run the queries. All agencies using the Core-CT Inventory module, will need to report on their stores and supplies inventory and material and goods, if applicable.

The following queries are to be used by Executive Branch agencies using the CORE-CT module. Agencies not using the CORE-CT module will continue to report their assets on the CO-59, using their asset management systems.

CT_CORE_FIN_AM_COST_NEG - Select this query to calculate the negative cost of assets for a range of accounting dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit and Category.

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CT_CORE_FIN_AM_COST_POS - Select this query to calculate the positive cost of assets for a range of accounting dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit and Category.

CT_CORE_FIN_IN_CO_59_RCV - Select this query to calculate the receipts or items in inventory for a range of transaction dates for the CO-59 report to the Office of the State Comptroller. This report is displayed by business Unit. You can also use this query to get results by Transaction Group and Business Unit.

CT_CORE_FIN_IN_CO_59_DEP - Select this query to calculate the depletions of items in Inventory for a range of transaction dates for the CO-59 report to the office of the State Comptroller. This report is displayed by Business Unit. You can also use this query to get results by Transaction Group and Business Unit.

Only For OSC Use

CT_CORE_FIN_AM_DEPR_NEG - Select this query to calculate the negative depreciation of assets for a specific fiscal year for the CO-59 report to the Office of the State Comptroller. This Report is displayed by Business Unit and Category.

CT_CORE_FIN_DEPR_POS - Select this query to calculate the positive depreciation of assets for a specific fiscal year for CO-59 report to the Office of the State Comptroller. This report is displayed by Business Unit and Category.

CO-59 Completion Instructions:

Agency Name and Address - Complete Your Agency's Name and Address
Agency Acronym - 3 Letter Agency Acronym
Date of Physical Inventory - Date the last physical inventory was taken.

Asset Category (Column 1)
The Asset Categories defined on the CO-59 specify the classification of assets by type for accounting purposes. The equipment category combines aircraft, boats and cars, books, maps, records, capitalized equipment and furnishings. Categories reflect how assets are reported on balance sheets. An asset profile is assigned to every asset and the asset profiles should match major asset categories on the CO-59.

Cost Data or Fair Market Value - consists of "Last Year’s Balance 06/30/XX" - column two (2) is used to record the beginning property cost balance for the fiscal year which has just ended. These beginning balances should be the same as the ending cost balances from the previous year's CO-59.

"Additions" - column three (3) is used to record all property additions for the year at the property's cost or fair market value depending upon the method of acquisition (estimated value if necessary). Additions should include transfers from the State and Federal Property Distribution Center during the fiscal year. They should also include purchases of new as well as used assets, all donated assets and assets acquired through capital leases. Refer to the appropriate section of the manual on acquisitions.

"Deletions" - column four (4) is used to record all property deletions for the year at the property's original cost or fair market value depending upon the method of acquisition (estimated value if necessary). Deletions should include retired property that was scrapped, lost or transferred to the State and Federal Property Distribution Center during the fiscal year.

http://www.osc.state.ct.us/manuals/PropertyCntt/chapter03.htm

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Other Modifications

" Corrections" - Often, changes are made to an existing record. Usually, these changes are corrections to the original recording. Changes would include, but not necessarily be limited to, the following:

1. Error in prior classification of an asset
2. Item disposed of and property record previously not deleted.
3. Correction of cost
4. Price adjustment

"Erasures" (recorded in the deletion column) - The deletion of an item, which previously was recorded and should not have been recorded as an asset, is considered an erasure. Erasures are used when an error indicated that an item was recorded in a prior year as an addition, but should not have been capitalized. By making the item an erasure, the item can be removed completely from the master file just as if it had never been recorded in the first place. Therefore, the item will not be reported subsequently on a disposal listing.

"Lost/Missing/Unaccountable" Equipment - Equipment that is deemed "lost, missing or unaccountable" when taking a physical inventory must be accounted for. Instructions for reporting a loss are prescribed in this manual. The equipment is then considered a "deletion" from the inventory until such time as it may be recovered. The item can then be added back to the inventory as an "addition".

"Current Balance 06/30/XX" - column six (6): Add columns 3 and 4. Subtract column 5. This is your current balance for column 6.

Current Value - represents:

"Present Value This Year" column seven (7) sections that have been shaded are to remain as is. Blocks that have not been shaded should indicate the present appraised value. If no appraised value has been determined then the value should equal the "Current Balance 06/30/XX" column six (6).

Items of Property

Real Property - The term "Real Property" is generally related to real estate, which includes land, buildings, site improvements, and improvements on leased property.

Asset Category - LAND

A. Land (No. of Acres______) - Total acreage of land.

Land is non-expendable, real property whose title is held by a state agency. The recorded asset cost should include, in addition to the acquisition price, such ancillary costs as legal and title fees, unpaid taxes assumed, surveying and recording fees, appraisal and negotiation fees, damage payments, site preparation costs (clearing, filling, and leveling), and demolition of unwanted structures. As easement is a business expense and not reported as an asset. These costs are set up in a separate asset category, "Site Improvements". Unlike land, these items have finite lives.

Note - The cost of land does not include expenditures in connection with land improvements such as paving, fencing, and lighting.

http://www.osc.state.ct.us/manuals/PropertyCntl/chapter03.htm

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The property control record for land owned by the State must contain the following minimum data:

1. Name of town
2. Date of acquisition
3. Method of acquisition
4. Complete expenditure coding - Fund, Department, Sid, Program, Account, Budget Reference Chartfield.
5. Original Cost - If applicable, plus other related costs as taxes and other liens assumed, title search costs, legal fees, surveying, filling, grading, drainage, and other costs of preparation for the use intended or the Appraised Value.
6. Appraised By
7. Dimensions - Number of acres
8. Additional Costs
   a. Amount
   b. Description
   c. Purchase order reference

10. Deed - If a copy of the deed is not available, the data can be obtained from the Office of the Town Clerk in the town in which the land is located.
   a. Kind
   b. Date
   c. Where recorded
   d. Where filed

11. Miscellaneous - Additional information may be recorded depending upon the needs and requirements of the particular agency.
12. Date of Disposal
13. Manner of Disposal
14. Amount Received

Land Acquisition - When land is being acquired, an initial report at the time of acquisition, in memorandum form, must be made to the Office of the State Comptroller, Fiscal Policy Division. The memorandum should contain the following information:

a. Agency Number
e. Owned or Leased
i. Plot Number
b. Town Name
f. Usable-Unusable
j. Number of

c. Date Acquired
g. Purchased-Gift-Transferred
Buildings on Plot
d. Cost (Dollars Only)
h. Number of Acres (Do not carry beyond two decimals)

Land acquired by the State by gift, requires the approval of the Governor and the Attorney General, as prescribed by Section 4b-22 Connecticut General Statutes.

Asset Category - IMPRO

B. Site Improvements - Cost of site improvements made to property.

http://www.osc.state.ct.us/manuals/PropertyCntrl/chapter03.htm 6/15/2006
Site improvements include all improvements not specifically identifiable to an individual building except non-depreciable improvements to land parcels such as grading or filling expenditures. Included within this category are agency-maintained infrastructures such as roads, bridges, curbs, surface gutters, streets, sidewalks, drainage systems, parking lots, lighting systems and similar assets which, while not identifiable to any particular structure, nevertheless have a quantifiable value to the agency.

Site improvements that increase the value of the original property require a separate property control record. Site improvements include:

- Fences
- On-Site Sewer and Water Lines
- Other Landscaping
- Parking Lots
- Paving
- Shrubbery
- Tunnels
- Underpasses
- Walls

Asset Category - B(I/I D)

C. Buildings (Total Number ________) - Total number of buildings owned by the agency.

Enter the summary total from the JESTIR Building Inventory Report.

The Joint Effort for State Inventory Reporting (JESTIR) is a mutual effort on behalf of the Connecticut Office of Policy and Management, the Office of the State Comptroller and the Department of Public Works. Data supplied under JESTER is shared among the three agencies to consolidate real property inventory data.

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450 Capital Avenue - MS#52ASP, Hartford, CT 06106-1308
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e-mail: patrick.obrien@po.state.ct.us

Buildings include all real estate, excluding land, which are used for shelter, dwelling, and other similar agency purposes. The statewide definition is "a relatively permanent structure to house persons or property". The recorded asset cost should include the purchase or construction cost, professional fees for architects, attorneys, appraisers, or financial advisors, and any other expenditure necessary to put a building or structure into its intended state of operation.

The asset category "Buildings" includes improvements to buildings as well as the original building cost. The main criteria for capitalization of building improvements are that the expenditures significantly extend the useful life or enhance the value of the individual building.

Expenditures not meeting these criteria should be expensed.

Building Fixed Equipment-Includes fixtures which are permanently attached to and made part of a building and which cannot be removed without damaging walls, ceiling or floors or without impairing the building in some manner.

Examples are:

http://www.osc.state.ct.us/manuals/PropertyCntl/chapter03.htm

6/15/2006
An inventory record similar to that used for capitalized equipment should be maintained as part of the building inventory record for all fixed equipment for that particular building.

**Asset Category - LIMPR**

**D. Improvements on Leased Property** - Total cost of improvements on leased property.

Improvements to leased buildings and other structures, walkways, and permanently installed equipment items located on property leased to the State must be capitalized. Improvements on leased property require a separate property control record. The dollar value and a brief description of the improvements made should be recorded. Permanent improvements to leased assets are those items that cannot be removed without substantially damaging or necessitating substantial repair to the leased asset from which the improvement is removed. Assets that are merely located on leased property, rather than permanently installed thereon, should be recorded as capitalized assets.

**Asset Category - CONST**

**E. Construction** - Total cost of all construction in progress.

**F. Total Real Property** - All vertical columns for this section should be added together.

**Asset Category - EQUIP**

**A. Books, Maps, Records** - This category includes a regular book collection that is not included in the "Works of Art, Historical Treasures & Similar Assets" category.

All additions **should be valued at cost**. If the cost is not ascertainable, estimate cost by using "The Bowker Annual Library and Book Trade Almanac".

The "Current Value" column is now unshaded to report the "present value" or replacement cost value.

Institutions of higher education and any other agencies that maintain a library with a librarian assigned to it are required to maintain a separate inventory for library materials. Library materials include but are not limited to: books, maps, records, videos, electronic media, CD disks, other reference materials, etc. Because institutional libraries normally contain large volumes of individually categorized materials, and maintain sufficient records to support the total value, it is not appropriate to enter duplicate detailed information. Instead, acquisitions and deletions of materials for a library should be recorded directly into the separate control account and will be summarized on the CO-59 form. The summary total from the library inventory should be entered.

**Note** - Historical treasures and other museum collections should be included in the "Works of Art and Historical Treasures" category below (L). This would include book collections that have appreciated in value.

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B. Furnishings & Equipment (Capitalized) - Summary total from the agency's capitalized inventory.

All personal property items with a useful life of one year or more and a value or cost of $1,000 or more must be capitalized. Each item must be recorded separately.

Included are all types of data processing equipment, movable telecommunication equipment, office machinery, furniture and other machinery and equipment necessary to the particular use of the building or property which are purchased outright or through an installment purchase plan.

Note - All purchases, leasing or licensing of data processing hardware or software should be reported to the Contracts and Purchasing Division of the Department of Information Technology. SDP-6, Data Processing Installation/Removal form located in Appendix B. Insurance coverage will be provided under the "All Risk" insurance policy, if insurance coverage is requested. If the equipment has been purchased with funds other than the general fund, a premium reimbursement may be required to be paid to the State Insurance and Risk Management Board.

Mobile equipment, such as motorized lawn mowers, tractors, shovels, cranes, or other such equipment not for use on highways, should be included under Furnishings and Equipment of the building in which, or on the premises of which, this equipment is normally located.

Mobile equipment that has a license plate and is registered with the Department of Motor Vehicles is to be included under the category "Automobiles, trucks, buses, motorcycles, trailers".

C. If Furnishings & Equipment (Capitalized) are donated - Record fair market value of donated furnishings and equipment. Donated assets are generally capitalized, if it meets the established criteria, at their estimated fair market value at time of acquisition. If additional expenses are incurred, these costs should be considered as part of the total cost of the asset. That is, the value should incorporate the fair market value plus any expenses required placing the asset in service, e.g. freighting.

D. Live Stock - Summary total from the agency's detailed live stock inventory.

E. Aircraft & Equipment - Summary total from the agency's inventory system.

F. Cars, Trucks, Buses, Motorcycles, etc. - Summary total from the agency's inventory system. Cars, buses, trucks, motorcycles, tractors, trailers, and other vehicles with license plates are classified motor vehicles. Each vehicle must be recorded separately. Motor vehicles being purchased under a capital lease should be recorded in this category at the beginning of the lease term. The initial recording value of a lease is the lesser of the fair market value of the leased property or the present value of the minimum lease payments (excluding interest payments). Operating leases are not reportable. Refer to leases within the Policy chapter of the manual.

The State Accounting Manual, entitled "Installment Purchases, Lease Purchase And Capital Leases", elaborates criteria for determining if a lease is capital.

The property control record must contain the following minimum data for each vehicle:

1. Year, make and model
2. Vehicle Identification number (VIN)
3. Serial number
4. Type of body

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5. Type of engine
6. Registration number
7. State car license plate number
8. Purchased from (date, name and address)
9. Additional equipment - permanently affixed to the vehicle or an item that would customarily be a part of the vehicle.
10. Gross cost (do not deduct trade-in amounts)
11. Date and contract award number
12. Assigned driver (if permanently assigned)
13. Permanently garaged at
14. Date of disposition
15. Method of disposition
16. Amount received or trade-in value

G. Boats - Summary total from the agency’s inventory system.

Each boat and/or aircraft must be recorded separately. All larger inboard vessels are subject to a survey value periodically. The survey value must be established every three years and be carried with moderate annual depreciation in the interim time period. The survey value must be kept at the agency level but not entered on the CO-59, where only the initial cost is entered.

Rowboats, outboards, and the motors thereon, are included in the regular inventory for the agency or commission having jurisdiction and should not be included in this record.

To obtain assistance in determining a survey value, notify the State Insurance and Risk Management Board whom will advise the agent of record.

The property control record must contain the following minimum data for each:

1. Identification number
2. Type of body
3. Type of engine
4. Registration number
5. Purchased from (date, name and address)
6. Additional equipment - permanently affixed to the boat or aircraft or an item that would customarily be a part of the boat or aircraft.
7. Gross cost - do not deduct trade-in amounts
8. Date and contract award number
9. Inventory value
10. Assigned driver - if permanently assigned
11. Permanently garaged at
12. Date of disposition
13. Method of disposition
14. Amount received at disposition or trade-in value

H. Railroad Car Free Rolling/Self-Propelled - Summary total from the agency’s Railroad Car Inventory.

The property control record must contain the following minimum data for each car:

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1. Full Description (make and model)
2. Identification Number - tag number assigned by the agency at the time of acquisition.
3. Engine Number
4. Original Cost - actual cost and ancillary charges.
5. Building Number, where garaged
6. Name of Manufacturer or Vendor and address
7. Manufacturer's serial number (if applicable).
8. Date Acquired
9. Method of Acquisition
10. Complete Chartfield Coding - Fund, Department, Sid, Program, Account, and Budget Reference.
11. Source of Funds - restricted or federal funds.
12. Present Value
13. Purchase Order Number
14. Condition
15. Useful Life
16. Date of Disposition
17. Method of Disposition

Asset Category - LEQUIP

1. Capital Leases - Equipment being purchased under a capital lease should be recorded in this category at the beginning of the lease term. The initial recording value of a lease is the lesser of the fair market value of the leased property or the present value of the minimum lease payments (excluding interest payments). Operating leases are not reportable. Refer to leases within the Policy chapter of the manual.

The property control record for each item must contain the following minimum data:

1. Name of Item or Brief Description
2. Specific Location - (Building Number or Name and Floor).
3. Department or unit responsible for custody
4. Name of Manufacturer or Vendor and address
5. Identification Number - (Tag number assigned by the agency at the time of acquisition. May be the same as the serial number).
6. Manufacturer's serial number (If applicable).
7. Date Acquired
8. Method of Acquisition
9. Complete Expenditure Coding (Fund, Department, Sid, Program, Account, and Budget Reference.
10. Source of Funds (Restricted or federal funds).
11. Catalogue of Federal Domestic Assistance (CFDA) number (If applicable).
12. Cost - Actual Cost and Ancillary Charges (installation, freight, transportation charges, site preparation expenditures, professional fees, and legal claims directly attributable to asset acquisition). All charges necessary to place the asset in its intended location and condition for use.
13. Estimated Cost - if there is lack of original documentation or because establishing the original cost is not practicable or if the cost must be established after many years of operating without these records.
14. Purchase Order Number
15. Maintenance Costs
16. Fair market value or appraised cash value at time of receipt of items either donated, received as

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surplus U.S. Government property or surplus state property with cost.

17. Condition
18. Useful Life (in months)
19. Date of Disposition
20. Method of Disposition

Asset Category - SOFT

J. Software - Software owned by the State of Connecticut, agency developed software which the State has ownership to and is capitalized.

Asset Category - INFRASTRUCTURE
K. Infrastructure includes roads, bridges, railways and airport landing areas.

GAAP Group Personal Property Subtotal - Subtotal the items in each column for the personal property section only. Do not include real property.

Asset Category - ART
L. Fine Art - includes:

Works of Art - statues, paintings, sculptures

Historical Treasures - antiquated military and other equipment
- historical documents & artifacts
- buildings considered part of a display
- museum collections (including books)

Agencies that have these items in their custody must maintain a separate inventory account for each item regardless of cost or value. An additional enhancement would be a photograph of each item in case of a loss. Each item must be listed separately.

Note: Since the standard fine arts inventory for insurance purposes as reported to the Insurance & Risk Management Board has a $10,000 deductible, items of lower value than that (but over the $1,000 capital item threshold) may not be reported to the Board but should be included on the CO-59.

Each property control record must contain the following minimum data:

1. Assigned Identification Number
2. Name of Artist - First and Last
3. Subject Name - if a painting, portrait, mural, statue, etc.
4. Brief Description of Each Piece
5. Medium (Oil Painting - Watercolor - Drawing - Graphics - Sculpture - Photography - Mixed Medium - Other)
6. Dimensions: (Height - Width - Depth)
7. Signature Location
8. Other Inscriptions and/or Labels
9. Date Crafted
10. Is it an original or copy
11. Date of Acquisition
12. Method of Acquisition

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13. Cost at Acquisition
14. Location
15. Name/Address/Telephone Number
16. Appraised Value
17. Appraiser
18. Date of Appraisal
19. Date of Disposition
20. Method of Disposition
21. Amount Received at Disposition

Inventory Module

M. Materials & Goods-In-Process - Summary total from the agency’s materials and goods-in-process inventory report.

Items under this section represent any resalable articles which are manufactured, fabricated or assembled in a school, prison or in any shop that is under the jurisdiction of the State agency.

The record for each item should contain the following data:

1. Item Description
2. Cost of Each Item
3. Raw Materials on hand

N. Stores & Supplies - Summary total from the agency’s stores and supplies (perpetual) inventory.

Stock items and supplies, used and consumed in the daily operations of an agency, such as food, office supplies, perishables, table or bed linens, dishes, small tools, appliances, and articles of a similar nature should be recorded on a separate register page, in total, for each building.

A separate perpetual (continuous) inventory should be maintained of all stores and supplies (including repair parts for machinery, plumbing, general housekeeping, etc.) if the estimated value of the entire inventory is over $1,000. Perpetual inventories valued at less than $1,000 would not need to be maintained. Due to the rapid rate of turnover, strong internal control is especially important. A perpetual inventory system can provide the strongest possible internal control over the inventory of merchandise. The information required for a perpetual inventory system can be processed electronically or manually.

In a manual system a subsidiary record card is used for each type of merchandise on hand. If the agency has in stock 100 different kinds of products then 100 inventory record cards will make up the subsidiary inventory record. It should be reconciled annually for verification of amounts.

The record card or system should contain the following data:

1. Item Type
2. Location
3. Maximum Number - that should be on-hand
4. Minimum Number - that should be on-hand before reordering
5. Date Column
6. Purchased Column

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a. Quantity received
b. Unit Cost
c. Total Dollar Value

7. Distributed Column
   a. Units Distributed
   b. Unit Cost
   c. Total Dollar Value

8. Balance Column
   a. Units available
   b. Unit Cost
   c. Total Dollar Value

The perpetual inventory system should be maintained on a first-in, first-out (FIFO) basis. A listing on each inventory card the maximum and minimum quantities that should be kept in stock can strengthen additional control over the amount invested in the inventory. By maintaining quantities within these limits, overstocking and out-of-stock situations can be avoided.

An adjusting entry can be made to reflect shortages, overages, or out-of-condition stock as disclosed by an annual or periodic physical inventory.

O. Other Property Owned With Trustee Funds
Summary total from the agency's inventory report, of items not owned by the State such as personal property of patients and inmates or equipment owned by Student, Patient or Inmate Activity Funds.

P. Total Personal Property - Add the vertical column entitled, "GAAP Group Personal Property Sub-Total" above, and the individual items below that sub-total for the summary total of personal property.

Q. Grand Totals For Real And Personal Property - Add The Vertical columns entitled, "Total Real Property" and "Total Personal Property" together for the "Grand Total."

Prepared By - Name of individual who prepared the report.
Telephone Number - Preparer's phone number.
Date - The date the report was prepared.
Authorized Signature - Agency head's signature or his/her designee.
Date - The date the report was signed by the agency head.

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There are various methods by which assets can be acquired. To establish property control records for real and personal property, the following factors, depending upon method of acquisition, should provide the agency with a basis of determining the value of the asset.

**Purchase**

**Acquisition by Purchase** - When assets are purchased, record purchase price and, if applicable, any ancillary charges necessary to place the asset in its intended location and condition for use.

**The cost of land and buildings acquired through purchase** should include not only the contract price but also such other ancillary related costs as taxes and other liens assumed, title search costs, legal fees, surveying, filling, grading, drainage, and other costs of preparation for the use intended.

**The cost of personal property acquired through purchase** should include ancillary costs such as freight and transportation charges, site preparation expenditures, professional fees, and legal claims directly attributable to asset acquisition.

For example: If an equipment item was purchased for $950 and there are charges such as shipping, and/or installation for the item on the purchase order, bringing the cost equal to or greater than $1,000, then the item would be capitalized, inventoried, and reported on the CO-59.

**Acquisitions through the Capital Equipment Purchases Fund, Fund 12051** - Account for these assets like any other capital purchase.

**Donation**

**Acquisition by donation or escheatment** - An asset acquired by donation or escheatment is generally capitalized, if it meets the established criteria, at its estimated fair market value at time of acquisition. If additional expenses are incurred, these costs should be considered as part of the total cost of the asset. The cost should reflect any expense incurred, the value should reflect the fair market value. Land acquired by the State by gift requires the approval of the Governor and the Attorney General, as prescribed by Section 4b-22 Connecticut General Statutes.

**Construction**

Construction by Contract - Elements of the cost of an asset acquired by contract must eventually be recorded whenever any portion of construction work-in-process is placed in the custody of the State agency. The cost should be recorded separately to the assigned building number.

A building can be in one of the following five stages of construction process:

1. Construction in Progress - the building is not occupied. In these instances the cumulative cost of projects in process does not have to be reported to the State Comptroller via the CO-59.

Instead, this information is generally reported to the State Comptroller via customized GAAP closing package requests that are sent out at fiscal year end to facilitate the preparation of the State's Comprehensive Annual Financial Report. As the Department of Public Works (DPW) administers most capital projects, construction-in-progress data is maintained at that agency. For capital projects that are administered by other State agencies, construction in progress information would be maintained at those departments.

2. Partially Complete - this describes the situation when a component portion of a capital project (e.g., a new wing or floor) is substantially complete or complete and ready for use. A letter from the Department of Public Works is issued declaring that the project is partially complete and ready for use, describing the areas that are partially complete, transferring ownership of the completed component to the client agency, and stating the approximate cost. This approximate cost figure for the partially completed project is used for insurance purposes and also for reporting by the client agency to the State Comptroller via the CO-59. In order to avoid duplicate reporting of capital project costs on the CO-59, it is important that construction-in-progress costs separately reported to the Comptroller's Office be reduced to reflect the transfer of partially completed projects to an agency's custody for occupancy by that agency. The agency should add the value of the asset to the capitalized building value on the CO-59.

3. Substantially Complete - A "Certificate of Substantial Completion" is issued by the Department of Public Works when an entire project is substantially complete and now under that agency's custody, ready for occupancy. An estimated cost of the project to date is included in the letter, which is used for insurance purposes and for reporting by the client agency to the State Comptroller on the CO-59. In order to avoid duplicate reporting of capital project costs on the CO-59, it is important that construction-in-progress costs separately reported to the Comptroller's Office be reduced to reflect the transfer of substantially completed projects to an agency's custody for occupancy by that agency. The agency should add the value of the asset to the capitalized building value on the CO-59.

4. Completed - The Department of Public Works prepares a "Certificate of Completion" when a building is entirely completed that indicates the final construction contract cost, pending potential closeout or contingency costs. It includes, unlike the "Certificate of Substantial Completion", certain additional project costs on the Form C.O. PW14, "MEMORANDUM". Examples of these adjunct costs are additions or deletions to the original construction contract, design and DPW fees, and other project costs like telecommunication, hazardous material removal as part of major renovation that increases the economic life of the building, or construction performed separately by a contractor other than the major contractor. Project costs previously reported to the Comptroller via the CO-59 should be adjusted, as part of the CO-59 reporting process, to reflect the final cost of the completed capital project.

In order to avoid duplicate reporting of capital project costs on the CO-59, it is important that construction-in-progress costs separately reported to the Comptroller's Office be reduced to reflect the closeout of all completed projects. The agency should add the value of the asset to the capitalized
building value on the CO-59.

If the completed project cost memorandum is not attached to the “Certificate of Completion”, the agency should contact the Department of Public Works to obtain the actual cost of the building.

Costs should not be based upon a percentage of construction completion, but on actual costs as reconciled with the Department of Public Works or, for lesser projects and those not controlled by the Department of Public Works, those actual costs maintained at the agency level. Project costs should include all costs pertaining to the project.

Do not include non-capital, repair expense items. Routine repair, and maintenance; including replacements and renovation costs that are incurred to maintain the asset in its operating condition and that do not increase the asset's economic benefits over those originally intended are not to be included and are expensed. For example, roof replacement, painting, and paint removal are not capital costs.

5. Final closeout - This occurs when all foreseen project contingencies have been resolved and all project costs have been finalized.

Agency (self) Administered Projects - The same project cost accounting rules apply to agency administered projects as discussed in the previous “Construction by Contract” section. The difference is that the Department of Public Works has less, and conceivably no oversight of the project, and therefore it is the responsibility of the agency to properly account for and report their capital project expenditures.

Construction by Agency - The principal factors to be considered in recording the cost of assets constructed by an agency's own labor force should be based upon the use of cost accounting concepts.

Additions, Renovations and Repairs to Real Property - All additions, renovations, or improvements, which increase the economic benefits to be derived from an asset, will be capitalized. The expenditures must clearly and significantly enhance the value.

Routine repair, and maintenance; including replacements and renovation costs that are incurred to maintain the asset in its operating condition and that do not increase the asset's economic benefits over those originally intended are not to be included and are expensed.

Building additions or renovations are a large portion of the State's capital projects. The completed Construction in Progress records will provide support for the total cost of a building, including the project (or projects) under which it was built and the projects which represent additions or renovations.

A few examples will illustrate this point:

A. Repair and Maintenance - A roof is worn out and needs to be replaced and costs $100,000 to repair. This repair will not be capitalized because it merely restores the building to its original status.

B. Improvement - Same situation as above except that the State decides to install a significantly better roof with solar collection panels at a cost of $750,000. 1) determining the cost of the replacement if it were to be done and 2) subtracting this amount from the total cost of the renovation determines the capitalized amount.

$750,000 for the solar roof

Agency personnel will review capital projects and determine which are true additions or betterments to existing buildings versus those which are merely repairs and maintenance. This decision must be made on a case-by-case basis.

Note - For capital projects that do not require a certificate of completion, record the asset when final payment has been made.

**Miscellaneous Acquisitions**

**Acquisition by Foreclosure** - Property acquired in this manner should be recorded at appraised value at time of acquisition. The cost data should include the total amount of all taxes, liens, and other claims surrendered, plus all other costs incidental to acquiring ownership and perfecting the title.

**Acquisition by Eminent Domain** - The right of the State to appropriate private property for public use, usually with compensation to the owner. The property should be recorded as if acquired through purchase. The cost would be the amount of compensation paid to the owner and other ancillary charges.

**Acquisition by Escheat** - The reversion of property to the State in the absence of legal heirs or claimants. The property should be recorded as zero for cost unless some cost was incurred by the State such as legal fees. The value should be recorded at the estimated fair market value at time of acquisition and should include all costs involved in acquiring the asset.

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Chapter 5

PROPERTY CONTROL SYSTEMS

Approved System - The Core-CT Asset Management Module is the property control system to be utilized by all state agencies with the exception of Legislative Management, Judicial Branch, the Community Colleges, the State Universities and the University of Connecticut to record and control all property owned by and/or in the custody of a State agency.

Approval of Comptroller - Before a system is selected by an agency exempt from using the Core-CT Asset Management Module, written approval must be secured from the Comptroller. This also applies to changes from one property control system to another. Staff of the Fiscal Policy Division is always available for assistance and consultation relative to the various systems available.

In selecting the type of property control system best suited to meet an agency's requirements, the following factors must be considered:

1. Amount of property
2. Frequency of transfers of personal property
3. Available personnel and type of equipment
4. Other reporting requirements

Types of Approved Systems - There are two basic types of systems - software packages or agency developed automated systems and either type may be used.

There are many "asset management" software packages available that are inexpensive and can establish or enhance a property records control system. Established "Asset Management Software Packages" provide the benefits of learning from the experience of others in already proven property records systems. They feature report writers that permit users to generate their own special reports with little or no programmer assistance.

Agency developed automated systems are also acceptable.

The property system must include a control account for each reportable category on the Form CO-59, Asset Management/Inventory Report/GAAP Reporting Form and a detailed subsidiary record for each individual item in the category.

The subsidiary records must be reconciled with the control account. Subsidiary records must be maintained by location regardless of the type of property system selected.

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The Property System must be reconciled annually with the respective official records maintained by the Comptroller, and/or other sources such as the State and Federal Property Distribution Center (PDC).

**Tagging Personal Property** - The primary purpose of tagging is to maintain a unique identification number for each asset owned by the State.

Tagging is important for:

1. Providing an accurate method of identifying individual assets;
2. Facilitating the inventory process on a periodic basis;
3. Controlling the location of all physical assets;
4. Assisting in maintaining fixed assets;

No single Statewide identification tag is mandated for inventory purposes. Agencies may continue to use current tag formats as long as the following tagging procedures are met.

**Tag Information** - The tag should provide a unique number and the property owner’s name (agency name). It is important that the format of the tag used should serve the primary purposes of identification; therefore, the number should be the predominant feature on the tag. The numbering sequence utilized should be a simple, consecutive series of numbers. Numbers should be assigned in consecutive order without regard to asset type or location. However, agencies may designate different color tags and/or a specific series of identification numbers for different asset types, if desired.

The consecutive numbering allows each asset item to carry a unique number throughout its entire life regardless of change in location, responsible person, or other data elements assigned to the asset item, until such asset is retired or disposed of. Once disposition has occurred, the number is retired. The retired identification number should be maintained in a history file for three years after disposition for audit trail control purposes.

Items incapable of receiving a physical tag will nevertheless be coded a unique tag identification number for control purposes. These types of untaggable assets include heat-sensitive or finely-tuned equipment items for which physical tagging would be impractical or would otherwise alter the item’s usefulness. The unused tags should be stored in an agency logbook or otherwise controlled to avoid duplicate use of tag numbers.

Use of serial numbers in lieu of tags is not recommended, however, in certain instances may be reasonable and is not specifically disallowed. Serial numbers can be recorded to support the inventory tag number.

**Types Of Tags**

**Metal tags** - they come in a variety of sizes, shapes and colors, and should have the agency name stamped on them. Brass and aluminum are the normal materials used. Normally, the identification number should be painted or enameled so that it will stand out more easily from the tag itself. These tags are more permanent.

They work very well on machinery, vehicles, furniture and other equipment subject to wear, accumulation of oil and grease, or periodic repainting. However, these tags require time and effort to apply and are prone to be knocked off.

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Decal tags - they are available in a variety of forms and should have the agency name stamped on them. This type of tag works well on office furniture, office machines and small plant equipment. However, great care must be exercised when applying the decal to be sure that the surface is free from grease, furniture wax, oil or other substances that will prevent the tag from properly adhering to the surface. Variations in temperature also may prevent proper adhesion.

Bar coding - is similar to applying decals. Bar coding can be done by tagging specific items and also has the capability of coding a specific room, in total. There are hand held scanners that can read the bar coding which results in improved periodic inventory taking.

Stencil - a template is made out of cardboard or similar material, of the tag number and then the template is spray painted on the item.

Etching - is like engraving the item with a special tool, usually used on items that are small and/or handled a lot, where a regular tag would fall off or wear out.

When To Tag - As soon as each item is received and accepted, an identification number must be assigned, recorded on the receiving report or other source document and marked.

Who Should Tag - Who assigns the tag number and who does the tagging varies from State agency to State agency. Since property recordkeeping normally is the responsibility of the accounting department, this department might assign the number and tag any new assets.

The individual responsible for maintaining the asset records should supervise this operation to insure compliance with requirements.

Where to Tag - The placement of the tag is important. Tags must be placed consistently and they must be accessible. It is important to know where to find a tag when verifying the asset to the property control record. For some items there is no good place to put tags, however, it should be consistent.

The tag should be placed in an area where the number can be seen easily and identified without disturbing the operation of the item. This placement will allow for easy periodic inventory taking.

Off-Site Copy of Inventory - A copy of the agency's detailed inventory records must be filed off-site in the case of a partial or total loss of the building that contains the inventory records. This will provide the detailed information to substantiate a loss, if necessary. The copy can be in any type of diskette form or hard copy.

Record Retention and Destruction of Records - A carefully planned Property Control System will provide for the establishment of record retention and record destruction schedules.

Periodically, each agency should conduct an analytical review of all its books, records, papers and documents to determine whether the administrative, fiscal and/or legal requirements mandate the retention of this data.

When the analytical review has been completed, each agency should submit to the Public Records Administrator, State Library, for approval, retention schedules for all such books, records, papers and documents.

As a general rule, records affecting the fiscal operations of any agency may be destroyed after those

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records have been audited. However, purchase orders for equipment must be kept for "the economic life of the equipment" per Connecticut State Library directive "State Agencies' Retention/Disposition Schedules" revised 4/1999. The record retention schedules are available on the State Library Website (http://www.cslib.org). As required by statute prior approval must be obtained from the Public Records Administrator to destroy any public record. Do not destroy any public record without the proper authorization. The RC-108 form, "Records Disposal Authorization", can be downloaded from the Website.

We refer you to Sections 11-8 and 11-8a of the General Statutes. Also, please direct questions pertaining to record retention, schedules, and destruction of records to the Public Records Administrator at (860) 757-6540.

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Chapter 6

MAINTAINING THE PROPERTY CONTROL SYSTEM

The Purpose for Maintaining the Property Control System - The main purpose of the property control system is to help ensure that the State's property, plant and equipment are acquired, managed and disposed of in the best interest of the State and its citizens. This mission is promoted through the development and maintenance of adequate accounting and property records both at the State and agency level. Such records are an essential tool for management in its effort to make sound decisions based on timely and accurate information.

Property represents the largest category of investment made by the State of Connecticut. The state's inventory includes assets ranging from land, buildings, artwork, furnishings and equipment to automobiles, boats, railroads, airplanes and livestock. Despite its importance, however, property control is often a low priority for State agencies.

Why has the problem worsened in recent years? First, this is a time of rapid technological and organizational change. The State's control systems have not kept up the pace. For example, many agencies face severe staff limitations in this area. In an era of tight budgets and limited personnel, other pressing needs have made property control a lower priority. However, limited staff and tight budgets are two very good reasons why property control policies need to be updated and improved. When implemented properly, improved property control procedures can save the State a substantial amount of money in a number of ways, including averting equipment loss and theft, by helping agencies avoid unnecessary purchases, and by helping to lower the State's insurance premiums.

Managing Inventory Levels - The best way to view inventory is to think of it as cash, an asset of the State. The State manages cash by ensuring it is adequately safeguarded and maintained in accounts that maximize earning power. We do not maintain cash as dormant so inventory should not be considered dormant either. The following management ideas should be considered:

Excess inventory levels should be avoided because (like cash) State assets should be productive assets. Inventory items not being used during a reasonable period of time is comparable to cash being maintained in non-interest bearing accounts.

State resources are not effectively utilized by carrying excessive inventory levels.

The following inventory management techniques should be considered:
Identify inventory items on hand, which exceed the level of usage that is usual for your agency. For example, if there are 25 of an item on hand and your department is using only 2-3 every six months, an excess inventory situation exists and assets are not being effectively utilized.

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For items determined to be in excess of current needs, management should review the ordering decision process and make appropriate corrections; reduce the level of future orders and establish a formal plan to reduce existing inventory levels.

Identify obsolete inventory items on hand, which have not been used during the past six months. Determine whether there is a future use for the items. If no future use is identified, determine whether the items can be utilized in another department.

Review the status of items stored at off-site premises (exclusive of computerized backup). Ensure there is a formal plan to utilize the items at the agency within a reasonable period of time. Items without immediate use should be declared surplus. Storage costs should be eliminated for items stored off-site that do not have an identified use to the agency.

Safeguarding inventory items is important to prevent theft and loss of State assets that must be replaced by expending additional State funds. Review the adequacy of existing physical safeguards designed to protect State assets you are responsible for. Appropriate safeguards should be implemented to prevent potential losses.

**Equipment Utilization** - All agencies contain furniture and equipment, including personal computers, desks, chairs, tables, bookcases, cabinets, etc. Excess physical assets can arise due to various reasons, including State reorganizations and restructuring of employee responsibilities. It is important to ensure that these assets are effectively utilized.

A person should be assigned responsibility for each asset as the custodian. This assignment facilitates physical inventory procedures and is useful in making inquiries regarding the assets condition, status and location.

When the property control records have been established for all existing property, the system must be maintained in an orderly manner and on a current basis. Without proper maintenance the system will deteriorate quickly and the inventory process will have to be recreated. Property record/fixed asset systems are not stagnant. Procedures must be in place to manage the activity that occurs. Each agency must develop a procedure manual for the maintenance of their fixed asset system.

A screening process is necessary to avoid unneeded or duplicative purchases through systematic reviews of underutilized fixed assets already controlled by the agency.

Adequate maintenance procedures are necessary for controlling fixed assets. These procedures should be sufficient to keep assets in good working condition, without being overly costly or otherwise uncontrolled.

The forms to be used to effect the various changes in the upkeep of the data for the property control system will vary depending upon the type of control system established by the agency.

However, posting to the property control records should be done directly from the source document or an agency developed form.

Taking the Physical Inventory - A complete physical inventory of all property must be taken at the end of the fiscal year (June) to insure that property control records accurately reflect the actual inventory on hand within the current fiscal year. The key to ensuring an accurate physical inventory is the quality of the planning effort prior to conducting the physical counts.

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Core-CT asset agencies must use the Asset Management Module for the physical inventory of assets.

It is permissible to perform physical inventories prior to the end of the fiscal year to redistribute the major time commitment involved. However, an adequate control system must exist for updating the inventory balance from the interim inventory date to year-end. The accuracy of the interim transactions may be tested during an audit.

In addition to the verification of the property control records, a physical inventory will identify if unrecorded or improperly recorded transactions have occurred, identify any excess, defective or obsolete assets on hand and identify losses not previously revealed. Conducting a physical inventory will enable you to inspect the physical condition of each item with respect to the need for repairs, maintenance, or replacement.

**Guidelines for Conducting a Physical Inventory**

The Comptroller recommends that the personal property physical inventories be conducted annually as follows:

That the individual responsible for the property management function of the agency should establish a timetable and coordinate the effort necessary to conduct the inventory. All locations where assets are stored should be identified. A building diagram is often helpful in ensuring that all areas are accounted for.

That all supervisory personnel should meet a few weeks prior to the physical inventory for a planning meeting.

The areas discussed at the planning meetings should include the specific counting, procedures, each person’s responsibilities, cut-off procedures, the timing of the physical inventory, etc. As a result of the meeting, written procedures should be prepared for use by counters and supervisory personnel.

That a second planning meeting should take place after the aforementioned meeting. The second meeting should involve supervisory personnel and the individuals performing the counts. At the second meeting, the counters should be instructed concerning the counting procedures and all procedures agreed upon at the initial meeting. Written instructions should be distributed to individuals performing the counting. The units of measurement should be determined prior to counting. For example: Quantities may be in units, boxes, pounds, etc.

That the individual performing the property management function will be permitted access to each room controlled by the agency being inventoried.

Items to be counted should be physically arranged to facilitate simplified counting. All "like products" should be consolidated into one area.

Inventory should be counted in a systematic consistent manner (e.g., left to right, top to bottom).

Inventory counts should be documented on either pre-numbered inventory tickets or pre-numbered inventory sheets. A log should be used to account for all tickets/sheets issued to the individual counters. The log should also note the tickets/sheets used and unused.

All unused tickets/sheets should be returned.

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Supervisory personnel should observe the counting and inspect the goods.

Counters and checkers should initial each ticket/sheet.

Errors should be corrected on tickets/sheets by crossing out the incorrect quantity and writing in the correct quantity. Individuals making changes should note their initials next to the changes.

Items that will not have any activity prior to the physical inventory may be pre-counted. Pre-counting items helps alleviate time pressures during the physical inventory.

That the equipment located in the room will be checked for tag number and the inventory listing will be scanned to locate the item.

If the equipment is listed, the following data should be rechecked: responsible person, equipment condition, and equipment availability. Tagged items in the room which are reported on the agency inventory report as located elsewhere will require a transfer document to be completed, to record the change of location.

If untagged items are identified as meeting the definition of either a capitalized or controlled asset, an inventory record must be completed at the time. The item should be subsequently researched and entered into the system.

Once all the agency locations have been checked for tagged and untagged items, the additions and deletions to departmental inventory records must be transmitted to the individual responsible for the agency property management on a timely basis. Property management personnel will process the required changes.

Note - "Lost/Missing/Unaccountable" Equipment - Equipment that is deemed "lost, missing or unaccountable" when taking a physical inventory must be accounted for. Instructions for reporting a loss are prescribed in this manual. The equipment is then considered to be "retired" until such time as it may be recovered. The item can then be added back to the inventory as "reinstated".

Physical Inventory Staffing - Individuals responsible for the property management function at the central and sub-agency organizational level within the agency are required to assist in conducting the physical inventory of assets.

Inventory count activities should be conducted by count teams made up of a team supervisor and agency personnel. The agency must determine the method of staffing the inventory count team that best utilizes its available resources.

Inventory Movement - There should be no movement of assets while the physical inventory is being conducted in order to ensure that items are not counted twice or inadvertently not counted. Transfers should also be prohibited during counting.

If movement of assets is unavoidable (such as certain dining operations), control sheets should be established for each area where previously counted assets are being transferred to work areas. To avoid double counting, assets should not be transferred back from working areas to storage areas.

Transfers - Any movement of an asset by virtue of change in location, either by department, building, and floor. A transfer may be a full or complete transfer or a partial transfer of an item. This is

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particularly useful for those pieces of equipment, which have multiple parts such as computers, where only certain pieces are changed frequently. Each request for transfer must be submitted to the Agency's Property Control Unit on a suitable agency form authorizing the transfer of the property.

Such forms should provide for a complete description of the property transferred, the name of the transferor and the transferee. The property control unit copy provides the basis for moving a subsidiary account from one department and putting it in the records of another department, thus effecting a change in the record of responsibility. Property should not be transferred without formal written authorization. Unless transfers are formally authorized, property cannot be controlled.

The Comptroller's Office has developed an "Equipment Transfer Within Agency" form which is available for agency use. The form is in Appendix B and is also available on the Comptroller's Website.

Reconciliation - All internally prepared property control accounting records, and other related property management data shall be reconciled to the Core-CT Asset Management Module insure the accounting data maintained is valid.

The format used for the reconciliation should establish an "audit trail" so that the reconciliation can be traced to the source documents.

It is critical to account for all physical inventory tickets/sheets issued to counters because the used tickets/sheets will become the basis for summarizing and recording the physical inventory in the accounting records.

All inventory tickets/sheets must be pre-numbered for accurate accountability.

If sheets are used, supervisory personnel should ensure that all used and unused sheets are received back from the counters and posted to the control log.

If tickets are used, the top copy of the ticket should be removed from the goods, placed in numerical sequence and returned to the supervisor for posting to the control log.

The principle of the reconciliation process is to reconcile the property control accounting data on a detail, line-by-line individual transaction basis. This method has the advantages of:

1. Reducing the reconciliation to the most basic level of comparison;
2. Being the easiest method of detecting data entry differences; and
3. Being a comprehensive approach to ensure that each transaction is properly recorded.

Corrections do not require a form, but corrections that involve "costs" should be noted on a control sheet for reconciliation purposes.

Property Internal Control Checklist - The checklist is designed to help agencies evaluate their internal control systems. Each Checklist begins with a flowchart that will help guide you through questions. Refer to Appendix C, Property Internal Control Checklist.

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Chapter 7

SOFTWARE INVENTORY CONTROL POLICY AND PROCEDURES

Purpose - These accounting procedures are established to set agency standards for governing the use of approved and/or licensed software by State agencies, to maintain inventory control of software and to establish a uniform policy for the protection of software copyright infringement.

All software either purchased or leased by the State of Connecticut will be registered with the State of Connecticut named as the license holder (preferred) or its subdivision if required by the terms of the license agreement (for example, to qualify for an educational discount). Under no circumstances will an individual be named as the license holder of any software bought, leased or owned by the State of Connecticut, or purchased with non-State funds for use by the State.

Oversight Responsibility - The Office of the State Comptroller is responsible for defining and disseminating procedures for the establishment of software inventory databases for use by agencies of the State. This inventory may also be used to provide source documentation to verify an agency's compliance with the Copyright Act, United States (U.S.) Code - Title 17. The Department of Information Technology will provide the administrative oversight and support and monitor changes in technology that might necessitate revisions to this policy.

Policy

1. Software is protected by the Copyright Act, U.S. code - Title 17. This act gives the owner of the copyright the exclusive rights to reproduce, sell, and distribute the copyrighted work. The agencies of the State of Connecticut will comply with all provisions of this law.

2. An agency that purchases/licenses a copy of software has the right to use it in accordance with the terms of the software license, including installing the software on home PCs if the software license agreement provides for it.

3. Agency heads are responsible for ensuring that the agency is abiding by the terms of all software licenses.

4. The State of Connecticut will provide legally acquired software to meet its legitimate needs in a timely fashion and in sufficient quantities to satisfy those needs. The use of this software is restricted to conducting the state's business.

5. Only state agency authorized software shall be installed or used on state-owned or leased hardware. The use of unlicensed software copies (software used in violation of the software

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license), personally owned software, and unauthorized bulletin board or shareware software is
strictly forbidden.

6. The State of Connecticut will enforce internal controls to prevent the making or using of
unauthorized software copies, including measures to verify compliance with these standards and
appropriate disciplinary actions for violations of these standards.

7. Agencies are to maintain a software inventory as described in this chapter.

8. Agencies will develop and implement a plan to protect its data against infection by computer
viruses.

9. Use of Internet Service Providers, Browser and/or FTP software must be approved prior to
utilization on state hardware.

10. Any software purchased with state or federal funds for installation on state-owned or leased
hardware for use in conducting state business shall be licensed in the name of the State of
Connecticut, or, failing that, licensed in the name of the agency making the purchase.

Agency Responsibilities

1. The agency head, or designee, is responsible for overseeing agency compliance with Federal
copyright statutes and the Software Management Policy.

2. The agency head, or designee, shall maintain positive control of software, including compliance
with the State Comptroller's software inventory procedures, and shall establish accounting
procedures that document purchases of all software.

A software inventory (or inventories) must be established by all agencies to track and control all
of their software media, licenses or end user license agreements, certificates of authenticity (where
applicable), documentation and related items. Agencies may decide in what manner they are to
accomplish this - whether by agency, division, bureau, geographical area or other means that
relates to their own internal organizational structure. However, there must be at least a central
inventory covering all software components. This inventory will include software acquired with
State funds (including external funding sources) and installed by the agency or its funding units.
This library, or libraries, must be located in a secure area or maintained in a secure manner. The
library will include all copies of media and at least one copy of the manual and other
documentation.

Exception - Media required for access to on-line manuals, tutorials or supplemental materials (for
example, clip art or templates) may be retained by the user in his/her workplace. However, this
must be done in a secure manner and with the knowledge and consent of the library administrator.
This information will also be recorded in the software inventory.

3. Each agency is to designate a responsible party to establish and monitor the implementation of a
software inventory.

4. Each agency is to designate one or more individuals to serve as a library administrator who will be
responsible for the physical security and distribution of the software media and manuals.

5. The agency head, or designee, shall maintain records of all software installations including

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secondary external installations allowed by certain software license agreements and software licenses.

6. Each agency will produce a software inventory report on an annual basis. These reports will be available to the Auditors of Public Accounts.

7. A physical inventory of the software library, or libraries, will be undertaken by all agencies at the end of each fiscal year and compared to the annual software inventory report. This comparison will be retained by the agency for audit purposes.

8. An agency may choose to have an external entity maintain the software inventory for the agency as part of a purchase or lease agreement. If the agency selects this option, the inventory and its management must meet the minimal requirements established in this section.

9. The agency head shall certify in writing its compliance with this policy when requested by the Department of Information Technology, or its designee.

10. Each agency shall participate in a statewide employee software information program which:
    a. Explains this Software Management Policy.
    b. Provides the resources to effectively inform employees on their responsibilities for the use of state-owned software and the prevention of software piracy and software viruses.
    c. Reinforces the agency’s commitment to comply with the Copyright Act.

11. The agency head, or designee, shall incorporate, by reference, the State’s Software Management Policy into the bi-annual agency technology plan.

12. The agency head shall adopt the State of Connecticut Software Code of Ethics.

Software Code of Ethics - This is the State of Connecticut policy concerning software duplication. Under this code, all employees shall use software only in accordance with its license agreement. Unless otherwise provided in the license, any duplication of copyrighted software, except for backup and archival purposes, is a violation of the Copyright Act, which is found in Title 17 of the U. S. Code. Any unauthorized duplication of copyrighted computer software not only violates federal law and is contrary to the State's standards of conduct, but also is also considered computer crime under Section 53-451(b)(e) of the Connecticut General Statutes. The following principles are to be followed to comply with software license agreements.

1. All software will be used in accordance with their license agreements.
2. Unauthorized copies of any software may not be made or used on state agency computer hardware.
3. Illegal copying of software is not allowed under any circumstance. Making, using, or otherwise acquiring unauthorized software, while employed as a state employee, will subject you to appropriate disciplinary measures.
4. Software licensed to the State of Connecticut, its agencies, departments, commissions or subdivisions is not to be loaned or given to anyone.
5. Software licensed to the State of Connecticut, its agencies, departments, commissions or subdivisions is to be used only in the conduct of the state's business.

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Audits of Software - Application programs installed on any individual stand alone computer(s) or on a LAN environment may be audited. The results will be reconciled to the registered license agreements and the corresponding purchase documents.

It is up to each agency to make sure that this information is readily available for management and audit purposes and is maintained with a high degree of accuracy. Original registration cards and certificates of authenticity (or equivalents), where applicable, may be maintained on site but a duplicate record must be kept at a central agency designated location.

Software Control Record - Agency developed software which the state has ownership to and is capitalized and reportable on the CO-59 and classified under the software category must be recorded within the Asset Management Module of Core-CT. The following format may be used for purchased software not owned by the state included within the agency software inventory. Software licenses are not owned assets, but must be included in the software inventory.

The property control record must contain the following minimum data:

1. Assigned Identification Number
2. Title of Software
3. Description - software name or functional application
4. Version
5. Manufacturer
6. Software Serial/Registration Number (if available)
7. Acquisition Type - purchased, leased, or donated (gift)
8. Acquisition Detail - purchase order number, donation source or gift source
9. Initial Installation Date
10. Location and ID# of CPU device
11. Cost - the cost of the purchased software
12. Disposal - upgraded (list new serial number), transferred, sold or destroyed

An agency may choose to expand upon the reporting requirements stated herein. LAN applications need only to reference the file server and not individual computers if the agency has only installed a central copy of the software.

Information for Developing an Agency Plan - The following information is provided as a resource for developing an agency plan for implementing the State's Software Management Policy.

United States Copyright Law - Software is automatically protected by federal copyright law from the moment of its creation. The rights granted to the owner of a copyright are clearly stated in the Copyright Act, which is found at Title 17 of the US Code. The Act gives the owner of the copyright "the exclusive rights" to "reproduce the copyrighted work" and "to distribute copies of the copyrighted work" (Section 106). It also states that "anyone who violates any of the exclusive rights of the copyright owner is an infringer of the copyright" (Section 501), and sets forth several penalties for such conduct. Persons who purchase a copy of software have no right to make additional copies without the permission of the copyright owner, except for the rights to (i) copy the software as an essential step in the utilization of the computer program and to (ii) make "another copy for archival purposes only," which are specifically provided in the Copyright Act (Section 117).

Software creates unique problems for copyright owners because it is so easy to duplicate, and the copy is usually as good as the original. This fact, however, does not make it legal to violate the rights of the
copyright owner. Although software is a medium of intellectual property, its protection is grounded in the long-established copyright rules that govern more familiar media, such as records, books, and films. The unauthorized duplication of software constitutes copyright infringement whether it is done for sale, for free distribution, or for the copier's own use. Moreover, individuals who copy are liable for the resulting copyright infringement whether or not they knew their conduct violated federal law. Penalties include liability for damages suffered by the copyright owner plus any profits of the infringer that are attributable to the copying, or statutory damages of up to $100,000 for each work infringed. The unauthorized duplication of software is also a Federal crime if done "willfully and for purposes of commercial advantage or private financial gain." Criminal penalties include fines of as much as $250,000 and jail terms of up to five years.

To Summarize the United States copyright Law: A "Software Package" may be used on any compatible computer, but only on one computer at a time unless otherwise specified by the licensee. Each user is authorized to make archival copies of the software for the sole purpose of making a backup diskette to protect his/her investment from loss. Software purchased for Local Area Networks (LANS) will be available only to the maximum number of simultaneous operators as specified by the license. Each package must be evaluated individually, based upon how the manufacturer has designed it to operate in a network environment. In any case, a single package cannot be installed on multiple stand-alone networks. The rule for making LAN-based software backups is the same as that for stand-alone PC software (one back-up copy for each LAN application). Under no circumstances is a state employee allowed to download an application from the LAN server to a local hard drive as this will be in violation of the licensing agreement. This would result in two copies per one LAN licensed copy.

Self Audit - Objective: Each agency may conduct its own audit to determine whether they are complying with applicable software license agreements. Software compliance is a legal responsibility for state agencies and non-compliance can impact an agency as they may be held financially liable for unlicensed copies. Agencies may be advised to pursue this course of action as a prelude to an audit by the Auditors of Public Accounts.

The purpose of a self-audit is:

a) to provide a reference point for agencies establishing software inventory,
b) to determine what application software is installed on networks and stand-alone computer systems,
c) to remove and replace any unauthorized software found, and
d) to evaluate the current state of agency compliance.

Pre-audit procedures:

a) Collect and review all software purchase records.
b) Collect and review all software license agreements.
c) Select a date for the audit.
d) Decide whether employees will be notified in advance.
e) Use auditing software to search networks and stand-alone hard drives and portable computers.

Post-audit procedures:

a) Compare audit results with records of authorized software.
b) Address use of state-owned software on home computers as determined by the software license and agency policy.
c) Either remove or destroy unauthorized software or purchase a license for it, as appropriate.

d) Analyze results to determine future software purchasing needs.

Usage Standards by License Type

The license agreement is a contract between the software publisher and the user. The precise wording of the license agreement varies with each software vendor and each vendor has a policy governing the use of its product. The purchaser/licensee of software is only purchasing the right to use a particular application from a software publisher. Software publishers vary in terms and types of their licensing agreements. These variations do not preclude any agency from ignoring the terms under which a purchase of software is made. If a user is not sure, he/she should ask his/her agency representative or call the software publisher to clarify the issue. Do not make assumptions or interpretations of legal language. A confirming letter should back up all telephone conversations with the publisher. Do not put the agency or any individuals in jeopardy.

License agreements generally fall into the following categories:

a) Individual and Machine/PC Licenses,
b) Concurrent License,
c) Network License,
d) Site/Enterprise License,
e) Font License,
f) Bundled Software,
g) Shareware, Demonstration Software,
h) Freeware or Bulletin Board Software,
i) Personal Software
j) Secondary Installation of Software

a) Individual and Machine/PC Licenses - Individual licenses apply to single users or to specific computers. An example would be a word processing program designed to operate on a single workstation. An individual license is exactly as the name implies: a license for one user, or for use only on one machine.

License Per Individual - Software can be licensed to a particular individual, meaning that a specific person can only use it. This method of licensing is most suitable for software that will be used only by one person and at other times is idle. For example, the organization's accountant might be the only person who needs to run a tax preparation program. While this method makes it clear what can run the software, it also raises other issues: i.e., can the licensed individual use the package both at work and at home?

Individually licensed software is licensed to one user for use on one workstation. Loading software onto another machine (even if owned by the same user) may constitute a violation of copyright. However, some software manufacturers allow the user of the software to make additional copies. Again, where permitted, this may allow the licensed individual, under the terms of the license, to make a copy of the software for a home PC and/or lap top computer as well as an office workstation.

The idea here is that the user cannot be in more than one place at a time; therefore, the software can only be used at one place at a time. Users wishing to run one copy of software on multiple machines should read their license agreements carefully and contact the publisher with any questions.

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LAN managers report that tracking licensed individuals on a network is time-consuming and complicated. In organizations with considerable employee movement and turnover, monitoring software use under individual license is nearly impossible. This method is least popular with LAN managers.

**License Per Machine** - Software licensed per machine requires that customers purchase a license for each PC that might use the software. For example, if the agency has an environment with 100 PCs, the agency would need to buy 100 licenses. Many software managers purchase software in this manner because it almost guarantees they won't violate the license agreement or the copyright law. Common examples of this type of license include operating system software, such as DOS, screen savers, or software that is explicitly tied to the workstation's hardware.

**Duplicate Media** - Some publishers put both 3-1/2" disks and CD-ROM in the same box, but there is still only one license. These disks should be considered as the same license. Both copies have been provided simply for ease of installation. The agency cannot give the unused set of disks to any one else.

**Software Suites** - A suite is a group of applications sold together. Though a suite contains different applications, it contains only one license. Different applications within the suite cannot be used concurrently by two separate people. For example, if the agency purchases "Word Perfect Office" (containing the products Word Perfect, Quattro Pro, and Presentations), the agency is not permitted to install "Quattro Pro" on one workstation, and install "WordPerfect" on another. All applications in the suite must be installed on the same PC.

**Upgrades/Updates** - An upgrade, sometimes called an update, is an improvement to the original version of the software. The software publisher may have added additional features in the program, or made other substantive improvements. When a software publisher offers version 5.0 of a product, and subsequently releases version 6.0, the 6.0 version is an improvement to version 5.0.

For the software user using version 5.0 of the product, the following two scenarios can take place when considering upgrading to the new version:

A. If the agency is using version 5.0 and decides to **upgrade** to version 6.0, the agency only has one license for both versions. Remember that the **upgrade** is an improvement to the original. It does not create a second license and can only be one hardware installation of this software product under the original terms. In order to obtain the **upgrade**, the agency will have to demonstrate **ownership of version 5.0**. Ownership may be proved with the first page of the manual or original disks. The prior version becomes a back-up copy and cannot be passed to another employee within the organization, nor can it be resold.

B. If the agency is using version 5.0 and decides to **purchase** version 6.0 without utilizing the publishers upgrade program, the agency is then permitted to re-sell the prior version, if permitted in the license, or give version 5.0 to an associate. In this example, the agency would be paying the normal retail price for version 6.0 and would not have to demonstrate ownership of version 5.0. As the agency **purchased** version 6.0, the agency then has two licenses-one for version 5.0 and one for version 6.0.

It is extremely important for the software manager to keep an accurate accounting of upgrades and new product purchases. Some software managers that go with option A, above, mark the disks, manuals and purchase records with a "U", signifying an upgrade from a prior version.

C. Competitive Upgrades are used by many software companies as a means to gain market share. A competitive upgrade is nothing more than a special offer to the agency from a software publisher.

For example, the agency is currently using Lotus 1-2-3, and Microsoft would like the agency to start using their spreadsheet, Excel, instead. Microsoft will sell the agency a license for Excel at a deeply discounted price in order to get the agency to become a registered user. Since the competitive upgrade is a special sales offer, acceptance of the offer does not obligate the agency to cease use of the older product. In the above example, the user's license to continue to use a previously purchased copy of Lotus 1-2-3 may not be revoked by Microsoft. The agency has two valid licenses. For purposes of showing authorized software, the software manager will still need to retain roof of ownership for both pieces of software.

<table>
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<th>Individual License Violations</th>
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<tr>
<td>With an individual license, software cannot be loaned to a friend, even if the software was delivered in both CD-ROM and 3-1/2&quot; formats. It is a violation of copyright to keep one set of disks and lend or give away the other set.</td>
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<tr>
<td>Another very common misuse of an individual license is loading the software onto a file server (LAN) and configuring it in such a way that it can be used by multiple users. In addition, it would be a violation to take the same copy of software and install it on multiple PC’s without having the appropriate number of corresponding licenses.</td>
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b). Concurrent License - A concurrent license allows a limited number of users to connect simultaneously to a software application. The number of users may be limited to 5, 10, 25, 100 or more, depending on the publisher. Concurrent licenses are becoming more popular due to the increased use of LAN environments.

For example, if the agency has 25 users, but only 10 use a spreadsheet at any given time, then the agency would only need to purchase 10 copies of the program. Concurrent licensing is a potentially money-saving and attractive option because the agency can purchase only the amount of software needed. It is an ideal solution for those applications in which the peak usage rate is less than the total number of potential users. However, the agency needs a method to estimate this peak period. Some software vendors design their software to lock out any extra users beyond the number authorized. Some do not. If the publisher does not install this feature into its product, the responsibility is then with the software manager to ensure its legal use. Many software managers will install metering software to count the number of concurrent users, and also lock out unauthorized users.

Each organization using software with a concurrent license has the responsibility to conform to the license agreement regardless of whether or not the software locks out the extra user trying to access the software.

Self-metering, concurrently licensed software often comes in a special file server edition. The software includes a network setup disk with a counter utility and a LAN pack. Vendors frequently

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sell LAN packs in increments of five or more users. If more than five users need to access the software, the agency must purchase additional LAN packs. Vendors usually offer these packs at discounted rates compared with the cost of the five stand-alone copies. Many software publishers have adopted concurrent use licensing for their application software, but not for operating systems.

**Concurrent License Violations**

*When more users are using the software at one time than the license allows, they are in violation of the license agreement. For example, if the agency put a five-user software application on the network, but 50 people are using it, 45 of these users are violating the license agreement.*

e) **Network License** - How the agency defines a network and how a publisher defines a network may be very different. Read the network license very carefully to determine the publisher’s definition.

A network license is generally limited to a Local Area Network (LAN) or individual file server. The network license is different from the concurrent license in that every member of the network is allowed to access the program. Also, the software is installed on only one server on the network (rather than on each computer, as is the case in the concurrent licensing).

The number of users is limited to the number of connections the network operating system (NOS) allows to the file server. Software limited to a file server is often coded so it cannot be loaded on to another file server, and the license agreement generally prohibits the agency from installing the software on multiple file servers. Therefore, it is the responsibility of the organization to monitor software usage.

File server licenses are an excellent choice for system software programs and network management tools because they don’t require accurate user or PC counts. Because the agency only installs a single copy, the software is easier to install, administer and upgrade.

Selling software in this manner allows the vendor to present a cost-effective solution to organizations with large networks.

**Network License Violations**

*Copyrights are violated when the licensed software is loaded on more than one file server at a time.*

d) **Site/Enterprise License** - For purposes of software licensing, “site” has multiple definitions, including:

- A single geographic area (Example: New York offices of XYZ Corporation).
- One organization in many areas (Example: New York, Los Angeles, and Hong Kong offices of XYZ Corporation).
- A corporate division on separate floors of an office building (Example: Accounting Department of the Department of Education).
- Corporate offices and home PC’s of all employees.

When organizations purchase many software licenses, vendors sometimes offer a volume discount or a site license. The discount can be applied to all forms of software licensing. Organizations with

100 file servers may receive a discount on software licensed by file server, while organizations with 100 PCs may get a discount on software licensed by machine. A site license may consist of a discounted price on multiple copies of software or it may allow unlimited copies of a single disk. The vendor may adjust the price based on the number of nodes on the network or the number of file servers. Obtaining a site license is generally less expensive than purchasing individual copies for each user. Generally, when acquiring a license such as this, the organization interested in the site license must deal directly with the publisher.

Enterprise-wide license, also known as a "Gold Disk," is an unlimited use license, but it has a set term of use that the agency must generally renew annually. This type of license is usually more suitable for a large organization with a large number of computers with multiple site locations.

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**Site/Enterprise License Violations**

*Piracy occurs when this software is loaded at one or more additional sites without purchasing another site license agreement. Another copyright violation of the site license occurs when users download the software for home use, even if it is used for business-related purposes. The license may allow this. It is the responsibility of the software manager to determine if this is an allowed use per the license agreement.*

---

**Font License Violations**

*The type of output device used and what type of license has been purchased determines violations. Printer-based violations occur when a single output license is purchased but multiple printers are used. Computer-based violations occur when a single computer is licensed for the font but it is used on multiple computers.*

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**Bundled Software**

- When a computer is purchased with "bundled" software (sold as part of the unit), even though this software is part of the purchase price, the software must be inventoried at this point. This fact must be documented on an invoice or substantiated by other documentation. When upgrades of the computer's "bundled" software are purchased, the new upgraded version will
become part of the software inventory. Any upgrade of software must be installed on the computer with the original version. Under no circumstances may any upgrade be separately installed on another computer as this violates copyright law. The original version and the upgrade are joined together under one license agreement. The old version's back-up copy is to be destroyed and an upgrade copy retained in its place.

g). Shareware/Demonstration Software - This is software that is marketed by freely distributing a limited or full version of the software through trade shows, bulletin boards, World Wide Web sites, File Transfer Protocol sites, Internet sites, E-mail, or by handing it from one user to another.

Potential users are encouraged to copy the program for "preview" purposes to determine whether or not they want to purchase it. The rule with Shareware is if the user likes the program and keeps it, the user sends the developer payment for it. If the user keeps it but does not pay for it, the user is in violation of the copyright. Almost all Shareware includes a "read me" file or an opening menu stating that the program is Shareware and how and where to send the payment. Use of this type of software must be approved in writing from the administrator designated to oversee the software inventory.

If a state employee desires to install his or her own purchased program as demonstration software for a possible future agency purchase, the agency must develop written procedures and a form to document this type of installation. The administrator may authorize an installation of this type only if the owner can show proof of original ownership and that the use of this software will benefit the State. At a minimum, this must include a verification that the program has been checked by an agency approved virus program; b. verification that the program is legally licensed to the employee; c. the test is limited to a defined time frame.

Note - Any software that cannot be confirmed as a legally licensed copy may not be brought into an agency and evaluated for any reason.

h). Freeware or Bulletin Board Software - Freeware, also known as "public domain software," is software distributed for general use with no restrictions placed on it by the developer. It is usually distributed in much the same way as Shareware, but no payment is required from the end user.

Upgrade drivers or patches distributed by software vendors are also classified as freeware.

While the terms of the Copyright Act automatically protect all software from the moment of creation, the developers of Freeware voluntarily waive their rights to the software when they choose to distribute it free of charge, and a statement to that effect is usually found in a "read me" file or an opening menu. In some instances, Freeware may be modified by the end user without authorization from the developer.

Because of its nature, the individual may use and share Freeware without fear of copyright violation. However, any installation on state-owned hardware must have prior written approval as this type of software falls under the same guidelines as "Shareware/Demonstration Software." Extreme caution should be exercised to maintain virus control.

Note - Agencies may elect to prohibit installation of any shareware, freeware, or demonstration software by their employees or limit the installation to specific individual circumstances.

http://www.osc.state.ct.us/manuals/PropertyCntrl/chapter07.htm

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j) **Personal Software** - Personal software is software that is **not** licensed to the State of Connecticut or its subdivisions. Personal software may not be installed on any computer owned or leased by the State or the Federal Government or purchased with Federal Funds for use by the State, except in those specific instances covered in "License Agreements" in this chapter. Any installation of personal software may compromise the integrity of the State's compliance with copyright laws and may expose the stand-alone computer or network file server to the introduction of computer viruses.

j) **Secondary Installation of Software** - An installation of state owned software on a home or field office computer must be permitted by that software product's license agreement. Agencies are responsible for establishing written procedures to document this installation as permitted by the license agreement and as necessary for the efficient operation of an agency's functions.

These procedures need to identify the software installed, the installer, location, date of installation, hardware, and subsequent date of the un-install/removal of the software.

An agency provided with uninstall software program will document the removal of this secondary installation when it becomes necessary.

**Employee Education Program** - Many State employees are generally uninformed with regard to how software is impacted by the Copyright Act. In most instances of copyright license violations, it is ignorance of the law rather than intentional abuse, that is the root of the problem. For this reason it is important for agencies to institute an employee education program with the commencement of this Software Management Policy.

It is crucial that all State employees understand their responsibilities with regard to the software programs that they access and use in their daily work environment. To accomplish this, information must be disseminated that addresses: types of software licenses; code of software ethics; copyright laws; agency software policy; and annual software audits.

Agency heads will be provided with an employee information pamphlet that will be developed for all state agencies. However, it is the agency's responsibility to educate its employees regarding this Software Management Policy.

**Copyright Protection for State Developmental Software**

The State of Connecticut is responsible for ensuring compliance with software manufacturers' licensing requirements.

However, the State must also ensure that it protects its own interests when contracting with vendors to develop custom software. While a proposal is being examined, the State's right to the copyright or waiver of rights, with respect to future commercial applications in the public or private sector should be documented.

If the State decides to retain the copyright to the software (agencies should be aware that this right may increase the cost of the contract so the cost-benefit aspect of this decision must be weighed), specific contract language may be incorporated into the contract. Check with the respective agency Attorney General liaison. See Appendix D for specific contract language.

**Computer Viruses**

http://www.osc.state.ct.us/manuals/PropertyCntl/chapter07.htm

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A computer virus may manifest itself as a self-replicating segment of computer code designed to spread to other computers by sharing “infected” software. Viruses may be “benign” or “malignant.” Benign viruses replicate, but do no malicious damage. For example, they may beep or display messages on the screen, but they do no intentional damage. Malignant viruses attempt to damage computer resources such as erasing a hard drive.

Some symptoms of computer viruses are: system crash; slower than normal program operation: change in file size; loss or change of data; and unusual and frequent error messages.

Agencies must develop procedures for system protection by designing, installing, and using virus detection software. These procedures must also incorporate the downloading of information from communications links such as America On-Line, Internet, World Wide Web sites, File Transfer Protocol sites, etc.

**Disposal of Software** - The procedures for the disposal of surplus software are outlined in chapter 8 “Disposition of Surplus Property” in this manual.

http://www.ose.state.ct.us/manuals/PropertyCntl/chapter07.htm

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Chapter 8

DISPOSITION OF SURPLUS PROPERTY

Authority - The State and Federal Property Distribution Center (PDC) is the legally authorized agent for the disposal of surplus state property.

Section 4a-4 of the General Statutes of Connecticut, Control of State Property and Equipment provides:

"The Commissioner of Administrative Services shall consider and devise ways and means of establishing and maintaining proper control of State property and equipment, including vehicles and office equipment; shall require the establishment of proper permanent inventory records and the taking of physical inventories of both stores and equipment; shall discover unused and improperly used or neglected equipment and shall authorize the transfer, use, or disposal of such equipment."

Section 4a-52 of the General Statutes of Connecticut, Regulations provides:

"The Commissioner of Administrative Services shall adopt regulations for the following purposes... (6) to provide for the transfer to or between such state agencies of supplies, materials, and equipment which are surplus with one such agency, but which may be needed by another or others, and for the disposal by sale of supplies, materials, and equipment which are obsolete or unusable."

Section 4a-57a. Distribution of surplus state property (a). The Commissioner of Administrative Services shall administer a property distribution program for the disposition of usable property that a state agency deems surplus to its operating needs.

Purpose - The purpose of the State and Federal Property Distribution Center is to act as a clearinghouse for the transfer, sale or disposal of property that is surplus to the needs of a holding agency. Property that may be considered obsolete or unusable by one agency may serve another agency's operational needs. The Property Distribution Center:

a. Ensures that the State achieves the best possible utilization of its property
b. Provides agencies with a cost-effective means of acquiring personal property
c. Maintains an inventory control system
d. Establishes an audit trail for State property

Responsibility of Holding Agencies - State agencies are responsible for maintaining adequate inventory controls and accountability systems for their personal property. Each agency should continuously survey its property to determine what is excess to its needs; reassign property among its activities when it is determined to be no longer required for its current use; and report to the Property

http://www.osc.state.ct.us/manuals/PropertyCntl/chapter08.htm

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Distribution Center personal property which becomes surplus to agency needs, unserviceable, obsolete or otherwise unusable. For the purposes of this chapter, personal property includes donated items and non-inventoried items.

The Property Distribution Center may assist agencies in locating and identifying undeclared surplus property to ensure that they are in full compliance with these requirements.

State agencies shall not stockpile property. It is essential for the proper control and use of state inventory that each agency's surplus property is redistributed to other agencies that have a need for the property.

State agencies must comply fully with reporting requirements. As set forth in the Disposal of Items Deemed Scrap Section, when an agency reports surplus property to the Distribution Center, it must provide all pertinent information regarding the property. Accurately reporting the condition of the property is critical so that receiving agencies can select property with a clear understanding of its value.

State agencies must properly maintain property. It is the responsibility of the holding agency to provide proper care and storage of its inventory. This requirement is mandatory until final disposition has been implemented through transfer, sale, scrap or other methods approved by the Distribution Center. After property has been declared surplus, the holding agency must make every effort to maintain such property in the same condition as reported to the Distribution Center. Agencies may not cannibalize, recover or remove parts, accessories or components of property that has been declared surplus without written approval from the distribution center. If an agency does not comply with these requirements, the Distribution Center is obligated under Section 4-33a of the General Statutes to notify the Auditors of Public Accounts and the State Comptroller of "breakdowns in safekeeping" of state property.

State agencies must comply with the following additional requirements for the disposal of state-owned vehicles:

1. A completed (duplicate), Sale Declaration Report Form (DPS - 29), along with all ownership documents must accompany a surplus vehicle turned into the Property Distribution Center.
2. Owning agencies are responsible for accurately reporting all vehicle defects or irregular conditions that have been identified by the agency.
3. Owning agencies are responsible for delivering surplus vehicles to a site designated by the Property Distribution Center.

State Property Disbursement Process Via the Internet

Surplus State personal property shall be disbursed in the following order:

1. Transfers between state agencies
2. Sales to municipalities
3. Sale by public auction
4. Donations to approved non-profit organizations (when cost-effective)

Unless granted a temporary exception by the Distribution Center, all state agencies must declare surplus property through the DAS State and Federal Property Distribution System on the Internet. The Web site address is www.pdc.state.ct.us. Using this system:

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Each state agency will be assigned an access code number that will serve as its identification in transactions. Because this code in effect replaces signature requirements, it is imperative that each agency securely protects its access code.

To ensure proper use of the system, the head of each state agency must assign one of its employees as its authorized system administrator, and must notify the Distribution Center immediately if this assignment is transferred to another employee. The representative will be the contact person with the Distribution Center for surplus property issues and will be responsible for the security of the access code.

A “Training Manual” submenu, containing instructions on how to use the Surplus State Property Disbursement Internet System, is available within the “Help” menu of the System.

Each agency will enter its surplus items into the system, describing the item, its condition and estimated value, its location, its accounting string and other pertinent information. This information is sent through the Internet to the Distribution Center for review. (This process replaces the DPS-38 process for declaring surplus property.)

The items will then be posted on the Internet system and will be available for other agencies to claim for 14 calendar days. The agency responsibility requires that the system generated control number be affixed to the corresponding inventory items. For the last seven calendar days of this period, municipalities will also be able to claim surplus property. Once an item has been claimed on the Internet, it becomes the claiming agency’s responsibility to pick up the item from the holding agency.

After this 14-day period has expired, remaining property will be evaluated for an additional 14 calendar day period by an authorized representative of the Distribution Center who will remove all items that are deemed to have a sale value. All state agencies are responsible for the disposal of any remaining articles that are designated "scrap" by the Distribution Center as discussed in the next section.

Disposal of Items Deemed Scrap - Property shall not be abandoned or destroyed by a State agency unless it is certified by a duly authorized representative of the Distribution Center that the property has no commercial value, or that the estimated cost of its continued care and handling would exceed the potential income that may have been derived from its sale. Once the Distribution Center has authorized the scrapping of material, the holding agency will assume all responsibility, including cost, for disposing of items deemed "scrap". The holding agency retains ownership until the scrapping transaction is completed.

Any item which has been designated to be "scraped" may not be given away to any State employee; however, under certain circumstances, an interested and qualified non-profit organization may be eligible to receive "scraped" property subject to the approval and authorization of the Distribution Center.

The Distribution Center will provide guidance to State agencies in determining the best alternative for disposing of scrap items.

Trade-In of State Property - In an effort to upgrade equipment, a State agency may explore the feasibility of exchanging like items through the process of trading-in, as opposed to transfer or sale, when it is in the best economical interest of the State.

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Items for Disposal Containing Hazardous Materials or Radioactivity - Guidance must be sought from the Department of Environmental Protection (DEP) relating to the disposal of pesticides, environmental hazards, health hazards or radioactive items. No material in these categories will be handled by the Distribution Center. For information concerning radioactive waste contact DEP at (860) 424-3029. For information concerning the disposal of hazardous waste contact DEP at (860) 424-3366.

Disposition of Surplus Software - Disposal of Software - When it is determined that software is no longer needed by an agency, the software will then be removed from the inventory as follows:

a. Authorized personnel will make the final determination on disposal and will provide a procedure to remove any licensed copies of that software from the corresponding hardware. All disposal of software must conform to the software publisher's or manufacturer's license agreements or copyright agreements.

b. The software media and associated documentation will then be removed from the agency software inventory.

c. It is the agency's responsibility to remove all software from a computer's CPU before surplusing the equipment at the Property Distribution Center.

Disposal of Electronic Equipment - All computer and/or electronic equipment deemed no longer useable must be recycled in an environmentally appropriate manner per Regulation of Connecticut State Agencies Sec. 22a-449(c)-113.

Disposition of Surplus Real Property - In Accordance With Sec 4b-21 of the General Statutes of Connecticut, any agency having custody and control of land, an improvement to land, or interest in land belonging to the state will inform the Secretary of the Office of Policy and Management (OPM), in writing, along with pertinent details of property including location, when the land, improvement or interest, or any part thereof, is not needed by the agency.

The Commissioner of the Department Public Works (DPW) will receive a copy of the notice sent to OPM.

The notice package to OPM and DPW will include a listing of:

1. Any current/remaining third party (private or other state agency) occupying the site;

2. All current Operating Permits issued by the State of Connecticut Department of Environmental Protection and the Federal Environmental Protection Agency; and

3. The legal property descriptions and site utility plans.

If OPM determines that the property may properly be treated as surplus, OPM will notify the Commissioner of DPW and arrange for the agency to transfer the custody and control of the property to DPW, along with adequate funding for personnel and other operating expenses required for the maintenance of such land, improvement or interest.

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Chapter 9

LOSS OR DAMAGE TO REAL AND PERSONAL PROPERTY

This section of the Property Control Manual establishes procedures for the notification and reporting of all losses/damages to State property as required by the Office of the State Comptroller and the State Insurance and Risk Management Board (IRM). Also included are procedures for handling and reporting accidents involving State-owned vehicles and third party losses.

Authority (all property) - Pursuant to Section 4a-20 of the General Statutes, the State Insurance and Risk Management Board determines "the method by which the State shall insure itself against losses by the purchase of insurance...to obtain the broadest coverage at the most reasonable cost".

In addition, this section also provides for the proper handling of insurance recoveries as follows: "Any refund, dividend or other payment from any insurance company in connection with insurance for the State shall be returned to the Comptroller for deposit in the general fund."

Basis for Insurance Coverage

The types of coverage and amount are based upon two factors:

1. The valuation of insurance costs compared to losses; and

2. The total valuation of all real and personal property as summarized on the Asset Management/Inventory Report/GAAP Reporting Form CO-59 (Rev. 3/2006).

In order that optimum insurance coverage is provided at a minimum cost, it is imperative that:

1. All losses/damages to State property are reported promptly; and

2. Accurate property control records are maintained for operating and reporting purposes.

Types of Insurance Coverage

The State currently provides the following types of insurance protection:

1. Liability for selected exposures (Contract/condition of employment requirement or Statute).
2. Fire and extended coverage (Blanket property).
3. Automobile Fleet comprehensive and collision on selected vehicles.

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4. Hull property coverage on selected vessels.
5. Boiler and machinery coverage (equipment breakdown).
6. Works of Art and Historical Treasures coverage on selected articles.
7. Statutory bonds for all state employees, Constitutional Officers and Commissioners.
8. Property coverage is provided in the following areas (subject to applicable policy limitations):
   a. State-owned buildings and premises.
   b. State-owned contents (including cash) in buildings both owned and leased by the State.
   c. Personal property of employees, patients and inmates in the care and custody of the State
      (not included as primary insurance).
   d. Equipment owned by other organizations (Federal Government, Leasing Companies,
      Student, Patient and Inmate Activity Funds, etc.) in the care and custody of the State.
      This is contingent upon the agreement between the State and the parties involved.
   e. State-owned property located off State premises.
   f. Selected motor vehicles.

Detailed information is contained in the State Insurance and Risk Management Board Manual on their

Reporting Losses - Pursuant to Section 4-33a of the General Statutes, "Illegal, irregular and unsafe
handling of state funds", the Office of the State Comptroller and the Auditors of Public Accounts must
be notified immediately of all losses/damages to State property upon discovery even though they may
not be covered under the current insurance programs.

The following procedures are in effect for reporting purposes depending upon the type of claim being
filed:

Report of Loss or Damage to Real and Personal Property (Other than Motor Vehicles) - CO-853

Use Form CO-853 to report all losses or damages to real and personal property other than vehicles
pertaining to theft, vandalism, criminal or malicious damage, lost or misplaced funds, missing property
(cause unknown) or damages caused by wind, fire or lightning.

Complete all required information as outlined in Appendix B and make the proper distribution as
indicated on the form. In addition to the required distribution, if the loss or damage appears to have been
causedit by criminal action or under mysterious circumstances, contact the Local Police Department or if
applicable, local security division, i.e. campus police, capital police, etc. Please fax a copy of the CO-
853 to the State Insurance & Risk Management Board at (860) 702-3424.

For missing property or property lost due to theft the item must be retired from the Core-CT Asset
Management system or for non Executive Branch State agencies, the applicable asset management
system. For expired, spoiled or obsolete inventory, Core-CT inventory agencies must complete an
adjustment to remove the item from the Inventory module.

Report of Loss or Damage to State-Owned Automobile (Comprehensive) CO-854

Use Form CO-854 to report all losses or damages to State-owned or leased automobiles pertaining to
fire, theft, vandalism, glass breakage of all types.

Complete all the required information as outlined in Appendix B and make the proper distribution as
indicated on the form. In the case of theft or vandalism, however, an extra copy of the Form CO-854

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should be forwarded to the Auditors of Public Accounts in order to fulfill the reporting requirements of Section 4-33a of the General Statutes. Make a notation to the Core-CT Asset Management system as applicable.

Please fax a copy of the CO-854 to the State Insurance & Risk Management Board at (860) 702-3424.

Recovery of Lost or Stolen Property If property is recovered the agency business office will return the recovered item(s) to the department that reported the loss if replacement has not been made or place the item(s) on the surplus property list for DAS/State and Federal Property Distribution Center if a replacement has been made.

Claim Procedures The State Insurance and Risk Management Board will file all insurance claim forms based upon the information submitted. If the claim pertains to EDP equipment, the State agency must submit a copy to the Director, Department of Information Technology, Resources and Facilities Planning.

An appraisal is required if the loss or damage pertains to fire, damage from malicious mischief or vandalism and/or flood damage. The State Insurance and Risk Management Board will arrange for such appraisal.

The claim forms will be submitted to the insurance adjuster and the Chief Estimator of the Public Works Department, who will make an inspection of the damage. If an inspection is not made within two weeks from the time the report has been submitted to the Insurance and Risk Management Board, the agency should notify this office in writing, making reference to the date of original notification of loss.

The agency should not contact the adjuster directly. Questions regarding claims should first be directed to State Insurance and Risk Management Board at (860) 702-3422 or (860) 702-3433 for a status.

Estimates - Certain types of losses do not require an appraisal by the insurance adjuster or the Public Works Department. Generally, the estimated dollar amount of this type of loss may be determined from the Asset Management records within the agency or by means of a vendor's replacement estimate or invoice.

If there is any question as to whether or not an appraisal is required, contact State Insurance and Risk Management Board at (860) 702-3422 or (860) 702-3433.

Settlement of Claim - When payment is received, the Comptroller will notify the respective State agency business office in writing, see form in Appendix B of this manual.

The monies will be deposited the following revenue account # 44322 - Insurance Reimbursement - Other Losses.

Allotment of Recovery to Agency - State agencies may obtain the use of funds realized from an insurance settlement provided the following conditions are met:

a. The amount of the recovery is greater than five hundred dollars ($500.); and
b. The agency requires the use of the funds recovered to replace the loss.

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The Allotment and Accounting Procedures - To obtain use of the amount realized from an insurance settlement, process an "Allotment Request Form", B-107. The date of the advice of insurance claim settlement and the deposit slip number are required on Form B-107.

The special identification will be coded 18010 in all instances.

Upon receipt of an approved Form B-107, the Comptroller's Budget and Financial Analysis Division will record the allotment for special identification 18010. A record of the insurance recovery appropriation will be established on a "Control Account" basis; i.e., only one account per agency will be maintained.

Insurance recoveries must be used only for the repair or replacement of the property damaged or missing. An insurance recovery for one loss must not be combined with that of another loss. This is a restriction on the use of insurance losses that must be scrupulously observed by all concerned.

Each agency will be required to reconcile the balance in its 18010 account with the individual insurance recoveries and related expenditures. In addition, the agency must, upon completion of any insurance recovery repair or replacement project, report in writing to the Comptroller the balance of the allotment which should lapse. If there is no balance remaining, no report is required.

State-Owned Vehicles

Insurance Information - The State of Connecticut is self-insured for the first $2,000,000 for fleet automobile coverage. There is an excess liability policy with limits of $23,000,000. The State's Fleet Insurance Program coverages are as follows:

A. Fleet Liability - The first $2,000,000 of each liability claim will be the responsibility of the State Insurance and Risk Management Board under a deductible provision.

B. Collision - Collision coverage is not provided to the vast majority of State vehicles. Only vehicles of unusual nature or high value which are on record with the State Insurance and Risk Management Board prior to a loss are covered for collision. Additionally, vehicles which are contractually required to have collision coverage through lease agreements are covered for collision. Collision coverage for vehicles will be subject to a $2,500 deductible. The collision deductible will be the responsibility of each individual agency and will not be reimbursed by the State Insurance and Risk Management Board.

C. Comprehensive - Comprehensive material damage (physical damage other than collision) coverage is now provided on only those vehicles that have collision coverage. Upon review and analysis by the State Insurance and Risk Management Board, it was decided to provide comprehensive coverage on only those vehicles that are leased, are of unusual nature or high value. Damage to vehicles with no comprehensive coverage will be the responsibility of each individual agency. Those vehicles which still have comprehensive material damage coverage will be subject to a $2,500 deductible and the deductible will be the responsibility of the agency.

Reporting Accidents - Report all automobile accidents resulting in personal injury or substantial other property damage immediately to the Fleet Insurance Administrator at 1-800-327-3636, including those accidents that occur after business hours. Minor accidents involving no personal injury may be reported on the next regular business day by mail.

Claims Procedures - The following procedures are in effect for reporting purposes:


2. The agency will distribute the four typewritten copies as follows:

<table>
<thead>
<tr>
<th>Copy</th>
<th>Recipient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original</td>
<td>Office of the State Comptroller</td>
</tr>
<tr>
<td>Fiscal Policy Division</td>
<td></td>
</tr>
<tr>
<td>55 Elm Street</td>
<td></td>
</tr>
<tr>
<td>Hartford, CT 06106</td>
<td></td>
</tr>
<tr>
<td>One Copy</td>
<td>State Insurance and Risk Management Board</td>
</tr>
<tr>
<td></td>
<td>55 Elm St., 2nd Floor</td>
</tr>
<tr>
<td>Hartford, CT 06106</td>
<td></td>
</tr>
<tr>
<td>One Copy</td>
<td>Retain for Agency Records</td>
</tr>
<tr>
<td></td>
<td>Make proper entry to the Core-CT Asset Management Record, if applicable.</td>
</tr>
<tr>
<td>One Copy</td>
<td>Fleet Administrator</td>
</tr>
<tr>
<td>Motor Vehicle Safety and Control</td>
<td></td>
</tr>
<tr>
<td>DAS Fleet Operations</td>
<td></td>
</tr>
<tr>
<td>190 Huyshep Avenue</td>
<td></td>
</tr>
<tr>
<td>Hartford, Connecticut 06106</td>
<td></td>
</tr>
</tbody>
</table>

**Losses Caused by Third Parties**

**Accidents** - All third-party losses must be reported immediately to the agency head. When damages to an injured employee and State vehicle are due to the negligence of an outside individual, it should be recovered from the individual or his representative.

For Example: A State employee, driving a State vehicle, is in an automobile accident caused by a third party.

**Procedure** - The usual accident or loss report must be filed with the Office of the State Comptroller, the State Insurance and Risk Management Board and also with the Fleet Insurance Administrator if the accident involved a State motor vehicle.

The data reported to the State Insurance and Risk Management Board should include additional information on the liable third party.

If the dollar amount of the loss/damage cannot be readily determined, the agency is responsible for obtaining an appraisal. The services of the Chief Estimator for the Public Works Department may be obtained.

**Claim Handling** - A claim should also be filed by the State agency against the liable third party. Any assistance, which may be required, will be provided by the Office of the Attorney General in the handling of the claim.

**Settlement of Claim** - In those instances where the loss is not paid by the State's insurer, the agency will either receive payment directly from the liable third party or settlement will be made with the Office of the Attorney General if that office acted on behalf of the agency initiating the loss.

**Third-Party Recoveries** - Upon recovery, the method of handling the payment received will depend upon the method the agency used to budget for third-party recoveries:

1. If the total cost for the repair or replacement of a loss is a part of the agency's normal operational

budget, then all third-party recoveries are to be deposited to Miscellaneous Income-Revenue Account 
# 44151.

2. If the total cost for the repair or replacement of the loss is not part of the agency's normal operational 
budget, then all third-party recoveries are to be deposited as either current or prior year refunds #44420 
(current) or #44410 (prior years) in accordance with the rules for such deposits as outlined in the State 
Accounting Manual.

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Appendix A

GLOSSARY OF TERMS

Access: To instruct, communicate with, store data in, or retrieve data from a computer, computer system or computer network.

Acquisition: To come into possession of property by means of buying, gift, foreclosure, eminent domain, escheat, construction, transfer.

Acquisition Date: The date that the fixed asset was received by the agency. This is the first day of the asset's useful life.

Agency: Any subdivision of the government of the State including, but not limited to, any executive office, department, division, bureau, board, commission or committee therein.

Asset: All property both real and personal that is in the lawful possession of an agency. For example, land, buildings, equipment, etc.

Asset Listing: A printed listing of all land, buildings and other tangible personal and real property resulting from the inventory of fixed assets that fall into a prescribed category and qualifies for inclusion in an asset management file.

Authorized Software: Refers to either the source or executable code or both that is acquired by the state to be used on a computer. This computer software has been developed, approved, purchased or licensed by the agency.

Building: State owned units that are fabricated, framed or constructed, designed to stand permanently and covering a space of land, including fixtures and sub-surface structures in which people work or live and items are stored.

Building Fixed Equipment: Includes furniture and equipment affixed to the building (general contractor-installed equipment) which serves the function of the agency, such as built-in benches, cabinets, counters, tables, lockers, conveying equipment, fume hoods, refrigeration machinery and piping, built-in shelving, paging systems, and clock systems.

Building Services Systems: Include attachments to the building, such as wiring, electrical fixtures, plumbing, heating systems, and air conditioning systems, and have the following general characteristics: are affixed to the building and not subject to transfer; and have a fairly long life, but one which is shorter than the life of the building to which they are affixed.

Cannibalization: The removal, for reuse of components, rendering the parent unit unusable.

Capital Leases: A lease of an asset, which treats the assets as being owned. A lease of this nature must

be capitalized if it meets the criteria. Equipment being purchased under a capital lease should be recorded in this category at the beginning of the lease term. The initial recording value of a lease is the lesser of the fair market value of the leased property or the present value of the minimum lease payments (excluding interest payments).

Computer: An electronic, magnetic, optical, or other processing device or system that performs logical, arithmetic, memory, or storage functions. It includes personal computers, notebooks, LAN servers, minicomputers and mainframes or any storage facility or communications facility that is directly related to or operated in conjunction with that device or system.

Computer Network: (A) A set of related devices connected to a computer by communications facilities, or (B) a complex of two or more computers, including related devices, connected by communications facilities.

Computer Software: One or more computer programs, existing in any form, instructions, manuals, associated operational procedures, or other documentation. Software provides the instructions and controls through symbolic languages of the operation of all computers including stand-alone and LAN (local area network) personal computers and related equipment as well as mainframe computers.

Computer System: One or more connected or unconnected computers, peripheral devices, software, data, program communications facilities, and computer networks.

Computer Virus: A software executable code segment which is covertly incorporated into the executable program code files (i.e. EXE, BIN, BAT, SYS, COM, DLL, etc.) or data files of a computer or computer network and is activated when the host programs executes. It can cause system crashes, changes in data or complete erasure of hard drives.

Construction: All associated cumulative cost (i.e. design, survey, furnishings and fixtures, etc.) related to a capital project that results in a fixed asset of the State. (Upon completion of the capital project i.e. the point at which the asset is placed in service for its intended use, the balance in the construction in progress account is transferred to an appropriate asset account such as buildings).

Construction completed: DPW prepares a "Certificate of Completion" when a building is entirely completed that indicates the final construction contract cost, pending potential closeout or contingency costs. It includes, unlike the "Certificate of Substantial Completion", certain additional project costs on the Form C.O. PW14, "MEMORANDUM". Examples of these adjunct costs are additions or deletions to the original construction contract, design and DPW fees, and other project costs like telecommunication, hazardous material removal as part of major renovation that increases the economic life of the building, or construction performed separately by a contractor other than the major contractor. Project costs previously reported to the Comptroller via the CO-59 should be adjusted, as part of the CO-59 reporting process, to reflect the final cost of the completed capital project. In order to avoid duplicate reporting of capital project costs on the CO-59, it is important that construction-in-progress costs separately reported to the Comptroller's Office be reduced to reflect the closeout of all completed projects. The agency should add the value of the asset to the capitalized building value on the CO-59.

Construction - partially complete: this describes the situation when a component portion of a capital project (e.g., a new wing or floor) is substantially complete or complete and ready for use. A letter from DPW is issued declaring that the project is partially complete and ready for use, describing the areas that are partially complete, transferring ownership of the completed component to the client agency, and stating the approximate cost. This approximate cost figure for the partially completed project is used for
insurance purposes and also for reporting by the client agency to the State Comptroller via the CO-59. In order to avoid duplicate reporting of capital project costs on the CO-59, it is important that construction-in-progress costs separately reported to the Comptroller’s Office be reduced to reflect the transfer of partially completed projects to an agency’s custody for occupancy by that agency. The agency should add the value of the asset to the capitalized building value on the CO-59.

Construction - substantially complete: A "Certificate of Substantial Completion" is issued by the Department of Public Works when an entire project is substantially complete and now under that agency’s custody, ready for occupancy. An estimated cost of the project to date is included in the letter, which is used for insurance purposes and for reporting by the client agency to the State Comptroller on the CO-59. In order to avoid duplicate reporting of capital project costs on the CO-59, it is important that construction-in-progress costs separately reported to the Comptroller’s Office be reduced to reflect the transfer of substantially completed projects to an agency’s custody for occupancy by that agency. The agency should add the value of the asset to the capitalized building value on the CO-59.

Construction in Progress: the building is not occupied. In these instances the cumulative cost of projects in process does not have to be reported to the State Comptroller via the CO-59. Instead, this information is generally reported to the State Comptroller via customized GAAP closing package requests that are sent out at fiscal year end to facilitate the preparation of the State’s Comprehensive Annual Financial Report. As the Department of Public Works administers most capital projects, construction-in-progress data is maintained at that agency. For capital projects that are administered by other State agencies, construction in progress information would be maintained at those departments.

Controllable Property: Controllable property is tangible property with a unit value less than $1,000, an expected useful life of one or more years and/or, at the discretion of the agency head requires identity and control. It is mandatory that each agency maintains a written listing of controllable property that has been approved by the agency head. Such assets must be identified and controlled because of their sensitive, portable, and theft-prone nature. The item must be tagged and maintained on the agency’s perpetual inventory. Different color or style tags can be used to separate controllable items from capitalized items. Controllable items are to be coded as commodities (03XX0). Refer to Chapter 2.

Copyright: The rights granted to the owner of software by the Copyright Act. End User License Agreement (EULA) is often used in place of the term "Software License". See that definition.

Cost: See historical cost.

Depreciation: The method of allocating the cost of a fixed asset over its estimated useful life in a systematic and rational manner.

Disposal: The act of getting rid of surplus property.

Disposition: That action taken to physically transfer property from one’s accountability.

Equipment: The implements used in an operation or an activity. This includes, but is not limited to, machinery, vehicles, computers (hardware and software) other electronic and/or electrical devices and furnishings.

Fair Market Value: The estimated amount at which the property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both.

Fixed Assets: All tangible property owned by the State (real and personal) such as land, buildings, and equipment, etc. with a useful life of more than one year and used in agencies.

Furniture: Movable articles in a room or establishment that render it fit for working or living. It includes items such as chairs, tables, cabinets, bookcases, etc.

GAAP Fixed Assets: Buildings, equipment and construction in progress (including all furnishings and fixtures) with a historical unit cost of $600.00 or more.

Hardware: Physical components or apparatus including major items of equipment.

Historical Cost: Original cost of an asset as distinct from the replacement cost. This would be the total cost of an asset when acquired, including ancillary asset cost.

Identification: The physical marking of property and/or in some cases its container. To provide the means by which ownership can be ascertained.

Improvement: An addition, alteration, betterment or structured change to an asset that results in its greater durability or extended useful life or to comply with current code or regulations.

Inventory: The process of preparing an itemized list recording land, buildings, equipment and other tangible property having an identity which remains constant. This process allows for accountability and results in an asset listing for the purpose of asset management.

LAN: Means Local Area Network or a system served by a single file server.

Land: Ground, earth/soil and the water thereon, for which the State has title.

License Agreement: A contract between the software publisher and the user to install and use a copy of software code under specific circumstances as defined by the publisher or manufacturer of the software.

Lost: Item having no departmental record of its location, condition, etc., following a scheduled inventory, and unless found, is deleted from the inventory master list.

Maintenance: Day-to-day, routine, normally recurring repair and upkeep to keep an asset in its existing state preserve from failure or decline. Maintenance activities keep an asset in good working condition throughout its estimated useful life.

Materials: Property, which may be incorporated into or attached to an end item. Includes raw or processed material, parts, components, assemblies, small tools and supplies.

Movement: The act of relocation or transferring property from one location to another.

Normal Useful Life: The life reasonably expected of new property based on average experiences, allowing for normal wear and tear, anticipated functional and economic obsolescence, and hazards. Normal life expectancies are derived from mortality data and study of specific properties under actual operating conditions.

Operating lease: An equipment item that is leased whereby ownership is not transferred to the lessees, in effect no purchase is made, is called an operating lease. If, under the terms of the operating lease

agreement, the state agency as lessee were responsible for insuring the property, then the asset would be recorded within this category. Include only operating lease property (property from capital leases should be recorded under the appropriate category, such as furnishings and equipment or automobiles and motorcycles). Maintain sufficient detail to identify property and location including value. However, enter only the total value for which the State is obligated for insurance purposes.

**Person:** A natural person, corporation, trust, incorporated or unincorporated association and any other legal entity or governmental entity, including any state or municipal entity or public official.

**Personal Property:** All property or rights therein, other than that determined to be real property.

**Plant Equipment:** Personal property of a capital nature consisting of equipment, furniture, vehicles, etc.

**Procurement:** To acquire or make available. That function responsible to buy or make available material or equipment.

**Radioactive Material:** That which is subject to spontaneously emitting alpha, beta, and sometime gamma rays.

**Real Property:** Land and rights therein, ground improvements, utility distribution systems, buildings and structures. It includes foundations and other work necessary for the installation of special equipment.

**Receiving:** The function or act of reviewing and accepting property into ones accountability or possession.

**Records:** Written data providing pertinent information regarding a specific subject such as property.

**Repair:** Work required to return a fixed asset to a condition that it may continue to be effectively used for its intended purpose by overhaul or replacement of parts or materials which have deteriorated due to weather or wear and tear. Routine repair and maintenance, including replacements and renovation costs that are incurred to maintain the asset in its operating condition and that do not increase the asset's economic benefits over those originally intended are not to be included and are expensed.

**Salvage:** Property which, because of its worn, damaged, deteriorated, or incomplete condition or specialized nature has not reasonable prospect of sale or use as serviceable property without major repairs or alterations but has some value in excess of its scrap value.

**Scrap:** Property that has no reasonable prospect of being sold except for the recovery value of its basic material content.

**Screen:** To review or compare property on hand against a known or anticipated requirement.

**Sensitive Items:** Those, which regardless of value could easily be adopted for personal use or converted to cash.

**Site Improvement:** Site improvements include all improvements not specifically identifiable to an individual building except non-depreciable improvements to land parcels such as grading or filling expenditures. Included within this category are agency - maintained infrastructures such as roads, bridges, curbs, surface gutters, streets, sidewalks, drainage systems, parking lots, lighting systems and

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similar assets which, while not identifiable to any particular structure, nevertheless have a quantifiable value to the agency. Refer to Chapter 3.

**Software:** Programs, procedures, and related documentation related to a system, computer programs.

**Source Document:** A fundamental document or record of transaction.

**Stolen:** Item reported as being illegally taken or removed from its designated location and, if unrecovered is deleted from the inventory master list.

**Storage:** To accumulate property for some specific objective.

**Surplus Property:** Any property owned by the State that an agency no longer needs to support its operations. This includes property that the agency has not formally declared as surplus.

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Appendix B

FORMS AND COMPLETION INSTRUCTIONS

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Title

CO-648B Motor Vehicle Report Summary (Revised 10/97)
CO-853 Report of Loss or Damage to Real and Personal Property (Other Than Motor Vehicles) (Revised 4/01)
CO-854 Report of Loss or Damage to State-Owned Automobile (Comprehensive) (Revised 4/01)
CO-1079 Record of Equipment On Loan Form (Revised 9/98)
DPS-29 Sale Declaration Report - Motor Vehicle (Revised 5/01)
MVCU-1 Accident Report - State-Owned Motor Vehicle (Rev. 3/96)
SDP-6 Data Processing Installation/Removal (Rev. 5/01)
CO-64 Inter-Unit Transfer of Assets
CO-65 Mass Change of Assets

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Appendix C

INTERNAL CONTROL CHECKLIST PROPERTY

PART A: This section to be completed by all applicable agencies.

PROPERTY

Statutory References - CGS 4-33a and 4-36

Segregation of Duties

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<tr>
<th></th>
<th>YES</th>
<th>NO</th>
<th>N/A</th>
<th>Notes</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Are responsibilities for initiating, evaluating, and approving capital expenditures, leases, and maintenance or repair projects segregated from those for project accounting, property records, and general ledger functions?</td>
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<td>2. Are responsibilities for maintaining detail records or subsidiary ledgers for capitalized assets segregated from those for general ledger, cash, purchasing, payable, and capital expenditure authorizing functions?</td>
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<td>3. Are responsibilities for initiating capitalized asset transactions segregated from those for final approvals that commit funds?</td>
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<td>4. Are responsibilities for the custodial function segregated from the project accounting and property records functions?</td>
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<td>5. Are responsibilities for the project accounting and property records functions segregated from the general ledger function?</td>
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<td>6. Are responsibilities for the periodic physical inventories of capitalized assets assigned to responsible officials who have no custodial or record keeping responsibilities?</td>
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<td>7. IF EDP is used, is the principle of segregation of duties maintained within processing activities?</td>
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Procedural Controls

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Authorization:

8. Are those individuals who are authorized to initiate capitalized asset transactions clearly identified and are the limits of their authority clearly defined?  
   YES  NO  N/A  Notes  Reference

9. Are guidelines with respect to key considerations such as prices to be paid, acceptable vendors and terms, asset quality standards, and the provisions of grants or bonds that may finance the expenditures clearly established?  
   YES  NO  N/A  Notes  Reference

10. Is a separate capital projects budget prepared?  
    YES  NO  N/A  Notes  Reference

Executive or Legislative Approval:

11. Is written executive or legislative approval required for all significant capital assets projects or acquisitions?  
    YES  NO  N/A  Notes  Reference

12. Do procedures exist for authorizing, approving, and documenting sales or other dispositions of capital assets?  
    YES  NO  N/A  Notes  Reference

13. Do procedures exist for approving decisions regarding financing alternatives and accounting principles, practices, and methods?  
    YES  NO  N/A  Notes  Reference

14. Do procedures provide for obtaining grantor (federal/state) approval, if required, for the use of grant funds for capital asset acquisitions?  
    YES  NO  N/A  Notes  Reference

15. Are grant-funded acquisitions subjected to the same controls as internally funded acquisitions?  
    YES  NO  N/A  Notes  Reference

16. Are supplemental authorizations required, including those of the grantor agency, if appropriate, for expenditures in excess of originally approved amounts?  
    YES  NO  N/A  Notes  Reference

Asset Accountability:

17. Are detailed property records maintained for all self-constructed, donated, purchased, or leased capitalized assets?  
    YES  NO  N/A  Notes  Reference

18. Is accountability established for each asset?

19. Do procedures exist for the periodic inventory of documents that evidence property rights (e.g., deeds, leases, and the like)?

20. Are reviews and appraisals made periodically for insurance considerations?

21. Are items adequately safeguarded from loss due to fire, theft or misplacement?

22. Do procedures exist that ensure that materials, services and repair projects paid for by capital expenditures are subjected to the same levels of controls as for all other procurements (for example, receiving, approval, checking)?

23. Are detailed property records and physical counts compared periodically and records adjusted to reflect shortages?

24. Are differences between records and physical counts investigated and records adjusted to reflect shortages?

25. Do procedures exist to ensure that capitalized assets are adequately insured?

26. Are the titles of sites, buildings, vehicles, etc., held in name of the proper authority?

27. Are lease transactions subject to control procedures similar to those required for other capital expenditures?

28. Is equipment properly identified by metal numbered tags or other means of positive identification and is an inventory conducted on a systematic basis?

29. Do procedures exist for identifying and monitoring the appropriate disposition of property?

30. Are custodians of property required to report any changes in the status thereof (i.e., transfers, sales, scrapping, obsolescence, or excess)?

General Ledger:

31. Are detailed property records reconciled periodically with the

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general ledger control accounts?

32. Do procedures and policies exist to:
   a. Distinguish between capital project fund expenditures and operating budget expenditures?
   b. Distinguish between capital and operating leases?
   c. Differentiate between capitalizable additions, freight, installation costs, replacements and maintenance expenditures?

33. Are accounting records promptly adjusted when capitalized assets are retired, sold, or transferred?

PROPERTY PART B: This section to be completed by those agencies that handle project accounting.

Project Accounting:

1. Is a qualified employee or independent firm engaged to inspect and monitor technically complex projects?

2. Are project cost records established and maintained for capital expenditure and repair projects?

3. Do reporting procedures exist for in-progress and completed projects?

4. If construction work is performed by contractors, do procedures exist to provide for and maintain control over construction projects and program billings?

5. Is the accounting distribution reviewed to ensure proper allocation of charges to fixed asset and expenditure projects?

6. Do procedures exist to identify completed projects so that timely transfers can be made to the appropriate accounts?

7. Does the agency have the right to audit contractors' records?

8. Is the right to audit contractor records executed during project performance?

9. In addition to costs, is the audit of contractor conducted in

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compliance with EEO, Davis Bacon, and other regulations and
cost terms?

**PROPERTY PART C: This section to be completed by those
agencies that must depreciate assets.**

**Asset Accountability:**

1. Are fully depreciated assets carried in the accounting records
   as means of providing accounting control? YES NO N/A Notes

2. For depreciable property:
   a. Are estimated lives and methods of depreciation initially
      reviewed and authorized by a responsible official or employee?
   b. Is the computation of depreciation reviewed by a responsible
      official or employee?
   c. Are estimated lives periodically reconsidered by a responsible
      official or employee for adequacy based on actual experience?

3. Do procedures and policies exist to govern depreciation
   methods and practices?

4. a. If costs are expected to be charged against federal grants,
   are depreciation policies or methods of computing allowances
   in accordance with the standards outlined in OMB circulars
   or grantor agency regulations?
   b. If not, is adjusting depreciation charged to grants
      appropriately?

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Preliminary opinion on the above Internal Control matters:

<table>
<thead>
<tr>
<th>Property</th>
<th>Good</th>
<th>Fair</th>
<th>Poor</th>
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Appendix D
SOFTWARE COPYRIGHT CONTRACT PROVISIONS

The following contract language may be incorporated into a (RFP) Request for Proposal or final contract language where it is in the best interest of the State of Connecticut to retain the copyright on software being developed by outside contractors.

A. That [the Second Party/Contractor] shall transfer to [the First Party/Agency/State], as part of the consideration for this Agreement, any and all copyright rights or other proprietary interests which [the Second Party/Contractor] may be in materials ["Work Products"] produced by it under the terms of this Agreement; and that [the Second Party/Contractor] shall, whenever so requested by [the First Party], sign (with proper notarization or other lawful acknowledgment of its signature) and deliver to [the First Party] a letter agreement, in form and content satisfactory to [the First Party], stating that [the Second Party/Contractor] hereby irrevocably transfers to [the First Party] all of its copy-right and other proprietary rights in the Work Products designated by [the First Party] in its related request.

That, if deemed appropriate by [the First Party] in its sole discretion, [the Second Party/Contractor] shall agree that any or all Work Products shall be deemed a work of joint authorship by [the First Party] and [the Second Party/Contractor] for copyright purposes, and shall be registered as such with the United States Copyright Office. [The Second Party/Contractor] hereby waives any right to oppose or object to such a claim of joint authorship or to such related copyright registration. [The First Party] shall determine, in its sole discretion, the appropriate division between [the First Party] and [the Second Party/Contractor] of any profits made by either party from exploitation of the Work Products. Such division shall be based largely on the respective investments and involvement of the parties in the creation of the Work Products.

B. That [the Second Party/Contractor] shall not engage or allow any party ("Other Party") other than itself or [the First Party] to contribute directly to the creation of any Work Product unless [the Second Party/Contractor] has first obtained from said Other Party a written agreement containing essentially the same terms as Section A above; i.e., that the Other Party:

Shall agree to transfer to [the First Party] any and all copyright or other proprietary rights said Other Party may have in designated Work Products, or, if [the First Party] so requests, shall agree to deem any such Work Product a work of joint authorship by [the First Party] and by the Other Party, and, if appropriate, by [the Second Party/Contractor] also; and

Shall agree to sign (with proper notarization or other lawful acknowledgment of its signature) and deliver to [the First Party] any letter agreement ("Letter Agreement") of the kind described in Section A above which [the First Party] shall request from it. The aforesaid agreement ("Secondary Agreement") between [the Second Party/Contractor] and an Other Party shall provide expressly that any such Letter Agreement shall be addressed and delivered by the Other Party to [the First Party], that such Letter Agreement shall be directly enforceable by [the First Party], and that such delivery and enforceability are part of the consideration for the Secondary Agreement.

C. That [the Second Party/Contractor] hereby warrants and represents that it knows of no third party which has any copyright or other proprietary interest in the Work Products and that [the Second Party/Contractor] has not assigned, pledged, or encumbered such rights or entered into any agreement that would derogate or conflict with any such rights granted to [the First Party] herein, and will not do any such things to encumber such rights; that [the Second Party/ Contractor] has the full right, power and authority to enter into this Agreement and to grant the rights granted herein; that, except for materials of others, permission for use of which has been or will be obtained by [the First Party], the Work Products are original, previously unpublished, and not in the public domain; that the Work Products do not contain any material that violates any right of privacy or which is libelous; and that no material in the Work Products plagiarizes any other work or infringes on any copyright or other proprietary right. [The Second Party/Contractor] shall indemnify and hold [the First Party], its officers, directors, employees, other agents, and licensees harmless from any loss, damage, payment or other expense (including reasonable attorneys' fees and disbursements) arising from any claim, demand, recovery, suit, civil or criminal proceeding which is based upon facts contrary to or inconsistent with any of the representations and warranties stated herein.

That [the Second Party/Contractor] shall, at its expense, defend any suit instituted against [the First Party] and indemnify [the First Party] against any award of damages and costs made against [the First Party] by a final judgment of a court of last resort based on the claim that any of the products or services furnished by [the Second Party/Contractor] under this Agreement constitutes an infringement of any patent or copyright of the United States or proprietary rights of others; provided [the First Party] gives [the Second Party/Contractor] reasonable notice in writing of such a claim, permits [the Second Party/Contractor] to defend the suit, and gives [the Second Party/Contractor] available information, reasonable assistance, and necessary authority in that connection. If any of the products or services furnished hereunder is in any such suit held to constitute infringement and if its use is enjoined, [the Second Party/Contractor] shall also, if possible, at its own expense: (a) procure for [the First Party] the right to continue using the same; or (b) replace the same or modify the same so that it becomes non-fringing; or (c) remove the same and discontinue its use and any future charges or royalties pertaining thereto. [The First Party's] acceptance of any of these measures, while they may mitigate [the First Party's] damages, will not constitute a waiver of any of [the First Party's] other rights or remedies with respect to a breach of this Agreement.

That [the First Party] reserves the right to have transferred to other storage media of [the First Party] any data stored on any product of [the Second Party/Contractor] finally adjudicated to be in default of or infringing on any patent, copyright, license or proprietary rights, by whatever means [the First Party] selects, prior to releasing said product to [the Second Party/Contractor]. [The Second Party/Contractor] will bear all costs caused by such transfer.

That [the Second Party/Contractor] shall, however, have no liability to [the First Party] under this Section if any patent or copyright infringement is based upon or arises out of: (a) compliance with designs, plans, or specifications furnished by [the First Party] as to the products or services; (b) alterations of the products or services by [the First Party]; (c) failure of [the First Party] to use updated products or services in combination with apparatus or devices not delivered by [the Second Party/Contractor]; (d) use of products or services in a manner for which the same was not designed, and which was not reasonably intended or contemplated by [the First Party] at the time of its entry into this Agreement; or (e) a patent or copyright in which [the First Party] or any affiliate or subsidiary of [the First Party] has any direct ownership interest.

[SECTION D BELOW IS FOR INCLUSION ONLY IN CONTRACTS FOR COMPUTER SERVICES OR PRODUCTS.]

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to, [the first party]. Title to [the first party's] proprietary information shall remain with [the first party], and [the Second Party/Contractor] shall keep in confidence the Proprietary Information and shall protect the same (a) from any use not authorized or necessarily contemplated by this Agreement, and (b) from disclosure to third parties.

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