

Creating The Office of STATE PROPERTY MANAGER

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Each state needs an office of State Property Manager (SPM) to coordinate the processes that are involved with the management of its property (real and fixed) assets. Many states ask the accounting area or the purchasing area of their central administration department to resolve property issues as they occur. While these departments should have some input into that decision-making process, property decisions should be made from an overall property perspective by an office bringing professional property expertise to the decision-making process.

The SPM should maintain a property accounting system that will provide the state with information to make informed decisions and serve as a tool to assure the public that all state assets are accounted for and properly maintained. Property represents the largest category of investment made by a state. The state's inventory includes assets ranging from land, buildings, artwork, furnishings and equipment to automobiles, boats, airplanes and livestock. However, despite its importance property control is often a low priority for many states.

WHY DOES A STATE NEED A SPM?

A SPM would not only bring a professional property perspective to the state property system, but would bring cohesion to the property process. Modern property management views assets from need and acquisition through to disposal or retirement. New Government Accounting Standards Board (GASB) regulations require a new approach to assets. This approach treats assets as depreciable while requiring stricter accounting rules regarding disposals. New policies must be developed to account for this change.

In many states different departments within the central administration department view assets in only segmented parts of their life cycle. Property rules are vague, property administrators for each state agency are typically unidentified and overall standards of acceptable practices are left to state or legislative auditors. Overall the State Property Manager should set goals or standards for all state agencies.

GASB #34 will also require state agencies to capitalize computer software and most states have not done that in



the past. A new capitalization threshold for that category should be established so that this requirement does not create insurmountable accounting and tracking problems for state agencies. Small agencies will not have the personnel needed to track the amount of software purchased with current thresholds and large agencies will have an equally difficult task because of the overwhelming volume of software they will face. Each state should set a new capitalization threshold for this category. A SPM could review other surrounding states' policies regarding this issue with the goal of setting a realistic capitalization threshold. This threshold should be high enough to eliminate most easily obtained commercial software while still being low enough to satisfy GASB requirements.

WHAT SHOULD THE SPM JOB DUTIES INCLUDE?

The SPM should coordinate the efforts of all state agencies in regards to property into the entire state financial system. They should verify that it meets all GASB #34 requirements for capital assets.

The SPM should undertake a review of the current accounting and purchasing regulations concerning assets with the goal of expanding and when necessary correcting the current rules. They should combine the purchasing

and accounting regulations regarding assets into one easy-to-read and easy-to-use manual for agency distribution.

The SPM should identify all state agency property managers. They should begin a process of training and certification for those positions. In this way and in other ways the SPM would serve as a role model to each agency property manager providing guidance for them as well as the entire state as a whole.

SUMMARY

Recent reporting requirements of GASB #34 are serving as a catalyst for states to review their property management environment. Cohesive overall state reporting will be necessary to meet the requirements and challenges of GASB #34. One method to achieve this goal would be to create a SPM position to lead this process in the state.

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