

Office of the State Controller

Self-Assessment of Internal Controls

Capital Assets Cycle

Objectives and Risks

Agency _____

Year-End _____

Objectives

All capital asset transactions are initiated by authorized individuals in accordance with established criteria.

Advance approval is obtained for all significant capital asset transactions.

Adequate project cost records are maintained, and in progress and completed project reports are issued.

Risks

- Fictitious purchases or payments to contractors or suppliers, with or without kickbacks to employees.
- Purchases from vendors whose interests are in conflict with the organization.
- Purchases of unnecessary assets.
- Disposal or scrapping of serviceable assets.
- Purchases of assets which do not meet established quality standards.

- Unauthorized purchases, construction contracts or leases with companies or individuals related to executive or legislative representatives.
- Purchases from related parties without the knowledge of senior officials.
- Delay or cancellation of a project due.
- Expenditures in excess of originally approved amounts without review and approval.

- Actual costs that exceed budgeted amounts.
- Overpayments to contractors.
- Misclassification of costs between capital and operating budgets.

All capital assets are accurately recorded in detail records which are compared with existing assets at reasonable intervals. All capital assets are adequately safeguarded.

All capital assets transactions are properly accumulated, classified and summarized in the general ledger accounts.

- Use of equipment or other assets for other than the unit of government's benefit.
 - Theft of tools and equipment, maintenance or supply parts.
 - Payment of insurance on assets no longer owned.
 - Unauthorized disposals of assets or diverted proceeds from sales of assets.
 - Physical loss of assets through inadequate security or insurance coverage.
 - Continue ownership of obsolete or otherwise nonproductive assets.
 - Preparation of financial statements which do not accurately reflect existing assets.
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- A misstatement of reported financial position and results of operations.
 - Violations of loan covenants and/or rules and regulations of various grantor agencies.
 - Financial or operational decisions based upon erroneous information.

Office of the State Controller
Self-Assessment of Internal Controls
Capital Assets Cycle
Control Policies and Procedures

Agency _____

Year-End _____

A. Control Activities / Information and Communication:

Yes No N/A

- | | | | |
|-----|-----|-----|---|
| ___ | ___ | ___ | 1. Is there a formal organizational chart defining the responsibilities of purchasing, receiving, recording, approving and performing the inventory? |
| ___ | ___ | ___ | 2. Are there formal written procedures for performing a physical inventory? |
| ___ | ___ | ___ | 3. Is a capitalization policy established which is consistent with Purchase and Contract requirements and Federal rules and regulations? |
| ___ | ___ | ___ | 4. Are fixed asset records maintained that adequately classify and identify individual items? |
| ___ | ___ | ___ | 5. If there are any missing assets, is the Missing Asset Form completed? |
| ___ | ___ | ___ | 6. Are assets believed to be stolen or vandalized reported to the State Bureau of Investigation (SBI) according to state law? |
| ___ | ___ | ___ | 7. Are the Fixed Asset System and appropriate accounts reconciled monthly? |
| ___ | ___ | ___ | 8. Are construction records adequate to accumulate costs associated with constructed capital assets including force (in-house) labor and materials obtained from inventory? |
| | | | 9. Is the individual responsible for capital assets notified when: |
| ___ | ___ | ___ | a. assets are received? |
| ___ | ___ | ___ | b. assets are donated? |
| ___ | ___ | ___ | c. asset location changes are made? |
| ___ | ___ | ___ | d. assets are transferred to State Surplus Property? |
| ___ | ___ | ___ | e. assets are sold? |
| ___ | ___ | ___ | f. assets are stolen, vandalized or missing? |

- ___ ___ ___ g. assets are reassigned to a different organizational entity or to another agency?
- ___ ___ ___ 10. Are gains or losses properly recognized from disposals of capital assets in proprietary fund types.
- ___ ___ ___ 11. Are capital assets tagged when procured?
- ___ ___ ___ 12. Are the capital asset subsidiary accounts balanced to the capital asset control accounts monthly?
- ___ ___ ___ 13. Are property records reconciled periodically to property accounts?
- ___ ___ ___ 14. Are the beginning balances, additions, disposals and ending balances properly reflected in the notes to the financial statements?
- ___ ___ ___ 15. Are capital asset additions properly valued?
 - ___ ___ ___ a. Is the total purchase price, less discount and any expenditure required to place asset in its intended state of operation the amount capitalized?
 - ___ ___ ___ b. Does the recorded asset cost of land purchases include: purchase price, legal and title fees, surveying fees, appraisal and negotiation fees, damage payments, and site preparation costs?
 - ___ ___ ___ c. Does the recorded asset cost of building include: purchase price, contract price or job order costs plus any other expenditures necessary to put a building or structure into its intended state of operation, including professional fees, damage claims, cost of fixtures, insurance premiums, interest, and related costs incurred during the period of construction? Are maintenance costs expensed rather than capitalized?
- ___ ___ ___ 16. Are the following duties generally performed by different people:
 - ___ ___ ___ a. Custodian of the capital assets and taking the annual inventory?
 - ___ ___ ___ b. Reconciliation of the Fixed Asset System with the control accounts and making entries in the Fixed Asset System?
 - ___ ___ ___ c. Custodian of the capital assets and tagging?
 - ___ ___ ___ d. Custodian of the capital assets and investigating the missing capital assets?
 - ___ ___ ___ e. Custodian of the capital assets, making entries in the Fixed Asset System and making entries in the general ledger?
- ___ ___ ___ 17. Are all asset purchases and receipts approved by a designated person with proper authority?

- ___ ___ ___ 18. Are all disposals of property approved by a designated person with proper authority?
- ___ ___ ___ 19. If other than the Statewide \$5,000 capitalization threshold, has agency management chosen and documented the threshold level in the Internal Policy/Procedure Book?
- ___ ___ ___ 20. Has the agency documented the inventory level below \$5,000 that will be utilized?
- ___ ___ ___ 21. Are all assets tagged?
- ___ ___ ___ 22. Is someone assigned custodial responsibility by location for all assets?
- ___ ___ ___ 23. Is access to the perpetual capital asset records limited to authorized individuals?
- ___ ___ ___ 24. Is there adequate physical security surrounding the capital asset items?
- ___ ___ ___ 25. Is there adequate insurance coverage of the capital asset items?

B. Monitoring:

- ___ ___ ___ 26. Are the Physical Inventory Worksheets approved by the Chief Fiscal Officer or responsible supervisor before the fixed asset officer makes changes to the Fixed Asset System?
- ___ ___ ___ 27. Is such insurance coverage independently reviewed periodically?
- ___ ___ ___ 28. Has the Internal Policy/Procedure Book been kept up to date with any changes in the agency, or agency philosophy?
- ___ ___ ___ 29. Is a physical inventory taken at least annually?
- ___ ___ ___ 30. Is a physical inventory of capitalized assets and inventoried items taken each time there is a change at a management or supervisory level that has responsibility for the assets?
- ___ ___ ___ 31. Are missing items investigated and reasons for them documented?