

State of Vermont
Department of Finance and Management

Financial Process:	Fixed Assets	Issue Date:	December 2006
		Number:	BP-06
Topic:	Internal Control - Best Practices	Revision Date:	N/A
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Objective

Departments are responsible for developing cost-effective techniques and procedures to ensure its fixed assets are properly safeguarded, maintained, and utilized. Departments are responsible for maintaining accurate and complete records regarding the acquisition, status, and disposal of all fixed assets and to comply with all applicable accounting and regulatory requirements.

Risks

- Misstated financial records and statements
- Lost, stolen, or damaged assets
- Idle and unproductive assets
- Assets acquired or utilized for personal benefit

Definitions

Fixed assets are long-term, physical resources of considerable value held for business use and not intended to be consumed or converted into cash any sooner than at least one year's time (e.g. buildings, equipment, vehicles, computers, furniture, etc.).

Capital assets, as defined by the State's capitalization policy, are fixed assets that cost at least \$5,000 and provide future economic benefit for a minimum of two years.

Infrastructure assets, as defined by the State's capitalization policy, are physical resources utilized primarily by the public that cost at least \$50,000 and provide future economic benefit for a minimum of three years (e.g. roads, bridges, dams, airports, etc.).

Capital assets, infrastructure assets, and computer equipment are required to be recorded and tracked in the VISION Asset Management module. For more information on asset classes, definitions, capitalization thresholds, and depreciation standards refer to [VISION Procedure #1: Asset Management](#).

Departments, regardless of VISION financial reporting requirements, are responsible for maintaining effective stewardship over all fixed assets (i.e. capital, infrastructure, and non-capital) in regards to asset security, maintenance, and utilization.

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Best Practices Include

- ❖ Written procedures exist for all asset management activities. Procedures should address, at a minimum, the acquisition and disposal of fixed assets, asset security, asset utilization and maintenance, performing the physical inventory, and the requirements for classifying and recording fixed assets in the accounting records.
[Documentation]
- ❖ Fixed asset purchases are initiated and approved by authorized personnel in accordance with established criteria.
[Authorization & Approval]
- ❖ Maintain adequate physical security over fixed assets to deter theft, damage, loss, or improper use.
[Safeguarding of Assets]
- ❖ Fixed assets are tagged (where practicable) with a unique department identifier. *Tagging assets is a requirement for fixed assets maintained in VISION and a recommended best practice for other fixed assets owned by the department.*
[Accountability, Safeguarding of Assets & Compliance]
- ❖ Limit access to fixed assets to personnel who have a business need; provide keys and lock combinations of secured locations only to authorized personnel.
[Safeguarding of Assets & Authorization]
- ❖ Fixed asset transactions are properly accumulated, classified and recorded in the accounting records (as appropriate) at the time of acquisition or disposal.
[Reporting]
- ❖ Responsibility for fixed asset accounting and knowledge of financial reporting requirements is assigned to specific personnel to ensure accurate, complete, and timely reporting.
[Reporting & Compliance]
- ❖ The accounting functions for fixed assets are performed by personnel other than those responsible for the custody of the related assets.
[Separation of Duties]
- ❖ Adequate project cost records are maintained and appropriate values for completed projects are transferred timely to detailed subsidiary records for capital or infrastructure assets.
[Reporting]
- ❖ Periodically compare recent acquisitions of fixed assets to financial and inventory records to ensure completeness.
[Monitoring & Reconciliation]

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- ❖ Controls exist to ensure that changes in the status of fixed assets (e.g. disposals, change in location, improvements, etc.) are reported timely to those responsible for fixed asset accounting and recordkeeping functions.

[Reporting]

- ❖ Perform a physical inventory at least annually to ensure the physical accountability of all fixed assets and the completeness and accuracy of financial records. *The annual inventory is a requirement for all assets maintained in VISION and a recommended best practice for other fixed assets owned by the department.*

[Verification, Reconciliation & Compliance]

- ❖ The physical inventory of fixed assets is performed by personnel other than those responsible for the custody of the related assets.

[Separation of Duties]

- ❖ Fixed assets are properly maintained to prevent shortening their useful life.

[Safeguarding of Assets]

- ❖ Routinely inspect "high-risk" fixed assets (e.g. critical to department's performance, increased likelihood of theft, misuse or breakdown, etc.) to confirm existence, condition, and valuation.

[Verification & Safeguarding of Assets]

- ❖ Periodically evaluate fixed asset utilization to identify low-performing or idle assets that may be considered excess or surplus property.

[Monitoring]

- ❖ Fixed asset transfers, retirements and disposals are approved by an authorized person. *Contact the Dept. of Buildings & General Services' Surplus Property Division for additional information and requirements regarding asset disposals and retirements.*

[Approval & Safeguarding of Assets]

- ❖ Review and update insurance requirements periodically, or when a change in the asset's status occurs.

[Safeguarding of Assets & Documentation]

- ❖ Appropriate action is taken to investigate and document missing fixed assets.

[Safeguarding of Assets & Documentation]

- ❖ Upon suspicion of fraud, theft, or malicious damage immediately notify the appropriate personnel (i.e. management, State Auditor's Office, law enforcement).

[Safeguarding of Assets]

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VISION Related Best Practices and Requirements

For more details on the items below and additional instructions and requirements refer to the following documents located on the Finance & Management website:

- ✓ [VISION Procedure #1: Asset Management](#)
- ✓ [VISION Asset Management Training Manual](#)
- ❖ The department's asset capitalization policy is consistent with the thresholds defined in [VISION Procedure #1: Asset Management](#).
[Compliance]
- ❖ All capital assets, infrastructure assets, and computer equipment are properly classified, recorded (*at the time of acquisition or disposal*) and tracked in the VISION Asset Management module.
[Documentation, Reporting, & Compliance]
- ❖ Departments comply with the requirements and timelines for conducting an annual physical inventory of all assets maintained in VISION, including submission of the [Asset Management Verification Form](#) to Financial Operations.
[Verification, Reconciliation & Compliance]
- ❖ Departments that choose to track non-capital fixed assets in the VISION Asset Management module must maintain these assets in VISION in accordance with the general guidelines specified in [VISION Procedure #1: Asset Management](#).
[Compliance & Documentation]

Notices

- These best practices are intended to support the internal control framework as presented in the [Internal Control Standards: A Guide for Managers](#).
- In consideration of these best practices, the objective should be on adherence and not on rationalizing ways and means for circumvention.
- Nothing in this document shall limit or supersede any applicable Federal or State laws, statutes, bulletins, or regulations.