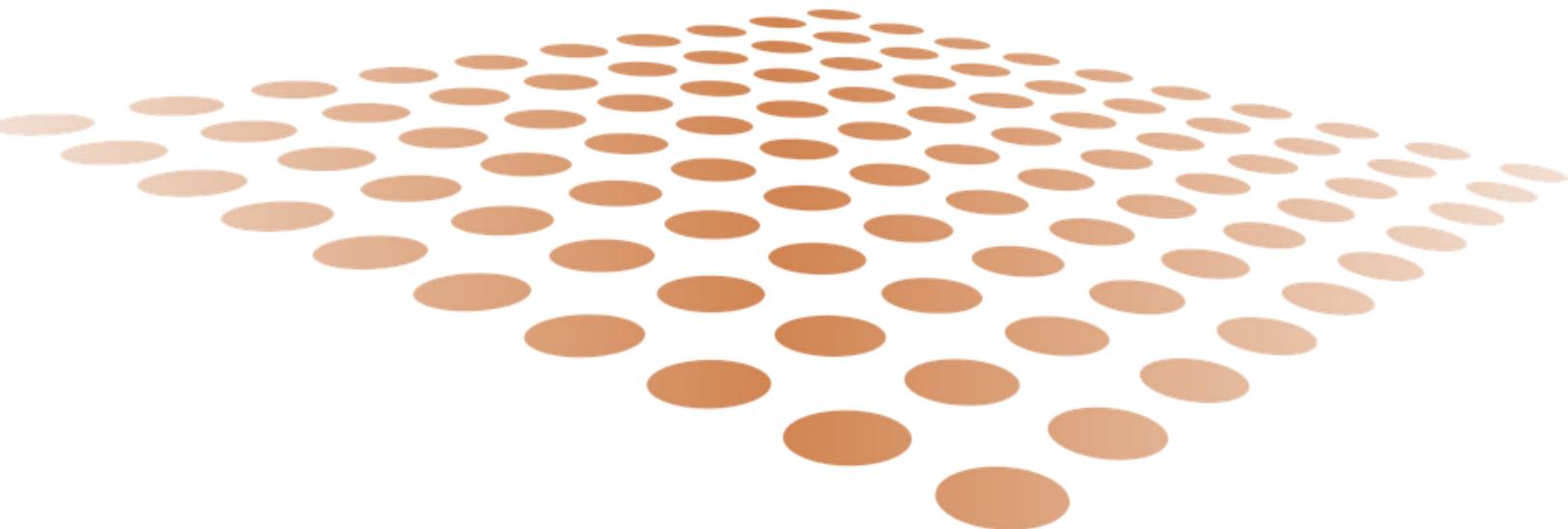


ADOA – General Accounting Office

**QUICK REFERENCE GUIDE:**  
MONTHLY FINANCIAL  
REVIEW – FIXED ASSET MNGT





# MONTHLY FINANCIAL REVIEW – FIXED ASSET MNGT

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# MONTHLY FINANCIAL REVIEW – FIXED ASSET MNGT

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## Monthly Review & Verification – Fixed Asset Management

The purpose of this guide is to present critical review steps that agencies must establish as a monthly practice. If you need additional assistance, please contact your GAO liaison or refer to the Asset Management Training Guide.<sup>1</sup>

For purposes of this guide, all long-lived resources, including capital assets, IT resources, infrastructure assets and stewardship resources (as defined in SAAM 2505) are referred to as **fixed assets**.

### Objectives

- Fixed asset acquisitions are complete and accurate
- Fixed asset disposals are no longer reported on the balance sheet
- Depreciation is occurring as expected
- Fixed asset activity is independently reviewed

### Fixed Asset Acquisitions Background

Unless a specific exception exists, all agencies must record fixed assets in the AFIS Fixed Asset Module (FAM) within one (1) calendar month of acquisition date (SAAM 2505-2.1). When a fixed asset is acquired, no matter the payment method used, it is not automatically recorded in FAM.

With the implementation of the new Arizona Procurement Portal (APP) system, the automated process of generating Fixed Asset Shell documents (FAS) has been eliminated and those documents are no longer available for online entry in AFIS. The FIN-AZ-AM-N614 (Assets Purchased through APP) report has been developed to assist users with identification of Fixed Asset purchases.

A fixed asset is recorded in FAM using:

- **Fixed Asset Acquisition (FA) document** – This electronic document is used to manually record all fixed assets acquired by purchases with a General Accounting Expenditure GAX (non-Commodity-based) document in Arizona Procurement Portal (APP) or AFIS system, as well other purchase methods (e.g., donated, transferred, P-Card purchase).

### Reviewing Fixed Assets Acquisition.

The objective of the review is to ensure that all fixed asset purchases have been entered into FAM completely and accurately. There are multiple InfoAdvantage reports to complete the review process and they are:

FIN-AZ-AM-N614 (Assets Purchased through APP)

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<sup>1</sup> Training Guide: [https://gao.az.gov/sites/default/files/AFISAM\\_AFIS\\_Asset\\_Management\\_PG\\_v4\\_2.pdf](https://gao.az.gov/sites/default/files/AFISAM_AFIS_Asset_Management_PG_v4_2.pdf)



## FIN-AZ-AM-N542 (Asset Expenditures by Period)

### Tips

- A purchase over \$5,000 might be a capital asset, which should be recorded as a fixed asset.
- A purchase under \$5,000 might be a stewardship asset (as defined by SAAM 2535), which should be recorded as memo asset.
- The FIN-AZ-AM-N614 report contains two tabs that identify Object Classes 8100, 8400 & 8500 for FAM entry.
- The FIN-AZ-AM-N614 report contains the APP commodity values, which might not exist in AFIS. Therefore, use the AFIS commodity default 99999.
- In FIN-AZ-AM-N614 a single purchase may have multiple lines on the report if different funding sources were used for purchase.
- The FIN-AZ-AM-N542 contains all asset expenditures, while FIN-AZ-AM-N614 only contains APP purchases.

## Reconcile Acquisitions

The objective of this reconciliation is to ensure that expenditures for fixed asset acquisitions in AFIS are also recorded as fixed assets in FAM.

1. Run the Infoadvantage report FIN-AZ-AM-N542 (Asset Expenditures by Period). This report displays cash expenditures for Object Classes 8100, 8400, and 8500 that were paid in AFIS.
  - Object Classes 8100 and 8400 should contain capital purchases. Object Class 8500 contains non-capital equipment purchases that may include stewardship resources, which are required to be recorded in FAM as memo assets (SAAM 2535).
2. Run the Infoadvantage report FIN-AZ-AM-N599 (Fixed Asset Acquisitions). This report displays each asset by type, acquisition date, cost and other detailed information that was entered into FAM.
3. Reconcile the total asset expenditures on the FIN-AZ-AM-N542 to the total fixed assets shown on the FIN-AZ-AM-N599.
  - If the totals do not match, document an explanation for the difference.

### Tips

- A difference between the two reports could be the result of one or more of the following:
  - Fixed asset expenditures on the FIN-AZ-AM-N542 might need to be added to FAM in order to appear on the FIN-AZ-AM-N599. Fixed assets added must be processed through the nightly cycle before they will show up on the reports.
  - Freight or other related costs may have been excluded in the fixed asset purchase price, but it is required to be included by SAAM 2520.
  - A fixed asset in FAM won't appear on FIN-AZ-AM-N542 if the asset expenditure was recorded to an object code other than 8100, 8400, or 8500.



- Fixed assets recorded in FAM during the current accounting period may have been paid for in another accounting period, creating a timing difference between FIN-AZ-AM-542 and FIN-AZ-AM-N599. Note that fixed assets appear on the FIN-AZ-AM-542 based on payment date whereas fixed asset additions appear on the FIN-AZ-AM-N599 based on the date the FA document was entered into FAM
- “ME” document postings for depreciation expense might appear on the FIN-AZ-AM-N542 if any fixed assets were assigned a Department Object when the FA or FI document was finalized. To review true acquisition, in the FIN-AZ-AM-N542 report Input Controls, remove Closing Classification 40 to remove depreciation expenses from the view.
- A donated fixed asset on FAM will not appear on FIN-AZ-AM-N542 because a fixed asset received by donation is not recorded as an expenditure.
- If the agency has supplemental internal records of fixed assets, these could be used as another source for research.

### Fixed Asset Disposals Background

Except as otherwise provided by law, the ADOA Surplus Property Management Office (SPMO) is responsible for the physical disposal of all fixed assets<sup>2</sup>. Agencies are to use Form SP101 to report disposals to SPMO. Once the agency receives an approved SP101 from SPMO, the agency should record the fixed asset as disposed within ten business days (SAAM 2561). A fixed asset disposal is recorded by completing a Fixed Asset Disposal (FD) document in AFIS.

### Review Disposals

The objective of this section is to ensure that all fixed assets disposed during the month have been removed from FAM.

1. Run and review the InfoAdvantage report FIN-AZ-AM-N602 (Fixed Asset Disposals). This report displays fixed assets that were removed from FAM during the month.
  - If there were assets disposed during the month that are not reflected on the report, then a FD document must be processed and finalized in AFIS.

### Fixed Asset Depreciation (Quarterly) Background

Tangible fixed asset acquisitions that exceed the capitalization threshold of \$5,000 are depreciated over their projected useful lives (except as otherwise prescribed by policy). The useful life for each asset type is described in SAAM 2590. The GAO runs a process in AFIS that calculates and posts depreciation expense quarterly and during the annual close each year.

### Review Depreciation

One objective of reviewing depreciation is to ensure that depreciation is occurring as expected. If fixed assets are not fully depreciated, then depreciation should be occurring. If fixed assets are fully depreciated, then they should not be depreciating. All depreciation expense should be posted to Object Code 7912.

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<sup>2</sup> State Surplus Property Reference Manual: <https://doa.az.gov/state-surplus-property-reference-manual>



Run and review the InfoAdvantage report **FIN-AZ-AM-N603 (Fixed Asset Accumulated Depreciation)**. This report provides active capital assets and their associated depreciation by fiscal quarter. The report lists applicable asset detail such as: asset number, in service date, useful life, acquisition cost, salvage value, and net book value so the agency can validate the depreciation.

**If a fixed asset is not fully depreciated, then depreciation expense should be reported** (fiscal quarter column should not be zero).

#### Tip

*An asset is not fully depreciated if “Total Acc Depr” + “Salvage Value” is less than “Acquisition Cost”.*

1. If a fixed asset is fully depreciated, then depreciation expense should not be reported (“fiscal quarter column” should be zero).

#### Tip

*An asset is fully depreciated if “Total Acc Depr” + “Salvage Value” = “Acquisition Cost”.*

2. Another objective of reviewing depreciation is to ensure that the depreciation expense is posted to object code 7912 within the general ledger.

**Note: AFIS does not currently account for depreciation correctly if a disposal occurs on an asset that is not fully depreciated. Before running the following steps, try exclude positive amounts in sheets for the quarter under review to remove disposed assets.**

3. Run the Infoadvantage report FIN-AZ-GL-N188 (Trial Balance by Department, Fund Class, Fund Group, Fund, and Sub-Fund) for the quarter under review (e.g. AP9 is for quarter 3). This report displays a summary of balances and changes to the general ledger.

In the report prompts, select:

- Object Code “7912”
- Closing Classification of “40 – Non Cash Expenditures”

Once the report is run, select the **Summary by Account** tab. This will display the total quarter’s depreciation expense in the “Debit Activity” column.

4. Compare the quarter total on FIN-AZ-AM-N603 to the total **Debit Activity** for depreciation expense on FIN-AZ-GL-N188. If it doesn’t match, it could mean that the depreciation expense for one or more assets may have been inadvertently posted to other object codes.

#### Tips

4. A pending or draft fixed asset document must be finalized before depreciation will be recorded.
5. The **DEPH** (Depreciation History) table in AFIS is useful for researching prior depreciation amounts.
6. A **FA** or **FI** document finalized with a **Department Object** might cause depreciation expense to post to an incorrect object code.



7. If a fixed asset is added to or modified in FAM with a prior period acquisition date, prior unrecorded depreciation will be calculated and recognized in the current period.

### Independent Review of Fixed Assets Background

Management must assure that all additions, modifications and deletions to fixed assets are reviewed monthly by someone without access to modify FAM (SAAM 0510-2.14).

### Independent Review

The objective of an independent review is to ensure that fixed asset transactions are reviewed by a person who cannot alter fixed asset records in FAM. This review should be performed by a person who is independent from, but knowledgeable of, the agency's fixed asset purchases and disposals.

1. Run the Infoadvantage report FIN-AZ-AM-N608 (Fixed Asset Activity Report for Monthly Financial Review) and select the fiscal year and accounting period for the month under review. This report displays all fixed asset transactions recorded for the month.
2. Review the acquisition and disposals at a high level for reasonableness.
3. Acknowledge completion of the review process by initial or signature.

## Further Reference

### Quick Reference Guides and Training (GAO Website)

For general training on Asset Management, including Program Asset Generation, see the Training Guide<sup>3</sup>.

### InfoAdvantage Reports for Asset Management

The following reports are available statewide in InfoAdvantage for Asset Management.

Report ID	Name
<b>FIN-AZ-AM-N608</b>	Fixed Asset Activity Report for Monthly Financial Review
<b>FIN-AZ-AM-N602</b>	Fixed Asset Disposals
<b>FIN-AZ-AM-C053a</b>	Fixed Asset Transfers by Fiscal Year
<b>FIN-AZ-AM-C056</b>	Assets with Multiple Components by Department
<b>FIN-AZ-AM-C062</b>	Age of Assets
<b>FIN-AZ-AM-N067</b>	Fixed Assets by CFDA number
<b>*FIN-AZ-AM-N332</b>	Pending Fixed Asset Shell Transactions by Department
<b>FIN-AZ-AM-N341</b>	Disposed Assets by Acquisition Fund
<b>*FIN-AZ-AM-N603</b>	Fixed Asset Accumulated Depreciation by Fund
<b>FIN-AZ-AM-N358</b>	Fixed Asset by Location and Sub-Location
<b>FIN-AZ-AM-N385</b>	Fixed Assets by Type – Detail
<b>FIN-AZ-AM-N538</b>	Fixed Assets by Type - Fund 1300
<b>FIN-AZ-AM-N542</b>	Asset Expenditures by Period
<b>FIN-AZ-AM-N593</b>	Fixed Assets by Type - Detail
<b>FIN-AZ-AM-N599</b>	Fixed Asset Acquisitions Report
<b>FIN-FA-0003</b>	Fixed Asset Transaction Detail
<b>FIN-FA-0004</b>	Fixed Asset Replacement Forecast

<sup>3</sup> Training Guide: [https://gao.az.gov/sites/default/files/AFISAM\\_AFIS\\_Asset\\_Management\\_PG\\_v4\\_2.pdf](https://gao.az.gov/sites/default/files/AFISAM_AFIS_Asset_Management_PG_v4_2.pdf)



Report ID	Name
<b>FIN-FA-0005</b>	Statement of Fixed Assets by Department and Unit

*Note: These reports can be generated on demand based on the current status. GAO is currently publishing these reports on a monthly or daily basis (report specific) to provide a snapshot point in time for agencies. Please see your agency's published reports in InfoAdvantage to refer to these versions.*