ADOA – General Accounting Office

QUICK REFERENCE GUIDE: MONTHLY FINANCIAL REVIEW – FIXED ASSET MANAGEMENT
## MONTHLY FINANCIAL REVIEW – FIXED ASSET MANAGEMENT

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Overview

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.¹

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 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 AFIS.

Record a fixed asset in AFIS using:

**Fixed Asset Acquisition (FA) document** – This electronic document manually records 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 as other purchase methods (e.g., donated, transferred, P-Card purchase).

Review Acquisitions

The objective of this review is to ensure that all fixed asset purchases are entered into AFIS completely and accurately. There are multiple infoAdvantage reports to complete the review process:

**FIN-AZ-AM-N614 Procurement System Assets Purchased**

- Assists users with identification of fixed asset purchases.
- Contains four (4) tabs that identify Object Classes 8100 and 8400 All – AFIS entry required, 8500 – AFIS entry required, 8500 All, and Thresholds for 8500.

¹ Asset Management Training Guide: https://gao.az.gov/training/afis-training-resources
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- Contains the Arizona Procurement Portal (APP) commodity values, which might not exist in AFIS. Use the AFIS commodity default 99999.
- A single purchase may have multiple lines on the report if different funding sources used for the purchase.

FIN-AZ-AM-N542 Asset Expenditures by Period
- Contains all asset expenditures, while FIN-AZ-AM-N614 only contains Procurement System (APP) purchases.
- Displays cash expenditures for Object Classes 8100, 8400, and 8500 paid in AFIS.

FIN-AZ-AM-N599 Fixed Asset Acquisitions
- Displays each asset by type, acquisition date, cost and other detailed information entered into AFIS.

**Note:** A purchase over $5,000 might be a capital asset, which is recorded as a fixed asset. A purchase under $5,000 might be a stewardship asset (as defined by SAAM 2535), which is recorded as a memo asset.

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

1. Run the infoAdvantage report FIN-AZ-AM-N542.
2. Run the infoAdvantage report FIN-AZ-AM-N599.
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.

**Note:** 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 AFIS as memo assets (SAAM 2535).

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 may need to be added to AFIS in order to appear on the FIN-AZ-AM-N599. Added Fixed assets 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 AFIS will not 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 AFIS 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: 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 AFIS.

Mass depreciation (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 (Fixed Asset Increase/Decrease) document was finalized.

Note: To review true acquisitions, in the FIN-AZ-AM-N542 report Input Controls, remove Closing Classification 40 -Non-Cash Expenditures to remove depreciation expenses from the view.

- A donated fixed asset in AFIS 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. Agencies are to use SPMO’s on-line Quickbase System to report disposals to SPMO. Once the agency receives an approved Surplus Property Removal Request from SPMO, the agency should record the fixed asset as disposed no later than 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 AFIS.

1. Run and review the infoAdvantage report FIN-AZ-AM-N602 Fixed Asset Disposals. This report displays fixed assets that were removed from AFIS 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

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 fiscal year.

**Review Depreciation**

The objectives of reviewing depreciation is to ensure that: depreciation is occurring as expected for active assets and depreciation expense is properly posting to object code 7912 by comparing two reports listed below:

**FIN-AZ-AM-N603 Fixed Asset Accumulated Depreciation**

- Reflects the true amount of depreciation expense that should have posted to the general ledger.
- This report provides capital assets and their associated depreciation by fiscal quarter.
- The report lists applicable asset details so the agency can validate the depreciation.
  - asset number
  - in service date
  - useful life
  - acquisition cost
  - salvage value
  - total accumulated depreciation
  - fiscal year quarterly depreciation
  - net book value

**FIN-AZ-GL-N188 Trial Balance by Dept**

- This report displays a summary of balances and changes to the general ledger.

**Reconcile Depreciation**

Validate depreciation is occurring as expected and ensure that depreciation expense is properly posting to the general ledger.

1. Run and review the infoAdvantage report **FIN-AZ-AM-N603** for your department and applicable fiscal year.
   - Review the Depreciation tab to ensure that fixed assets with remaining useful lives are incurring depreciation.

When running this report keep in mind:

- If a fixed asset is not fully depreciated, then depreciation expense should be reported (fiscal quarter column should not be zero).
- If a fixed asset is fully depreciated, then depreciation expense should not be reported (fiscal quarter column should be zero).
- An asset is not fully depreciated if **Total Acc Depr + Salvage Value** is less than Acquisition Cost.
An asset is fully depreciated if Total Acc Depr + Salvage Value = Acquisition Cost.

2. Run the infoAdvantage report FIN-AZ-GL-N188 for the last accounting period within the quarter under review using report prompts (example prompts are bolded):
   i. Fiscal Year: 20XX
   ii. Accounting Period: 9 (9 is for last period of quarter 3)
   iii. Fund: %
   iv. Object: (do not enter object)
   v. Value (s) for Closing Classification Label: 40 – Non-Cash Expenditures

3. After running the report, using the Input Controls, select only your agency under Department.

4. Select the Summary by Account tab.

5. To obtain the depreciation expense for the quarter, add the Debit Activity column total to the Credit Activity column total for each accounting period.

6. Compare the total depreciation expense on the FIN-AZ-GL-N188 to the quarter total on FIN-AZ-AM-N603 Depreciation tab.

A difference between the two reports could be the result of one or more of the following:

- Fixed asset disposals caught up during this quarter.
- When an asset is disposed, AFIS will make the necessary correction to catch up on depreciation expense from the last depreciation date to the disposal date.
- This depreciation amount will ONLY be shown within the tab, Details on the FIN-AZ-AM-N603 report. To obtain the total depreciation expense for the quarter, within the Details tab, filter for:
  - Fiscal Year
  - Quarter
  - Closing Package Current Year Depreciation
  - Sum the Posting Amt

- Run the FIN-AZ-GL-N188 for the other accounting periods within the quarter (see proper prompts and instructions above) and sum the debit and credit activity for each period.
- The depreciation expense for one or more assets may have been inadvertently posted to another object code.
- Run the infoAdvantage report, FIN-AZ-AM-N623 Incorrect Depreciation Exp using report prompts:
  - Department
  - Record Date (Start): 1/1/20XX (beginning date of quarter 3 for example)
  - Record Date (End): 3/31/20XX (ending date of quarter 3 for example)
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- The sum total on this report’s column, **FA Jrnl Actg Posting Amt** represents the assets that are incorrectly posting depreciation expense to an object code other than 7912.

When reviewing depreciation keep in mind:

- A pending or draft fixed asset document must be finalized before depreciation will be recorded.
- The **DEPH** (Depreciation History) table in AFIS is useful for researching prior depreciation amounts.
- A **FA** or **FI** document finalized with a **Department Object** might cause depreciation expense to post to an incorrect object code.
- If a fixed asset is added to or modified in AFIS with a prior period acquisition date, prior unrecorded depreciation will be calculated and recognized in the current period.

**Fixed Asset Independent Review**

**Background**

Management must assure that all additions, modifications and deletions to fixed assets are reviewed monthly by someone without access to modify AFIS (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 AFIS. This review should be performed by a person who is independent from, but knowledgeable of, the agency’s fixed asset purchases and disposals.

To perform an independent review:

1. Run the infoAdvantage report **FIN-AZ-AM-N608 Monthly Fixed Asset Transactions** 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. Document any known discrepancies or findings. Acknowledge completion of the review process by initial or signature.

**Additional References**

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

For general training on Asset Management, including Program Asset Generation, see the **Asset Management Training Guide**.³

³ **Asset Management Training Guide**: https://gao.az.gov/training/afis-training-resources
infoAdvantage Reports for Asset Management

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

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*Note: These reports can be generated on demand based on the current status.*