

Fixed Assets Accounting

Fiscal Fundamentals



Virginia Department of Accounts

Photo by Karl Steinbrenner

Financial Accountability. Reporting Excellence.



Why Fixed Assets Accounting?

The Department of Accounts prepares the Comprehensive Annual Financial Report (CAFR) of the Commonwealth annually. GASB 34 increased the importance of fixed asset information in the CAFR.

The Auditor of Public Accounts audits the CAFR.

FAACS (Fixed Asset Accounting and Control System) information is also used for agency financial statements



Purpose of FAACS

FAACS is the Commonwealth's Fixed Asset Accounting and Control System. It is a web-enabled system with two purposes:

Accounting

Control

Accounting

It is important to enter accurate information into FAACS data fields.

As the old saying goes, "Garbage in, garbage out."

FAACS can be very useful if it has correct, complete, and current data.



Accounting

Virginia's CAFR must report historical asset costs, accumulated depreciation, and depreciation expense in accordance with generally accepted accounting principles.

For the CAFR to "present fairly" Virginia's financial position and results of operations, accurate data must appear in FAACS accounting, financial, and other data fields.



Accounting – Data Elements

87 data elements are available in FAACS for each asset. About 19 are required. Some are:

- Funding amount (historical cost)
- Acquisition date
- Salvage value (zero is a valid value)
- Useful life (designated by a nomenclature code)



Accounting – Data Elements

Generally Accepted Accounting Principles (GAAP) require that assets be valued at historical cost.

Usually, this is what you paid to buy the asset plus any related costs required to install the asset and have it in place and functioning properly.



Accounting – Data Elements

Acquisition date, useful life, and salvage value must be accurate for the system to properly calculate depreciation.

There are numerous nomenclature codes. These 11-digit codes are required for all assets in FAACS.

DOA can add new nomenclature codes if necessary.



Accounting – Data Elements

In the past, salvage value was an optional data element. Now, it is required.

Zero is an allowable salvage value.

Agencies usually dispose of some types of assets (such as motor vehicles) by auction. Assets of these types should have reasonable salvage values.



Accounting – Documentation

Accounting information should be based on source documents.

The voucher that represents payment for the asset is the primary source document.

This confirms how much was paid for the asset (historical cost).

Keep copies of vouchers and other related documents to provide an audit trail.



Accounting – Reports

Reports for accounting and financial reporting come from the Financial Reporting File.

These include the FAC 730, 736, 751 and 767 reports.



Accounting - Reconciliations

Reconciliations should be done to ensure that accurate data was entered.

Agencies must certify reconciliation of FAACS to source documents and to CARS on the monthly confirmation that is submitted to General Accounting.



Accounting – Analysis

A fluctuation analysis is a useful tool for finding errors in FAACS data.

Compare fixed asset general ledger balances, acquisitions, and disposals for a period, such as a fiscal year.

Material changes should be explained.



Internal Control (IC)

Internal Control relates to asset stewardship and management. Responsibilities include:

- Tagging
- Recording
- Assigning responsibility
- Performing physical inventory counts
- Reconciling records to FAACS

IC – Managing Assets

Important data elements:

- Location – include FIPS and Building ID
- Responsible person
- Organization Code
- Description



IC – Managing Assets

Think about the importance of accurate location and descriptive information for taking a physical inventory.

For a large agency, accurate classification by organization code would be helpful.

Directly assigned responsibility for missing items is important.

IC – Reports

Reports for control purposes come from the master file which contains a detailed record for each asset.

Useful reports include the “Master File Snapshot” and the “Summarized Master File Presentation.”



FAACS Master File Downloads

Agencies can download the FAACS master file into Excel or Access.

Agencies can then sort, filter, and otherwise manipulate master file data to produce any report format desired.



CAPP Manual Topics

- [30105](#), Introduction to Fixed Asset Accounting

DOA Directives

- [2008 Financial Statement Directive](#)



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