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Overview

Introduction   The purpose of this topic is to provide guidance to agencies accounting for capital asset activity using a system other than the central Fixed Assets Accounting and Control System (FAACS). These type of agencies are referred to as "Summary Users." The majority of the policies and procedures contained with Function No. 30000, *Capital Asset and Lease Accounting,* apply to summary users. The major difference involves the interface requirements to both FAACS and the Commonwealth Accounting and Reporting System (CARS), recording in Cardinal, and the support role provided by the Department of Accounts (DOA).

Policy

General   All summary users are responsible for maintaining systems which:

- Provide for the proper control of capital assets;
- Provide for General Accepted Accounting Principles (GAAP) basis financial reporting in the appropriate format; and
- Provide internal controls which satisfy the audit requirements of the Auditor of Public Accounts (APA).

Summary users operating out of governmental type funds, such as the general fund, special revenue fund, dedicated special revenue fund, etc. are required to submit summary entries to the DOA central FAACS Financial Reporting File via Summary/Maintenance Form 4. Even though data flows into FAACS, the agency-based system is considered the official system and users are responsible for reconciling all detailed transactions to their internal system.

Summary users operating out of higher education, enterprise and internal service funds will utilize their agency-based systems to reconcile data, provide capital asset information for agency financial statements and submit data to DOA for inclusion in the Annual Report of the Commonwealth. For these users, the official record for capital asset activity will be the agency-based system and NO data will flow through either FAACS or into CARS or Cardinal.

Requirements for Summary FAACS Users

Introduction   The use of agency-based systems does not eliminate the need for agency personnel involved with property management to review and fully understand overall capital asset accounting requirements as outlined throughout CAPP – Cardinal Function 30000, *Capital Asset and Lease Accounting*.

These requirements include topics, for example, such as

- proper classification as either capitalized or controlled (CAPP – Cardinal Topic No. 30305, *Capitalized or Controlled Assets*);
- proper categorization (CAPP – Cardinal Topic 30310, *Asset Categorization*);
- proper accounting for assets acquired with Federal funds (CAPP – Cardinal Topic No. 31105, *Federal Requirements*); and,
- tagging assets and performing periodic inventories (CAPP – Cardinal Topic No. 30505, *Physical Inventory*).
- Reconciling balances between the internal accounting system and the FAACS, CARS and Cardinal systems (CAPP – Cardinal Topic No. 30905, *Reconciliation and Error Correction*).

Agency-Based Systems Requirements and Maintenance   Agency-based systems must be able to calculate, summarize and report depreciation, where applicable, on a basis consistent with FAACS. See CAPP – Cardinal Topic No. 30610, *Depreciation Methods and Calculations*.

Agency-based systems must be capable of meeting all reporting requirements detailed in the Comptroller's Directive Compliance Guidelines.

Detail records must be properly maintained in the agency-based system and all activities must be properly reconciled quarterly with FAACS, CARS and Cardinal.

System maintenance is the total responsibility of summary users, as DOA does not provide support.

Requirements for Summary FAACS Users, Continued

The following detailed information is recommended at a minimum for each individual asset maintained in agency-based systems in order to ensure adequate control, stewardship and reporting.

- Asset category (See CAPP – Cardinal Topic No. 30310)

- Disposal date

- Inventory (Tag) number

- Disposal method (See CAPP – Cardinal Topic No. 30805)

- Acquisition date

- Voucher number

- Acquisition cost (See CAPP – Cardinal Topic No. 30210)

- Availability code (See CAPP Topic No. 70325)

- Responsible Position or Person

- Ownership status (See CAPP Topic No. 70325)

- Useful Life (See CAPP – Cardinal Topic No. 30605)

- Serial number

- Accumulated depreciation

- Location

- Method of Acquisition (See CAPP – Cardinal Topic No. 30205)

- Description

- Basis of determining Acquisition Cost (See CAPP – Cardinal Topic No. 30210)

Internal Control

General Each agency and institution should implement cost beneficial internal control procedures to ensure that:

- Assets are adequately controlled and safeguarded.

- Proper reconciliation procedures are in effect and corrections made in a timely manner.

- All necessary financial reporting for both State and Federal requirements is done in a timely and accurate manner.

- All depreciation, where appropriate, is calculated, summarized and reported on a basis consistent with GAAP.

Internal controls are established to support asset and depreciation amounts reported.

Records Retention

General Fiscal records related to managing capital assets should be retained for a period of 2 years plus current fiscal year, or until audited, whichever is greater. However, for pending, ongoing, or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements.

Destruction of records must be in accordance with policies and procedures of the Records Management Section, The Library of Virginia.

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Subject Cross References

References   CAPP – Cardinal Topic No. 30205, *Acquisition Method*

CAPP – Cardinal Topic No. 30210, *Acquisition Valuation*

CAPP – Cardinal Topic No. 30305, *Capitalized or Controlled Assets*

CAPP – Cardinal Topic No. 30310, *Asset Categorization*

CAPP – Cardinal Topic No. 30505, *Physical Inventory*

CAPP – Cardinal Topic No. 30605, *Useful Life*

CAPP – Cardinal Topic No. 30610, *Depreciation Methods and Calculations*

CAPP – Cardinal Topic No. 30805, *Disposal Management*

CAPP – Cardinal Topic No. 30905, *Reconciliation and Error Correction*

CAPP – Cardinal Topic No. 31105, *Federal Requirements*

CAPP Topic No. 70325, *Data Entry*