

Volume No. 1—Policies and Procedures	TOPIC NO	30905
Function No. 30000—Capital Asset Accounting	TOPIC	Requirements
Section No. 30900—Reconciliation & Error Correction	DATE	July 2012

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Overview

Introduction

The purpose of this topic is to provide guidance to agencies and institutions concerning the reconciliation and error correction requirements associated with capital asset activity.

The Fixed Asset Accounting and Control System (FAACS) is the official record for central users and documents all capital asset transactions. See CAPP Topic No. 31010, *Summary Users*, for related requirements.

To ensure the accuracy of reportable data, information in FAACS reports must be reconciled to:

- any other relevant agency-based systems (if applicable);
- original source documentation; and,
- amounts interfaced from FAACS into the Commonwealth Accounting and Reporting System (CARS).

All identified errors must be corrected in a timely manner.

Policy

General

All pertinent data related to capital asset transactions shall be reconciled to FAACS, including but not limited to:

- original source documentation;
- internally prepared capital asset accounting records;
- data submission logs; and,
- other related property management data

This ensures that the accounting data representing capital asset activity is accurately reported in FAACS. FAACS information must, in turn, be reconciled to CARS to ensure it has interfaced properly and is valid for financial reporting purposes. Totals in the FAACS Master File must be reconciled to the FAACS Financial Reporting File. These reconciliations are performed and certified monthly by central FAACS users. See CAPP Topic No. 31010, *Summary Users*, for reconciliation and error correction policy.

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Procedures

Released Transaction FAACS Report

The FAACS online system produces a report of all transactions released into the system for each day.

FAC W291R is presented by FAACS ID for each transaction and includes the action number codes:

Action Number Code	Action
1	Delete
2	Add
3	Change

The report runs for each agency having released transactions on any given day. **This report serves as a control log. It should be saved and filed in date order.**

FAACS Processing Reports—Before Release

FAACS allows only one transaction to be on the transaction file for any one FAACS ID at any time and the transaction may contain information for more than one field.

Transactions entered into the online system and released to the system are shown in the following reports:

FAC250—Valid Transaction Listings

FAC710—Interface Reports

FAC270—Error Listings (occasional report)

Trace FAACS transactions from the release report to valid and/or error reports and interface reports. Review these reports to ensure that capital asset information was correctly keyed into the system. All errors should be corrected promptly.

Generally, all delete transactions (Action Code 1 on the release report) should be reasonably explainable. The delete transaction code should not be used in lieu of properly disposing of an asset. A brief written explanation should either be written directly on the release report or referenced and filed.

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Error Correction

As items are entered into FAACS via appropriate online screens, numerous edit checks are performed to ensure requisite data is not omitted and/or the data is accurate.

If data is missing, inappropriate, or inaccurate, the user will be prompted by an error message. See CAPP Topic No. 60303, *Error Messages*. All errors should be corrected immediately and re-keyed.

Once all of the data have passed the online edit criteria, it is automatically batched by the system and processed overnight at DOA in batch mode.

Error transactions detected during the overnight batch processing are reported on FAC270, *Error Correction Report*.

Valid transactions are reported on FAC250, *Valid Transaction Report*.

These two reports are submitted to the agencies after each edit update. Agencies are expected to correct errors in a timely fashion. Transactions that result in error file items must be considered in the reconciliation process; therefore, resolve these errors as soon as possible. See CAPP Topic Nos. 70325, *Data Entry*, and 70330, *Error Correction*.

Reconciliation Goals & Procedures

The goal of the reconciliation process is to reconcile the capital asset accounting data on a detailed, line-by-line individual transaction basis.

The procedures listed should enable agency personnel to satisfy its property management responsibilities while providing the agency with adequate control over information maintained in FAACS.

The procedures listed have the advantage of:

- reducing the reconciliation to the most basic level of comparison;
- being the easiest method of detecting data entry differences; and,
- being a comprehensive approach to ensure that each transaction is properly recorded in FAACS.

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Reconciliation Requirements

The following minimum reconciliation requirements are defined in broad terms to allow flexibility on the part of the agency in its effort to achieve compliance with the reconciliation policy. The requirements apply to all State agencies.

Requirement	Description
1	Reconcile all agency source records such as original documentation, internal records, input forms, logs, etc., to FAACS reports.
2	Include in the reconciliation scope all assets properly includable in FAACS (see CAPP Topic No. 30305, <i>Capitalized or Controlled Assets</i> and CAPP Topic No. 30325, <i>Software and Other Intangible Assets</i>) and related depreciation, if applicable. See CAPP Topic No. 30610, <i>Depreciation Methods and Calculation</i> .
3	Reconcile amounts in FAACS reports to related CARS reports to ensure complete and accurate interface. See CAPP Topic No. 70360, <i>Interface Requirements</i> .
4	Perform reconciliations monthly.
5	Certify reconciliations for accuracy by a responsible agency management employee. The web-based confirmation system (see CAPP Topic No. 20905, <i>Reconciliation Procedures</i>) is the proper vehicle for this certification.
6	Design reconciliation formats to meet agency specific needs <u>and</u> establish an audit trail so that the formats can be traced back to source documentation and FAACS reports.
7	Make reconciliations available for review by outside parties, such as the Auditor of Public Accounts (APA) and the Department of Accounts (DOA).
8	Reconcile Master File balances to Financial Reporting File balances if the agency is a <u>Central FAACS user</u> .

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Reconciliation Reports The following table lists FAACS and CARS reports suggested for use in the reconciliation process and its procedures.

Report No.	Option	Report Title
FAC30040		Disposal History Report
FAC307	AA1	Summarized Totals by Asset Category (Master File)
FAC307	AA2	Disposed Record Report
FAC307	AA3	Summarized Master Display
FAC32050		Fully Depreciated Asset Report
FAC730		Financial Reporting File Balances (by GLA)
FAC732		Monthly Schedule of Changes in General Fixed Assets by Function
ACTR0462		Potential Fixed Asset Report
ACTR0463		Potential Fixed Assets – Selected Items
ACTR0402	B1	Trial Balance of General Ledger Accounts by Agency/Fund Detail
ACTR1408	A2	Statement of Appropriations, Allotments and Expenditures Non Operating

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FAACS Reconciliation Suggestions

Specific suggestions to assist with implementing the procedures listed are as follows:

Suggestion No.	Description
1	<p style="text-align: center;">Reconcile Master File balances to Financial Reporting File balances</p> <p>Compare <i>the</i> FAC307AA1, <i>Summarized Totals by Asset Categories</i>, to the FAC730, <i>Financial Reporting File Balances</i>.</p> <p>The line titled "Total Funding Amount Capital Assets Less Disposed Capital Asset Category" by category on the FAC307 should equal the appropriate GLA balance on the FAC730.</p> <p>Discrepancies should be researched with appropriate adjustments made.</p> <p>Agencies that submit summary entries to FAACS (Form 4 entries) should use the reports generated from the internal system to reconcile to the FAC730.</p> <p><u>If a FAACS user determines an adjustment to <i>the Master File</i> balances is necessary, DOA FAACS staff should be contacted.</u></p>
2	<p style="text-align: center;">FAACS users may use the online system to key Summary Maintenance Form 4 entries for Construction-in-Progress.</p> <p>However, only DOA FAACS staff can release Form 4, Summary Maintenance entries. Agencies are responsible for maintaining changes and reclassifications for Construction-in-Progress. This includes the start of new projects and tracking the completed CIP project to capitalization in FAACS.</p>

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3	<p>One report that may aid in this CIP task is the ACTR1408A2 which lists</p> <ul style="list-style-type: none"> • appropriations, • allotments <u>by quarter</u>, and • expenditures by project number and fund <u>by month</u> and for year-to-date. <p>Construction-in-Progress balances appearing on the FAC730 Report cannot be reconciled to the FAC307AA1 since there are no corresponding Master File Records. All other categories have Master File Records.</p> <p><u>Any reconciling items must be thoroughly investigated and documented prior to allowing an adjustment since entries to the Financial Reporting File do not create entries to the Master File.</u></p>
4	<p>Once the Assistant Director, Financial Reporting is satisfied as to the propriety of the transaction, it will be documented, released and processed.</p> <p>To keep the 1) Master File and 2) Financial File in agreement, agencies may request the FAC307AA3 Detailed option, <i>Summarized Master Display</i>, which provides important detail of each asset currently on the Master File. This report has up to 13 assets per page, plus disposed asset information.</p>

Agency Source Records

All relevant source documentation should be forwarded to the FAACS coordinator for input into the system.

After input, maintain a "pending file" which includes copies of source documents entered into FAACS until the reconciliation process is completed. The documents should be filed to maintain data entry integrity (see CAPP Topic No. 70325, *Data Entry*) and to facilitate reference. After reconciliation, they should be moved to permanent files.

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It is important to maintain filing systems for adequate audit trails to facilitate location of relevant source documentation for each asset.

Typically, an accounting voucher—consisting of a purchase order, receiving report, vendor's invoice, etc.—provides support for vendor payment for purchase of a capital asset.

For most capital assets, a copy of the voucher is the primary supporting source document. **The voucher is a required data entry field for each Master File Item in FAACS.** The voucher may need to be supplemented by additional information required for input such as the asset's tag number, location, organization code, responsible person, description, etc.

Potential Fixed Asset Reports

The following CARS expenditures to capital asset object codes series are for capital assets:

- 2100—Property and Improvements,
- 2200—Equipment, and
- 2300—Plant and Improvements

In turn, these trigger the Potential Fixed Asset Report Series as follows:

Report ID	Description
ACTR0462	All relevant expenditures to these object codes greater than \$500
ACTR0463	All expenditures to the object codes greater than \$5,000

A report useful for identifying potential non-depreciable capital assets is FAC751, *Construction In Progress*. When properly maintained, this report captures all of the changes in Construction In Progress (CIP).

All of these reports are a good starting point to determine which expenditures require capital asset treatment.

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ACTR0463 Report Review

Review the ACTR0463 Potential Fixed Asset Report for batches processed in CARS that may require entry into FAACS. Agencies may use the ACTR0462 if they prefer working at the individual voucher level. A combination of the two reports may also be used—the ACTR0463 identifies the **batch**; the ACTR0462 identifies the individual **voucher**. Transactions listed on the ACTR0462 are at a lower threshold than the capitalization limit of \$5,000.

If the agency is a Summary User of FAACS, then use a report generated from the internal accounting system that identifies expenditures that may require capitalization. See CAPP Topic No. 31010, *Summary Users’* general policy.

With regard to your **ACTR0463 review**, be aware of the following items:

Item	Description
1	CARS processes accounting transactions in batches; therefore, this report may indicate there are assets requiring capitalization when in reality the batch contained many items and no individual item was over \$5,000. Be aware of these false positives. These items are controlled assets that may be tracked by other means.
2	See Appendix I for a sample matrix layout that may be used for tracking potential capital assets.
3	Assuming every batch shown on the ACTR0463 requires entry into FAACS, the sum of the weekly ACTR0463 should equal the amount of the <u>Additions</u> on the monthly FAC732. For instances where the amounts do not equal, document an explanation as to why the differences exist (i.e., which “potential fixed assets” were not capitalizable).

For Construction In Progress Review

Review internal accounting system records or the ACTR1408A2, Statement of Appropriations Allotments and Expenditures Non Operating—Monthly Cycle M, Option A2, for potential expenditures for Construction-in-Progress (CIP). DOA requires CIP to be reconciled quarterly; more frequent reconciliations are permitted.

Please review the Special Note for information regarding the frequency of CIP updates in the *FAACS to CARS Reconciliation* that follows STEP 8 below.

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Note the following items in your review:

Item	Description
1	<p>Verify the amounts that qualify for CIP.</p> <p>Remember, not all project costs get capitalized. An example, storage shed rental for a building construction project may qualify as a project cost but not as part of the amount that gets capitalized in the finished product.</p> <p>Only amounts that will ultimately be capitalized should be included in CIP.</p>
2	Update internal record detail containing detail by project to include the additional expenditures identified.
3	<p>Submit Summary Entry (Form 4) for release by DOA personnel with the addition to CIP.</p> <p>The correct transaction code for increasing CIP is 622 for Fund 1500. The transaction code for <u>increasing</u> CIP in Proprietary and Trust Funds is 638. These expenditures accumulate in GLA 372, CIP.</p>
4	Compare internal balances of CIP to the FAC751, <i>Schedule of Changes in Construction-in-Progress by Agency and Project Report</i> , using a matrix scheme like the sample noted in Appendix I.
5	Compare ending balance of the internal records to the ending balance noted on the FAC751. Note: Each month, the FAC751 increases and decreases, and these amounts include all increases and decreases from the beginning of the current fiscal year. The ending balance represents the balance for the cumulative life of the project as of the report date.

CIP Completed Projects When projects are complete, be sure to remove them from CIP with a summary entry. The correct transaction code to reduce CIP is 626 for Fund 1500 and 642 in Proprietary and Trust Funds.

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Note the following items:

Item	Description
1	Verify correct amount for removal from CIP. The amount removed from CIP should equal the building/asset being capitalized.
2	Show the reduction in CIP with the offsetting capitalization of the asset in FAACS, including the FAACS ID number for the asset.

Retain ACTR0463 for Audit

The ACTR0463 is a weekly report sorted by Batch ID and generated from the batches processing through CARS.

Agencies can compare this report to the FAC732, *Monthly Schedule of Changes in General Fixed Assets by Function*, to ensure all potential capital assets are identified through the batch ID's on the ACTR0463 are captured in FAACS.

The amount of additions shown on the FAC732 should equal the sum of the ACTR0463 reports for the month.

Retain the ACTR0463 on file for audit purposes.

The following significant items listed on the ACTR0463 should be reviewed—

Item	Object Series	Action
Land	2100	Expenditures of \$100,000 or greater should be researched and documented.
Buildings and Infrastructure	2300	Expenditures of \$100,000 or greater should be researched and documented.
Equipment	2200	Expenditures of \$50,000 should be researched and documented

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If items listed on the ACTR0463 reports that are researched should be capitalized, note the following on the report:

1. Agency number,
2. Asset category,
3. FAACS ID,
4. Funding amount, and
5. Brief description.

If items listed on reports that are researched do not require an entry to FAACS, the agency should note an explanation on the report. For example, an expenditure amount could be for a number of items, none of which individually meet capitalization threshold requirements.

Agencies should research material items listed on the ACTR0463 report as indicated above and note relevant FAACS ID and funding amount or explanation for not recording a capital asset in FAACS.

Financial Reporting personnel may request this information to verify compliance with DOA policy.

Agencies should retain the

- **ACTR0463,**
- **FAC732,**
- **FAC730,**
- **FAC751,**
- **FAC307AA1,** and
- **ACTR0402, Option B1.**

These reports should be available for both internal and external audit purposes. Further, the Department of Accounts may request copies of the reconciliation during the fiscal year.

If the agency has a reasonable alternative means of flagging potential capital assets, use and retention of ACTR0463 is not required.

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FAACS to CARS

Reconciliation

Monthly, review the FAC730 for accuracy.

All capitalized asset transactions identified above should be interfaced and properly evidenced by debits and credits to the appropriate GLA.

The GLA balances on the FAC730 should be reconciled to the FAC307AA1 report. This ensures the FAACS financial reporting file (FAC730) is reconciled to the FAACS Master File (FAC 307AA1).

FAACS should be reconciled to CARS each month.

Perform the following tasks to reconcile the Financial Reporting File balances to CARS balances:

Step	Action
1	Compare the FAC730 report to the ACTR0402. Both reports list the reporting balances by GLA. This notifies FAACS users there was an error between the systems that should be investigated further. When the FAC730, ACTR0402B1 and the FAC307 AA1 all match, then the FAACS Master File, Reporting File and CARS are in balance.
2	See the Potential Fixed Asset Reports for procedures to ensure all potential capital assets are properly captured in FAACS. Capital assets constructed display on the FAC751 as Construction-in-Progress (CIP) until completed. The ending balance for the agency on the FAC751 should equal the FAC730 and the ACTR0402B1. Each agency is responsible for tracking the changes and reclassifications for CIP. Disposals from FAACS should be handled per CAPP Topic Nos. 70300 and 70600. Transactions from disposals display as subtractions on the FAC732 report.

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Step	Action
3	<p>Compare Amounts per the FAACS Master File to the FAACS Financial Reporting File and to CARS.</p> <p><u>Obtain the following reports:</u></p> <ul style="list-style-type: none"> • FAC307AA1, <i>Summarized Totals by Asset Category</i> • FAC730, <i>FAACS Financial Reporting Balance File by GLA</i> • ACTR0402B1, <i>CARS Trial Balance by GLA</i>. <p>Agencies should use the identified FAACS and CARS reports “As of” the respective month end.</p> <p><u>Perform the following steps:</u></p> <ol style="list-style-type: none"> 1. The line titled "Total Funding Amount Capital Assets Less Disposed Capital Asset Category" by category on the FAC307 report should equal the appropriate GLA balance on the FAC730 report. 2. Set up a columnar table either electronically or on paper. Please note that an electronic version is preferred, and Appendix I provides a suggested format. 3. Use each of the report names as the column header. It does not matter which report is in which column, just be consistent. The last two columns should be labeled Variance. 4. In the rows, place the GLAs from the FAC730 report. If capital assets are recorded in funds other than Fund 1500, please ensure they are included.

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Step	Action
4	<ul style="list-style-type: none"> • Reconcile balances of the different asset categories from the FAC307AA1 to the FAC730 financial reporting file balances. • Reconcile balances by GLA from the FAC730 to the ACTR0402B1. <p>Note: GLA 372, Construction-in-Progress (CIP), Category 5, is not included in the FAC307AA1 because the CIP activity is not included in the Master File.</p> <p>While these steps provide assurance the systems are in balance, assets may still be unreported. Please see the Potential Fixed Asset Report section as discussed previously for potential assets not yet recorded in FAACS.</p>

Category 1 Assets	Land on the FAC307AA1 compares GLA 365 on both the FAC730 and the ACTR0402.
Category 2 Assets	Buildings on the FAC307AA1 compares GLA 366 on both the FAC730 and the ACTR0402. The accumulated depreciation less disposed assets for buildings (Category 2) on the FAC307AA1 compares GLA 369 on both the FAC730 and the ACTR0402.
Category 3 Assets	Infrastructure on the FAC307AA1 compares GLA 368 on both the FAC730 and the ACTR0402. The accumulated depreciation less disposed assets for infrastructure (Category 3) on the FAC307AA1 compares GLA 367 on both the FAC730 and the ACTR0402.
Category 4 Assets	Equipment on the FAC307AA1 compares GLA 370 on both the FAC730 and the ACTR0402. The accumulated depreciation less disposed assets for equipment (Category 4) on the FAC307AA1 compares GLA 371 on both the FAC730 and the ACTR0402.
Category 5 Assets	Construction-in-Progress (CIP) on the FAC730 compares GLA 372 to the ACTR0402.

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Step	Action
5	Place the balance from the respective GLA and report into the matrix as illustrated in Appendix I.
6	Review balances in the matrix to determine whether there are any discrepancies in the GLA balances between the various reports.
7	List any discrepancies in the Matrix's applicable Variance column.
8	Investigate and explain any discrepancies in the Variance columns. Please ensure the explanation clearly identifies the correct balance.

Reports or display screen helpful for investigating discrepancies include the following. These reports or display screen will help identify out-of-balance transactions between FAACS and CARS. The user may then correct the transaction and clear the error.

Report or Screen	Description
1	FAC32010, Straight Line Calculation Audit Report, Option 1
2	FAC32020, Straight Line Calculation Audit Report, Option 2
3	FAC291R, Listing or Released Transaction Reports
4	FAC710, CARS Interface Activity Report
5	ACTR401, Weekly Reconciliation Report of Transactions Posted in CARS
6	The Error Suspense Transaction Display Screen in CARS is useful to identify transactions causing imbalance between the two systems.

SPECIAL NOTE

If CIP is only being updated quarterly as required by CAPP Topic No. 30210, Asset Valuation, then the agency must ensure the CIP balances are entered to FAACS by the applicable calendar quarter close date. Monthly, the only difference between CARS, the Financial Reporting File, and the Agency's Internal Records relates to the respective CIP amounts. Quarterly, there should be no differences between CARS, the Financial Reporting File, and the Agency's Internal Records. Agencies are prevented from completing the Confirmation of Reconciliation to DOA unless any differences between CARS, the Financial Reporting File and the Agency's Internal Records will corrected within the timelines outlined in CAPP Topic No. 20905.

Step	Action
9	Review any of the available asset inventory reports at least quarterly. DOA personnel recommend reviewing an inventory report monthly to help ensure the timely removal, transfer or surplus of assets no longer used. A few of the available reports are the FAC30040 Disposal History Report, FAC307AA2 Disposed Record Report and, FAC32050 Fully Depreciated Asset Report.

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Certification These reconciliations must be certified along with the CARS balances on the agency certification submitted to DOA each month. Any discrepancies should be reported to DOA promptly so they can be researched and corrected.

Reconciliation Report Record Retention Keep monthly FAC307AA1, FAC730 and ACTR0402 B1 on file for audit purposes.

Also, keep the ACTR0463, ACTR1408A2 or the reconciliation performed, including any internal accounting system reports and supporting documentation of explanations for variances for review. Note: these records may be kept electronically as long as they are properly backed up.

The FAACS and CARS reports are available on Reportline for three years.

Please be advised that DOA personnel may call and request copies of the monthly reconciliation at any time during the year. Since the reconciliations will be prepared and certified monthly, the information requested should be readily available.

Internal Control

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

- Agencies maintain control over all transactions that affect the general capital asset account groups of the agency as recorded in central FAACS.
- Agencies provide timely and accurate property management and financial information through FAACS reports for agency management decisions.
- Agencies provide clear, audit trails from source document to FAACS accounts for all agency capital asset transactions.
- The reconciliation and error correction processes are well documented and reviewed periodically by senior management.

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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.

DOA Contact

Contact Assistant Director, Financial Reporting
 ☎ (804) 225-2257
 FAX (804) 225-2430
 ✉ finrept@doa.virginia.gov

Subject Cross References

References CAPP Topic No. 30305, *Capitalized or Controlled Assets*
 CAPP Topic No. 30325, *Software and Other Intangible Assets*
 CAPP Topic No. 30610, *Depreciation Methods and Calculation*
 CAPP Topic No. 31010, *Summary Users*
 CAPP Topic No. 60303, *Error Messages*
 CAPP Topic No. 70325, *Data Entry*
 CAPP Topic No. 70330, *Error Correction*
 CAPP Topic No. 70360, *Interface Requirements*

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Prepared
by:
Date:

Reviewed
by:
Date:

Purpose: FAACS reconciliation for the month of _____

Reconciliation of FAACS Master File, Financial Reporting File and CARS

Fund **1500** (A separate Worksheet should be created for Other Funds as necessary)

GLA, Category	FAACS 307AA1	FAACS 730	CARS 402, B1	Variance 307AA1 to 730	Variance 730 to CARS 402, B1	Explanation
365, Cat. 1				0.00	0.00	
366, Cat. 2				0.00	0.00	
367, Cat. 3				0.00	0.00	
368, Cat. 3				0.00	0.00	
369, Cat. 2				0.00	0.00	
370, Cat. 4				0.00	0.00	
371, Cat. 4				0.00	0.00	
372, Cat. 5	n/a			n/a	0.00	

Explanation of Potential Capital Asset Expenditures

GLA, Category	CARS 463	FAC 732	Explanation
365, Cat. 1			
366, Cat. 2			
368, Cat. 3			
370, Cat. 4			

Notes

Explanation of Project Expenditures to Construction-in-Progress

GLA, Category	CARS 1408, A2	FAC 751	Explanation
372, Cat. 5			

Notes