

GAO Topic of the Month – May 2022

FIXED ASSETS AT YEAR-END



Background

The State of Arizona Accounting Manual (SAAM) Topic 25, covers *Long-Lived Resources*. SAAM 2540, *Inventory Procedures*, states that each agency must perform a physical inventory of its capital assets and stewardship resources, aka memo assets, to ensure that adequate care is being exercised in the control and accountability of State resources and assets. Unless a written approval is granted by the GAO, the physical inventory should be taken annually not later than June 30 and not sooner than April 30. If the inventory is taken before June 30, a reconciliation of additions and deletions from the date of the inventory through June 30 must be prepared and retained. The infoAdvantage report FIN-AZ-AM-C052 *Physical Inventory* should be used when conducting the physical inventory. During the inventory, agencies should identify any capital and/or stewardship assets that cannot be located. In addition, any capital asset and/or stewardship assets that are found but not listed on the report should be manually added to the report and added into AFIS.

Lost, Stolen or Missing

Before writing off any asset as lost, stolen, or missing, aka “Unable to Locate,” effort should be made at the agency level to locate the item(s). This effort should be documented and include approval signature(s). If your agency determines assets are lost, stolen, or missing during the physical inventory, it is required that the agency must report such incidents through the ADOA Surplus Property Management Office (SPMO) to the State Comptroller. The SPMO will record the Surplus Property Removal Request and forward it and supporting documentation to the GAO. The GAO will review the documentation and will send its determination to the SPMO, which, in turn, will return the determination to the reporting agency. See SAAM 2560 for additional information.

Fixed Asset Disposals

Except as otherwise provided by law, SPMO is responsible for the physical disposal of all fixed assets, see <https://doa.az.gov/state-surplus-property-reference-manual>. Agencies are to use SPMO’s on-line Quickbase System, see <https://azsurplus.quickbase.com/db/bp5225i9k?a=nw> 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 (10) business days, in accordance with SAAM 2561. A fixed asset disposal is recorded by completing a Fixed Asset Disposal (FD) document in AFIS.

At a minimum, enter the following on the FD Disposition Information tab in AFIS:

- Disposition Date
- Disposition Method

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- Disposition Code (if applicable)
- Disposition Authority – the SPMO assigned Surplus Property Request number (e.g. 22-1234 or FY-####)

Prior to submitting the FD document, attach backup documentation (e.g. completed Surplus Request, vehicle titles, internal communications and approvals, etc.)

Disposition Method Guidance

Click the Picklist icon to select the Disposition Method. The following are options available.

Disposition Method	Disposition Method Short Name	Use of Disposition Codes
ACCD	Vehicle Accident	Optional
FRFL	Fire or Flood	Optional
LOST	Lost	Optional
SOLD	Sold	Optional
THEF	Theft/Vandalism	Optional
TRAD	Traded	Optional
TRAN	Transferred	Optional
WO	Written Off/Worn	Required

Disposition methods may be found in AFIS on the Fixed Asset Disposition Method (FADM) table.

Typical Uses:

Disposition Method	Used when:
ACCD	A vehicle accident or other loss claim is processed through Risk Management
SOLD	The asset is going to State Surplus Property Management Office (SPMO) or auction
TRAD	An asset is being returned to a vendor or traded in
TRAN	Recording an asset transfer to another State agency (does not include SPMO)

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Disposition Method of ACCD, FRFL, LOST, THEF, and WO will route to GAO Approver in AFIS workflow.

Quick Reference Guide (QRG)

For additional information on Fixed Asset Disposals, see Asset Management, *Disposing of a Fixed Asset* Quick Reference Guide (QRG) for detailed instructions about the process, including AFIS screenshots, which will walk you through the process. This QRG was recently updated to cover all disposals, not just lost, stolen, or destroyed assets. This additional information should help users select the correct disposal method when entering FD documents.

Monthly Financial Review – Fixed Assets

SAAM 0525 *Monthly Financial Review and Verification* requires that each agency head must ensure that, as applicable, a monthly and/or quarterly financial review and verification is performed for all the applicable categories including Fixed Asset Management. The QRG, *Monthly Financial Review – Fixed Asset Management*, has recently undergone an extensive update that further clarifies the process and references the new infoAdvantage report names used in the reconciliation process. See the QRG at <https://gao.az.gov/training/afis-training-resources> for detailed instructions, reports to use for reconciliations, and tips to resolve discrepancies.

If not already completed, reconcile your fixed asset acquisitions in AFIS to your capital outlay expenditures. Any missing fixed asset expenditures should be entered onto AFIS as additions before the fiscal year closes. Also, reconcile your fixed asset disposals. Any assets that were disposed of that aren't on the Fixed Asset Disposals report will need to be removed from AFIS using the FD document.

Fixed Asset Closing Packages

Fixed Asset Closing Packages are required from all State agencies that have a total of \$100,000 or more in fixed assets aggregate acquisition costs (does not include depreciation). The more current your agency's fixed assets are in AFIS, the less adjustments your agency will have to make when submitting your fiscal-year-end Fixed Asset Closing package, which is due August 12, 2022.

What Additional Steps Can I Do Now to Prepare?

- **Correct Fixed Assets Associated with Inactive Funds and/or Appropriations**
GAO's Budget & Reporting (B&R) team worked with various agencies to inactivate funds and/or appropriations that were no longer being used. During this process, fixed assets that were tied to these now inactivate funds and/or appropriations were never addressed. If your agency has identified as having these fixed assets, the agency should have received an email from the B&R team with an updated listing of fixed assets that are tied to inactive funds and/or appropriations and instructions on how to correct. If your agency has not yet processed the necessary correcting documents, now is the time.

When mass depreciation is run and fixed assets do not have active chart of account elements, the resulting depreciation may error. Correcting these fixed assets now will prevent these issues and eliminate the additional time required to manually correct each error for every depreciation

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cycle. If you need assistance with correcting these fixed assets, please reach out to your GAO AFIS Liaison.

- **Resolve Inactivated Vendors**

As part of GAO's continuous effort to increase efficiency in the vendor operation management and to improve user experiences with the AFIS Vendor File, the AFIS Ops Team inactivated vendor profiles that were established from the legacy State's procurement system, ProcureAZ. These vendors, hereinafter referred to as PZ Vendors, were created from the legacy ProcureAZ and converted to equivalent IV vendors in both AFIS and APP during the vendor/supplier conversion from ProcureAZ to APP in October 2018.

The AFIS Ops Team inactivated PZ vendors in AFIS on March 17, 2022, and a full list of these PZ vendors with equivalent IV vendors crosswalk is available on the GAO Website, under AFIS, AFIS Information. As a result, any accounting adjustment, modification, transfer, and disposal of a fixed asset in AFIS with a PZ vendor after March 17, 2022 will result in an error, as the PZ vendor profile referenced on the fixed asset is no longer active. The AFIS Ops Team is exploring a mass modification process to update inactive PZ vendors with active IV vendors for all impacted fixed assets. In the meantime, your agency can process a FM document to update the inactive PZ vendor with the active IV vendor for the fixed asset in AFIS. Please contact the AFIS Ops Team at afis.operations@azdoa.gov if you have any questions or need additional information.

Conclusion

Now is the time to clean up your fixed assets and reduce the amount of adjusting entries your agency will need to make to your agency's Fixed Asset Closing Package. Make sure all additions and deletions have been fully processed. If you have fixed assets tied to inactive funds and/or appropriations, make the necessary changes so that the depreciation can post correctly without errors. If you have any fixed asset changes with a PZ vendor that have not yet been updated to an active IV vendor, make the additional necessary FM to update the PZ vendor prior to processing the accounting adjustment, modification, transfer, or disposal.

Remember pending or draft FA, FD, FI, FM, and FT fixed asset documents need to be cleared in AFIS by 6/24/2022. Extra time may be needed to make additional correcting entries, so do not wait until the last minute to enter fixed asset transactions. The fourth quarter depreciation will be run in AFIS on 7/2/2022.

If you have any questions about this topic, reach out to your agency contact who can provide assistance or contact your agency's AFIS Liaison or GAO Internal Audit, at gaointernalaudit@azdoa.gov, if any questions remain.