



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 the user needs additional assistance, contact the agency's designated General Accounting Office (GAO) Agency Liaison or refer to the **Asset Management** training manual.

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 occurs 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 AZ360 within one (1) calendar month of the acquisition date (SAAM 2505-2.1). When a fixed asset is acquired, no matter the payment method used, it is not automatically recorded in AZ360.

Record a fixed asset in AZ360 using a Fixed Asset Acquisition (FA) transaction. This electronic transaction manually records all fixed assets acquired by purchases with a General Accounting Expenditure (GAX) non-Commodity-based transaction in Arizona Procurement Portal (APP) or AZ360 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 AZ360 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 six (6) report tabs: Cover Page, 8100 and 8400 All – AZ360 entry required, 8500 – AZ360 entry required, 8500 All, Thresholds for 8500, and a Query and filter tab.
- Contains the Arizona Procurement Portal (APP) commodity values, which might not exist in AZ360. Use the AZ360 commodity default 99999.
- A single purchase may have multiple lines on the report if different funding sources were used for the purchase.



### FIN-AZ-AM-N542 Asset Exp 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 AZ360.

### FIN-AZ-AM-N599 Fixed Asset Acquisitions

- Contains four (4) report tabs: Cover Page, Capital Outlay Review, ACFR Form, and Additions. The Capital Outlay Review tab is for monthly reconciliation. The ACFR Form tab is for ACFR Closing Package reports. The Additions report tab provides support detail for the ACFR report and facilitates verification of all asset expenditures.
- Displays each asset by type, acquisition date, cost, and other detailed information entered into AZ360.

**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 AZ360 are recorded as fixed assets in AZ360.

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**.
  - a. 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 AZ360 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 AZ360 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 AZ360 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 AZ360 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 transaction was entered into AZ360.*

- Mass depreciation (ME) transaction 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 a Fixed Asset Increase/Decrease (FI) transaction 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 AZ360 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.<sup>1</sup> Agencies are to use SPMO's online 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 (10) business days (SAAM 2561). A fixed asset disposal is recorded by completing a Fixed Asset Disposal (FD) transaction in AZ360. See the quick reference guide (QRG) *Disposing of Fixed Asset* for additional information.

### Review Disposals

The objective of this section is to ensure that all fixed assets disposed during the month are removed from AZ360.

Run and review the infoAdvantage report **FIN-AZ-AM-N602** *Fixed Asset Disposals*. This report has six (6) tabs: Cover Page, ACFR Form, Fixed Asset Disposals, Memo Asset Disposals, Disposals missing inservice dates, and Query. This report displays fixed assets that were removed from AZ360 during the month.

If there were assets disposed during the month that are not reflected on the report, then a FD transaction must be processed and finalized in AZ360.

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<sup>1</sup> *State Surplus Property Reference Manual*: <https://doa.az.gov/state-surplus-property-reference-manual>



## 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 AZ360 that calculates and posts depreciation expense quarterly.

### Review Depreciation

The objectives of reviewing depreciation is to ensure that depreciation occurs 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 post 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 occurs as expected and ensure that depreciation expense properly posts to the general ledger.

1. Run and review the infoAdvantage report **FIN-AZ-AM-N603** for the department and applicable fiscal year. For the **Query Contexts** pop-up, select **Fixed Asset Registry**.
  - a. Review the **Depreciation** tab to ensure that fixed assets with remaining useful lives are incurring depreciation.

#### *When reviewing 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**.



## Quick Reference Guide

- 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:
  - a. **Fiscal Year** – Enter 20XX.
  - b. **Accounting Period** – Enter the accounting period that is the last period of the quarter. (e.g., accounting period 9 is for last period of quarter 3).
  - c. **Fund** – Use “%” as a wildcard for all funds.
  - d. **Object** – Enter 7912.
  - e. **Value (s) for Closing Classification Label** – Select **40 – Non-Cash Expenditures**.
- 3. After running the report, using the **Input Controls**, select only the user’s 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’s 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, AZ360 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 Details tab on the **FIN-AZ-AM-N603** report. To obtain the total depreciation expense for the quarter, within the Details tab, filter for:
  - Fiscal Year
  - Closing Package Current Year Depreciation
  - Quarter
  - 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. Check for this by completing the following:
  - Run the infoAdvantage report, **FIN-AZ-AM-N623 Incorrect Depreciation Exp**, using report prompts:



- **Department**
- **Record Date (Start)** – Enter the beginning date of the quarter that is under review. (e.g., 1/1/20XX is the beginning date of quarter 3).
- **Record Date (End)** – Enter the ending date of the quarter that is under review. (e.g., 3/31/20XX is the ending date of quarter 3).

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. If the user finds that there are assets incorrectly posting depreciation expense, contact assigned GAO Agency Liaison to correct.

**When reviewing depreciation, keep in mind:**

- A pending or draft fixed asset transaction must be finalized before depreciation will be recorded.
- The Depreciation History (DEPH) table in AZ360 is useful for researching prior depreciation amounts.
- A FA or FI transaction 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 AZ360 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 ensure that all additions, modifications, and deletions to fixed assets are reviewed monthly by someone without access to modify AZ360 (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 AZ360. 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.





## References

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

For general training on asset management, including program asset generation, see the **Asset Management** training manual at <https://gao.az.gov/resources/training/gao-training-resources>.

### infoAdvantage Reports for Asset Management

The following reports are available statewide in infoAdvantage for asset management.

Report ID	Name
FIN-AZ-AM-C052	Physical Inventory
FIN-AZ-AM-C053a	Fixed Asset Transfers by FY
FIN-AZ-AM-C062	Age of Assets
FIN-AZ-AM-N067	Fixed Assets by CFDA number
FIN-AZ-AM-N341	Disposed Assets by Acquisition Fund
FIN-AZ-AM-N358	Fixed Asset by Location and Sub-Location
FIN-AZ-AM-N538	Fund 1300 Fixed Assets by Type
FIN-AZ-AM-N542	Asset Exp by Period
FIN-AZ-AM-N599	Fixed Asset Acquisitions
FIN-AZ-AM-N602	Fixed Asset Disposals
FIN-AZ-AM-N603	Fixed Asset Accumulated Depreciation
FIN-AZ-AM-N607	Fixed Asset Transaction Register by Dept
FIN-AZ-AM-N608	Monthly Fixed Asset Transactions
FIN-AZ-AM-N609	Fixed Asset vs. General Ledger
FIN-AZ-AM-N610	Fixed and Memo Assets
FIN-AZ-AM-N614	Procurement System Assets Purchased
FIN-AZ-AM-N623	Incorrect Depreciation Exp
FIN-AZ-AM-N626	Fixed Assets Summary
FIN-AZ-AM-N627	Fixed Asset Federal Exp
FIN-AZ-AM-N657	Asset Management
FIN-FA-0003	Fixed Asset by Dept and Fund
FIN-FA-0004	Fixed Asset Replacement Forecast

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