



Virginia Department of Corrections

Financial Management and Procurement

Operating Procedure 230.1

Accounting for Fixed Assets

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REVIEW

The Content Owner will review this operating procedure annually and re-write it no later than three years after the effective date.

COMPLIANCE

This operating procedure applies to all units operated by the Virginia Department of Corrections. Practices and procedures must comply with applicable State and Federal laws and regulations, ACA standards, PREA standards, and DOC directives and operating procedures.

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DEFINITIONS

Agency - Any Organizational Unit of the Department of Corrections which has its own unique budgetary agency code e.g., Agency 701, 767, etc.

Agency Fiscal Officer - The Business Manager at major institutions (including assigned field units), Support Services Manager at Regional Offices (including field units not assigned to major institutions), Business Manager at Virginia Correctional Enterprises (VCE), Operations Manager at the Academy for Staff Development and the Chief Financial Officer for Central Office Organizational Units and the Community Corrections units

Chief Financial Officer - The Manager of the Financial Management and Reporting Unit

Fixed Asset - Real or personal property whose value and anticipated useful life meet the standards for recording its value in the Commonwealth's Fixed Asset Accounting and Control System (FAACS)

Fixed Asset Accounting and Control System (FAACS) - The system used by most state agencies in accounting for fixed assets

Periodic Useful Life Review - Certified review of all qualifying assets every five years by each FAACS Coordinator as required by DOC and Department of Accounts procedures in order to properly modify the useful life of any qualifying asset as based on the CAPP useful life table as provided by the FAACS system.

TMS (Total Maintenance System) - A web-based software system that provides a computerized system for managing materials and supplies inventories and a maintenance management system to schedule, track, and report maintenance work performed on DOC owned facilities, equipment, and vehicles

Virginia Public Building Authority (VPBA) - A political subdivision of the Commonwealth of Virginia under the Department of the Treasury, authorized to issue bonds under the Virginia Public Building Authority Act of 1981 for the purpose of financing, refinancing, constructing, improving, furnishing, maintaining, acquiring and operating public buildings for the use of the Commonwealth; and financing or refinancing capital projects that benefit the Commonwealth and any of its agencies, instrumentalities and political subdivisions. VPBA funds are used by the Department of Corrections to construct new facilities and acquire supporting equipment.



PURPOSE

This operating procedure establishes guidelines for the control, safeguarding, accountability, and reporting of Department of Corrections fixed assets in accordance with state laws and regulations.

PROCEDURE

- I. Fixed Asset Accounting and Control System (FAACS)
 - A. FAACS records must be kept up to date and maintained in accordance with this operating procedure and must comply with the Commonwealth Accounting Policies and Procedures (CAPP) Manual. Each organizational unit will retain copies of FAACS records. (1-CTA-1B-02)
 - B. Fixed assets are categorized in one of the following:
 1. Category 1: Land
 2. Category 2: Buildings
 3. Category 3: Infrastructure
 4. Category 4: Equipment
 5. Category 5: Construction in Progress (CIP)
 - C. Accountable Fixed Assets
 1. An asset is required to be recorded in FAACS if it meets all the following criteria:
 - a. Separate - It is tangible in nature and complete
 - b. Expected Life - It has an expected useful life of one or more years
 - c. Significant Value - It is an individual asset with an acquisition cost or market value of \$2,000 or more. (The higher of these two dollar amounts is to be recorded on FAACS.)
 2. An accountable fixed asset may be purchased (new, used, acquired via surplus, etc.), transferred from another unit or State agency, donated, or leased. Leased assets must be entered into the "Lease Accounting System" (a subsystem of FAACS) in accordance with the CAPP Manual; see CAPP Manual, Topic 31220, *Cardinal LAS Reporting*.
 3. All firearms owned by the DOC, regardless of cost, will be recorded in TMS and should not be listed on FAACS.
 4. Like-kind assets obtained as a group (e.g., beds, chairs) are not required to be recorded on FAACS if both the acquisition cost and market value of an individual unit is below \$2,000.
 5. With the exception of facility start-up equipment funded through capital construction, recording the reclassification of Construction in Progress (CIP) into FAACS is the joint responsibility of Infrastructure and Environmental Management Unit and the Budget Office. Once the transaction(s) have been entered, the FAACS Coordinator will be notified.
 - D. Accounting for Software and Other Intangible Assets; see Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
 1. Examples of intangible assets include easements, water rights, timber rights, patents, trademarks, and computer software; see CAPP Manual, Topic 30325, *Cardinal Software and Other Intangible Assets*.
 - a. Intangible assets can be purchased or licensed (which includes acquisition through an installment contract), acquired through non-exchange transactions, or internally generated.
 - b. As for other types of assets, an individual intangible asset with an acquisition cost or market value of \$2,000 or more must be recorded on FAACS.
 2. Intangible assets are defined as assets having all of the following characteristics:



- a. Lack of physical substance - such as, computer software contained on compact discs, hard drives or other digital media. Also, may be associated with other assets having a physical existence, such as land in the case of right-of-way easement or mineral rights.
 - b. Non-financial in nature - Intangible assets are non-financial in nature, and are not in a monetary form similar to cash or investment securities.
 - c. Useful lives or benefit periods exceeding one or more years
3. Computer software should be considered internally generated if it is developed in-house by agency personnel or by a third-party contractor on behalf of the agency.
 - a. During the development stage, evaluate the expenditures to determine whether capitalization appears appropriate. Record the applicable capitalizable expenditures as Construction in Progress.
 - b. Commercially available software purchased or licensed by an agency that requires modification by agency personnel or a third party and the cost incurred for the modification equals or exceeds ten percent of the total software acquisition cost before being placed into operation should be considered internally generated for purposes of GASB Statement No. 51.
 4. The activities involved in developing and installing internally generated computer software can be grouped into the following stages:
 - a. Preliminary Project Stage - Costs incurred during this stage are not capitalized. These costs include the following activities:
 - i. Conceptual formulation of alternatives
 - ii. Evaluation of alternatives
 - iii. Determination of existence of needed technology
 - iv. Final selection of alternatives
 - b. Application Development Stage - Costs incurred during this stage involve both internal and external costs incurred to develop the software and are capitalized. These costs include the following activities:
 - i. Design of chosen path, including software configuration and software interfaces
 - ii. Coding
 - iii. Installation to hardware
 - iv. Testing, including the parallel processing phase
 - v. Data conversion - only to the extent that the data is necessary to make the computer software operational
 - c. Post-Implementation/Operation Stage - Costs incurred during this stage are not capitalized. These costs include the following:
 - i. Training
 - ii. Application maintenance
 - iii. Data conversion - data, such as historical, not necessary to make the software operational, but desirable from a management perspective

II. Implementation and Maintenance

- A. The Fiscal Officer will be responsible for the implementation and maintenance of a FAACS program that complies with DOC and state FAACS regulations and procedures.
- B. The Fiscal Officer's responsibilities include, but are not limited to, the following:
 1. Performing a weekly review of the *Potential Fixed Assets Query Report* in Cardinal (*V_GL_Potential_Fixed_Assets*) and ensuring that all agency accountable fixed assets are entered into FAACS within 30 days of acceptance of the asset unless unusual circumstances exist.
 - a. The Fiscal Officer is required to certify semi-annually that their agency is in compliance with requirements for recording fixed assets.

- b. The *Agency/Institution Fixed Asset Activity Certification* will be sent to the fiscal officers each January and June to be completed and returned by the requested due date to the DOC Budget Office as documentation of compliance.
2. Ensuring that all FAACS input errors of the agency are corrected promptly
3. Ensuring that FAACS Screening reports are appropriately reviewed for the availability of similar assets before purchasing an asset
4. Ensuring that any change in the status of a fixed asset of the agency (e.g., location, condition, etc.) is recorded on FAACS in a timely manner
5. Maintaining an agency FAACS record that reflects all accountable assets entered into or deleted from FAACS
6. Reconciling agency fixed asset records to the *Cardinal Trial Balance Report* and applicable FAACS Reports (e.g., FAC307, Asset Masterfile Fund and Accumulated Depreciation Summary Amounts by Category and FAC730, *FAACS Financial Reporting File Balances by Agency, Fund and GLA*) on a monthly basis.
7. Ensuring a process is in place to identify applicable assets. This may include, but not be limited to, stamping "FAACS" on any purchase order for an accountable asset that is required to be recorded in FAACS.
8. Ensuring that all FAACS inventory items are appropriately tagged, engraved, or otherwise marked with the asset's identification number; that a supply of tags is maintained by the agency; and that the tag numbers are controlled through restricted access to the tags.
9. Ensuring that all agency accountable leased assets are entered into the *Lease Accounting System* in a timely manner; see CAPP Manual, Topic 31220, *Cardinal LAS Reporting*.
 - a. Only after the Capital Lease has expired should the asset be recorded in FAACS. The FAACS record should be entered so that the asset has a zero carrying value.
 - b. *Master Equipment Lease Program* (MELP) equipment that has been acquired through the Treasury Board is considered an installment purchase and should be recorded in FAACS. This special financing allows Agencies to acquire assets by making installment payments and the title is transferred to the Agency.
10. Ensuring that timely and accurate inventories are performed, regular maintenance of FAACS records is completed, and agency-wide accountability for property is maintained.
11. Performing a periodic review of the useful lives of qualifying capitalized assets to ensure that the useful lives closely mirror the actual lives of the assets and extend any which are about to become fully depreciated while expected to continue being used. Qualifying assets consist of:
 - a. Buildings and structures (FAACS Category 2) having an historic value of at least \$100,000
 - b. Infrastructures (FAACS Category 3) having an historic value of at least \$100,000
 - c. Equipment (FAACS Category 4) having an historic value of at least \$50,000
 - d. Assets that have fully depreciated cannot be extended.
12. Ensuring and maintaining a proper and adequate control environment
13. Ensuring any assets acquired with Virginia Public Building Authority (VPBA) funds are appropriately identified and recorded in a timely manner. See *Fixed Assets of the Virginia Public Building Authority* section of this operating procedure.

III. Training, Reviewing, Monitoring and Evaluation

- A. The DOC Budget Office will be responsible for the training, review, monitoring, and evaluation of FAACS programs within the DOC.



B. The Budget Office's responsibilities include:

1. Providing FAACS training to DOC employees as needed
2. Developing, maintaining, and implementing DOC procedures relating to FAACS
3. Issuing supplemental instructions to DOC agencies as needed to support compliance with state and DOC policies and procedures
4. Reviewing individual agency FAACS programs and making recommendations as needed to bring the agency into compliance with current policies, procedures, and practices.

IV. Fixed Assets of the Virginia Public Building Authority

A. Agencies will follow normal FAACS guidelines unless otherwise specified below.

B. Virginia Public Building Authority (VPBA) equipment and furnishings require inventory tags.

1. The tags will indicate the fixed assets were purchased with VPBA funds.
2. The VPBA identifying tags can be a separate tag in support of the regular FAACS identification tag.
3. VPBA funds may be used to purchase these inventory tags.
4. The tags must state:

<p>PROPERTY OF THE VPBA Do not remove from (your agency) without proper authorization.</p>
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5. For those fixed assets where it is determined to be impractical to physically affix a VPBA tag, the fixed asset system must still identify VPBA as the owner of the asset.

C. VPBA will be identified as the funding source for the fixed assets. The Department of Accounts (DOA) has established FAACS funding source code numbers 47 and 48 for VPBA to permit this identification.

D. VPBA fixed assets may be disposed and surplus if they are fully depreciated and/or obsolete.

1. Proceeds from VPBA fixed assets that have been surplus will be either returned to the VPBA for deposit or used to purchase fixed assets for the managing agency.
2. In this case, the purchased fixed assets will become property of the VPBA and must be maintained on FAACS when appropriate.

E. It is recommended that furnishings and equipment purchased for use in a VPBA-funded facility remain at that facility.

1. If the fixed assets are no longer productive at the VPBA location, the movement of the fixed assets from that facility to another VPBA facility must be tracked on FAACS by the receiving agency so that the correct location of the asset is identified.
2. The original funding source and project number must be retained for tracking purposes.

F. Prior approval from the VPBA is required before the fixed assets can be moved from a VPBA facility to a non-VPBA facility.

1. Transferred assets must be tracked on FAACS by the receiving agency so that the correct location of the asset is identified.
2. The original funding source and project number must be retained for tracking purposes.

V. Low Value/Expendable Assets

A. Agencies may not utilize FAACS to control assets valued at less than \$2,000 without the approval of the DOC Budget Office.



- B. Any agency desiring to record such assets should submit their request and justification to the Capital Asset Specialist in the DOC Budget Office for review and submission to DOA, as required.

VI. Physical Inventory

- A. Scope of Inventory - A physical inventory of fixed assets is required at least once every two years in order to properly safeguard assets and maintain fiscal accountability. (5-ACI-1B-13; 4-4037; 4-ACRS-7D-25; 2-CO-1B-08; 1-CTA-1B-08)

1. Inventories of assets that are susceptible to errors or irregularities should be conducted on a more frequent basis.
2. The CAPP Manual, Topic 30505, *Physical Inventory*, provides guidelines related to conducting a proper fixed asset inventory.

B. Assignment of Responsibility

1. The Fiscal Officer must coordinate and/or conduct the fixed asset inventory and ensure that FAACS records are updated appropriately and in a timely manner.
2. If the physical inventory discloses changes in the status of accountable fixed assets (new location, lost asset, asset not on FAACS, etc.) then the change must be promptly entered on FAACS.

C. Lost or Stolen Assets

1. The Fiscal Officer will provide documentation to the Organizational Unit Head of all fixed assets determined to be lost or stolen.
2. It is the responsibility of the Organizational Unit Head to review this documentation, determine its acceptability and approve the removal of these assets from FAACS.
3. The Organizational Unit Head is responsible for notifying the Special Investigations Unit and the Chief Financial Officer whenever theft or other misuse and/or loss of fixed assets is suspected; see Operating Procedure 030.4, *Special Investigations Unit*.

- D. Certification - Upon completion of the fixed asset inventory and updating of FAACS to reflect the current status of fixed assets, the agency's Fiscal Officer will submit a [*Certification of Physical Inventory \(FAACS\)*](#) 230_F5 to the DOC Budget Office by the requested due date as certification of the agency's compliance with inventory requirements.

VII. Recording Transfers of Furniture and Equipment

- A. When property is transferred from one unit to another, both the sending and receiving units will record the change on their inventory records.
- B. The transfer of an asset recorded on FAACS requires the transferring agency to record the "transfer out" on FAACS.
- C. The receiving agency will record the "transfer in" of the asset at the original historical cost, acquisition date, salvage value, and nomenclature of the disbursing agency.
- D. The Organizational Unit Head of the unit charged with the property remains accountable for the asset until formal transfer has been made and is responsible for notifying the Fiscal Officer of all transfers in/out.

REFERENCES

CAPP Manual, Topic 30325, *Cardinal Software and Other Intangible Assets*

CAPP Manual, Topic 30505, *Cardinal Physical Inventory*

CAPP Manual, Topic 31220, *Cardinal LAS Reporting*



Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*

Operating Procedure 030.4, *Special Investigations Unit*

ATTACHMENTS

None

FORM CITATIONS

[Certification of Physical Inventory \(FAACS\) 230_F5](#)

