

Government Capital Assets – Internal Controls to Have in Place:

1. Responsibilities for initiating/approving capital expenditures (including leases and repair/maintenance projects) should be segregated from responsibilities for accounting for those transactions (project accounting, property records, and general ledger functions).
2. Approvals by appropriate levels of management and/or elected officials should be required for capital asset transactions. Individuals authorized to initiate capital asset transactions should be identified and the limits of their authority defined.
3. Responsibilities for the project accounting and property records functions should be segregated from the general ledger function.
4. Responsibilities for the project accounting and property records functions should be segregated from the custodial function.
5. Responsibilities for the periodic physical inventories of capital assets should be assigned to individuals who have no custodial or record keeping responsibilities.
6. A separate capital projects budget should be prepared.
7. A subsidiary ledger should be maintained for all capital assets, including those that are self-constructed, donated, purchased, or leased.
8. Physical safeguards over assets should exist.
9. Detailed property records should be periodically compared to existing assets. Periodic inventory of documents evidencing property rights (e.g., deeds, leases, and the like) should be performed. Differences between records and physical observations should be investigated and the accounting records adjusted accordingly.
10. Capital assets should be adequately insured.
11. Equipment should be identified by pre-numbered tags or other means of positive identification.
12. Written procedures and policies should exist to:
 - Distinguish between capital expenditures and repairs/maintenance expenditures
 - Identify operating budget expenditures to be capitalized
 - Identify Accounting vs departments' responsibilities
 - Describe whether/how to track non-cap assets
 - Describe disposal procedures – approvals, notify Accounting, sell, donate, advertise, scrap, replacement assets
 - Describe capitalization thresholds, depreciation methods, level of detail to capitalize (e.g., whether a building will be capitalized as a single asset or each component)
 - Describe procedures to inventory, tag and reconcile assets to the accounting records