

FIXED ASSET CONTROLS

BACKGROUND

The Property Control Section of the Department of Revenue and Finance is responsible for the maintenance of the City's fixed asset and related accounting records. A fixed asset is defined as property with a purchase price of \$500 or more and having a useful life of more than one year. In addition, guns, land, and art objects are maintained as fixed assets regardless of cost; the first due to danger if theft or loss should occur, and the latter two due to the often indeterminable value.

The departmental objectives of the Property Control Section include the control of all fixed asset additions, dispositions and transfers. The policies and procedures relating to these objectives are managed and enforced by using a network of Property Control Coordinators, located in each city department. In addition, these coordinators are used to help safeguard the assets and to assist in the annual physical inventory, performed by direction of City Charter.

SCOPE

The audit will cover the period beginning October 1, 1994, and ending on the last day of field work.

PLANNING

1. Prepare and send an entrance letter to the auditee division.
2. Begin an in-house review, which includes the examination of :
 - a. prior audit reports
 - b. organizational chart
 - c. annual budget
 - d. procedures manuals, if any, and position descriptions
3. Schedule and hold an entrance conference with the auditee. Obtain the name of the primary department contact person and arrange for workspace as needed.
4. Begin the preliminary survey portion of the audit by interviewing appropriate staff members. Document the interviews with narratives in the file.
5. Review and document the internal control system. Conduct several transaction walk-throughs. Revise documentation as necessary.
6. Prepare a preliminary survey memo and risk analysis including suggested audit objectives and testing procedures. Discuss with the Audit Supervisor.
7. Prepare the audit program and include a time budget for each audit step. Index the work file and turn in for review to the Audit Supervisor.
8. Clear review notes and revise the audit program and work file as necessary.

OBJECTIVE # 1

Determine if assets which were maintained on the fixed asset accounting system exist.

9. Obtain inventory reports of all fixed assets classified movables, vehicles and electronics. Determine the size of the universe.
10. Using the random number generator program, select a statistically relevant sample from each of the asset groups.
11. Physically inspect each asset selected to verify its existence at the correct location.
12. Verify that the asset is identified by a properly numbered asset tag.
13. Assess whether or not the safeguarding of each asset appears to be adequate.
14. For vehicles, verify that the title and registration are maintained and are correct for each vehicle inspected.
15. Verify that all data input, including product and location codes, is correct.
16. Summarize and conclude.

OBJECTIVE # 2

Determine if fixed asset dispositions were properly documented and approved in accordance with established procedures.

17. Using the FAD800 report, determine the number of fixed asset dispositions which occurred during FY 95. In addition, If possible, obtain a current listing in order to select FY 96 transactions. Obtain as many FY 96 transactions as possible. The last day of field work is the cut off.
18. Using the random number generator, select a statistically relevant sample of fixed asset dispositions.
19. Trace each transaction to a properly prepared FIN 12 form (this is the disposal form). Verify that documentation was adequate and that the form was signed by the appropriate personnel.
20. Verify that the disposition was approved by City Council resolution (this is the only legal way to dispose of city property).
21. Summarize and conclude.

WRAP-UP

22. Complete and index the workpapers.
23. Prepare a draft of the audit report and turn in the work file and report to the Audit Supervisor for review.
24. Clear review notes and make changes as necessary to the report/and or workpapers.
25. Send a preliminary draft report to the auditee with instructions for written responses due in two weeks. Schedule an exit conference if necessary (if the auditee has major disagreements with the facts or recommendations).
26. Incorporate the auditee's written responses into the final report and send to the printer.
27. Update the permanent file.