

Department of Finance and Administration – Policy 32

Maintaining Control Over Items That Are Not Capitalized

Purpose, Authority and Applicability

Issued in accordance with the authorities granted through TCA 4-3-1007, the Department of Finance and Administration has developed this policy statement to help ensure that adequate property controls (e.g., controls designed to prevent or promptly detect physical loss) are in place over “sensitive” non-capital assets that do not meet the state’s thresholds for financial reporting purposes.

This policy statement is effective July 1, 2015 and is applicable to all state departments, agencies, boards and commissions (herein after referred to as agency or agencies), with the exception of colleges and universities.

Definitions and Scope

The state generally defines sensitive non-capital assets as personal property and equipment that has a unit value greater than \$1,000 but less than \$5,000 (value on the basis required by governmental accounting standards); is desirable; easily susceptible to theft; easily converted to personal use; and, has a useful life greater than one year.

Agencies should, however, perform risk assessments to determine which items they should be designating as sensitive non-capital assets, and establish, as appropriate, thresholds for property control that are lower for items that fall within the following categories:

- 1) Items that require special attention to ensure legal compliance (e.g., items acquired through grant contracts);
- 2) Items that require special attention to protect public safety and avoid potential liability (e.g., police weapons);
- 3) Items that require special attention to compensate for a heightened risk of theft (attractive/sensitive property will vary from agency to agency and should be evaluated in the context of its environment).

Appendix A provides an example list of sensitive non-capital assets.

General Policy

Each agency should assign overall responsibility for sensitive non-capital assets to one or more specific individuals (i.e. appoint custodian(s)), and develop clear, consistent policies and procedures for dealing

with sensitive non-capital assets within their units. This includes acceptable use, disposal, transfer and recording of property locations, inventory counts, and physical security measures in departmental policies and procedures. While these policies and procedures are expected to be designed to meet unique operating needs, they must appropriately address any operational, regulatory, fiduciary, and/or fraud risks associated with owned sensitive non-capital assets.

Inventory tracking system

It is the responsibility of each agency to develop and maintain an inventory tracking system to appropriately monitor and control the acquisition, transfer, disposal, and loss or damage of theft sensitive non-capital assets. Sensitive non-capital assets are to be tracked for their entire lifecycle (from time of purchase or donation to disposal.) Agencies are required to add and delete items to and from their inventory tracking systems as they occur rather than waiting for the biennial inventory.

Transfers

Should permanent control of a sensitive non-capital asset be transferred between agencies, a Transfer of Non-Capital Sensitive Assets form (Appendix B) must be completed and the inventory tracking systems of the transferee and transferor agencies updated to reflect this transfer. The form will be signed by the employee receiving the transferred asset as well as the person authorizing the transfer, and filed with the Department of Finance and Administration, Division of Accounts.

Surplus and missing

When a sensitive non-capital asset is still in the possession of a business unit, but is no longer considered useful (i.e. is considered surplus or excess, or is to be traded-in on a new purchase), the accountable agency should declare the sensitive non-capital asset surplus through the Department of General Services, Warehousing and Distribution Division. When a sensitive non-capital asset is missing and cannot be accounted for, the accountable agency should immediately notify the office of the Comptroller of the Treasury in accordance with TCA 8-4-119 or 8-19-501.

Annual certifications

Each agency must annually certify to the Department of Finance and Administration, Division of Accounts that updated lists of sensitive non-capital assets are on file and available for inspection. The Department of Finance and Administration will prescribe the method of making these certifications as part of the state's fiscal year end closing processes.

Biennial physical inventories

Agencies are responsible for the taking of at least a biennial (every other fiscal year) physical inventory of sensitive non-capital assets to ensure that these assets are still in use, and correctly identified in the agency's sensitive non-capital assets inventory tracking system. While sampling is an acceptable method of conducting the physical inventory, agencies should ensure thorough investigation of all discrepancies and an expansion of sample size when warranted. Agencies must provide an inventory report to the Department of Finance and Administration, Division of Accounts within thirty days

following inventory completion. This report should include a summary of the physical inventory processes followed, as well as summary of the results of the inventory.

The Department of Finance and Administration will monitor the completion of agencies physical inventories of sensitive non-capital assets to ensure that basic public stewardship responsibilities are being met.

Reviews

On a rotating basis, the Department of Finance and Administration, Division of Accounts will conduct a review of each agency's policies, procedures and systems surrounding its accountability for sensitive non-capital assets to ensure the reliability and completeness of the data on file in each department concerning sensitive non-capital assets.

Exceptions

Exceptions to this policy may be approved by the Department of Finance and Administration, Division of Accounts Deputy Chief of Accounts.

Approval of the Commissioner of Finance and Administration

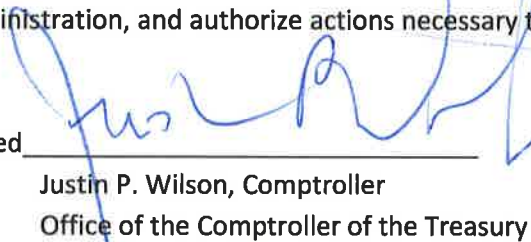
I, Larry B. Martin, hereby approve Policy Statement 32 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed 
Larry B. Martin, Commissioner
Department of Finance & Administration

Date 4/23/15

Approval of the Comptroller of the Treasury

I, Justin P. Wilson, hereby approved Policy Statement 32 of the Department of Finance and Administration, and authorize actions necessary to implement its requirements.

Signed 
Justin P. Wilson, Comptroller
Office of the Comptroller of the Treasury

Date 4/27/15

Appendix A:

Below is an example list of “sensitive” non-capital assets categories. This list is not to be deemed as all inclusive and does not preclude agencies from specifying additional categories or items to effectively manage their programs and maintain public safety. Management should tailor this list to appropriately address the risks associated with all non-capital assets in their custody and control.

Category
Multi-functional office equipment
Computers
Computer hardware
Personal communication devices; digital assistants
Power tools & construction equipment
Cameras, video equipment and multi-media equipment
Weapons
Law and emergency related items
Miscellaneous motor vehicles
Water craft related items

State of Tennessee
Interdepartmental Sensitive Non-capital Asset Ownership Transfer Form
(Both Agencies Signatures Are Required For Form Completion)

Transferor Agency

Name

BU Number

Printed Name of Asset Custodian

Signature/Date

Ownership of the sensitive non-capital asset(s) listed below have been transferred out of my department. All state & federal requirements applicable to this transfer have been followed, & necessary general ledger accounting entries recorded.

Printed Name of Chief Fiscal Officer

Signature/Date

Asset ID	Asset Value	Asset Description

(attach additional listing if necessary)

Transferee Agency

Name

BU Number

Printed Name of Asset Custodian

Signature/Date

Ownership of the sensitive non-capital asset(s) listed above have been transferred into my department. All state & federal requirements applicable to this transfer have been followed, & necessary general ledger accounting entries recorded.

Printed Name of Chief Fiscal Officer

Signature/Date