

# **Fixed Assets from an Auditor's Perspective: Managing Fixed Assets to Prepare for an Audit**

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# Auditors and Fixed Assets

- Auditing is subjective.
- Every Auditor is different.
- Some Auditors look at fixed assets closely.
- Some do not.
- I do!



# Why Fixed Assets are Audited?

- Districts are responsible for:
  - maintaining custody of its fixed assets (Accountability) and
  - ensuring its financial reports are accurate.
- In doing so, the district must have **complete and accurate records**.
  - Includes Career and Technical assets
    - Via separate tracking or
    - Add to fixed asset ledger
- Failure to do so could result in a qualified audit opinion for fixed assets.
  - May result in accreditation deficiency leading to a probationary status
- MS Public School Asset Management Manual – Office of State Auditor, Revised June 2008





# Here's what I want:

- A copy of your Board Policy
- A copy of your Fixed Asset Procedures (if different)
- General ledger detail from July 1 – June 30 (all account numbers)
- A listing of:
  - Additions
  - Deletions
  - Depreciation (Current Year and Accumulated)
- Access to your accounting system (read only)
- Your fixed asset audit for the year audited
- Career and Technical fixed asset print out from MDE



Next...

I'm going to test your internal controls by asking a lot of questions. Then I will verify you are doing what you told me.

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- How updated are your board policies? Are they tailored to your district and not the draft copy from MS School Board Association?
  - **How many people know what the policy is? Don't be afraid to look at your notes.**
  - What's an object code 731, 733, 735, 737, 740? Your fixed asset personnel and purchasing clerks need to be able to answer this question.
  - Do you reconcile your GL to the Fixed Asset ledger? How often?
  - How often do you perform audits? At least, annually.
  - Are audit discrepancies resolved?
  - Who is responsible for the asset? Are they signed for? Do they know they are responsible? What are the consequences for loss?
  - What are your end of year procedures (when teachers leave)?
  - Did you have an asset sale this year?
  - How is your check out/hand receipt policy/procedure implemented (libraries, students)?



# My Testwork

- ▶ Board Policy - Make sure you know and implement it. Policies must be state/federal compliant. Revise it to comply with your actions. Don't add the forms to be board approved. Just state, "District Finance Department will create fixed asset forms as needed." Keep it simple.
- ▶ Procedures – Generally, denotes more detailed processes:
  - ▶ What object codes to use?
  - ▶ Exit procedures
  - ▶ Hand receipts / check out forms / Asset assignment forms
  - ▶ Addition/deletion/transfer forms and processes (due monthly, proper signatures)
  - ▶ Return to vendor
  - ▶ Audits / trainings



# My Testwork

- ▶ Test your general ledger balance to your additions.
- ▶ Trace disposals to board approval. If a sale was involved, I'll ensure compliance on advertising, receipting and board approval.
  - ▶ Assets disposed within three years of purchase are red flags.
- ▶ Depreciation – verify report balances to the Note 5 - Capital Asset and perform recalculation of a sample
- ▶ Access to the system – An auditor with access to the system can be dangerous if you do not have good procedures and controls.
- ▶ Last audit – Review for completeness. Verify discrepancies are resolved.
- ▶ Select a few fixed asset items to look at.
  - ▶ Red flags...cell phones, lawn mowers, four wheelers, equipment assigned to IT and maintenance. While I'm out, I'm looking for assets that should be tagged that aren't. IT department is notorious for moving items and not doing the paperwork.






# How to Prepare...

- ▶ Have everything ready for when the auditor get there...Don't give them time to think.
- ▶ Know and train on your board policy and written internal procedures.
- ▶ Minimize your walkable items. For instance, if Federal programs wants to tracks their graphing calculators, they can do so using their own number system; don't add them as a walkable item to be tracked via the fixed asset ledger.
- ▶ Designate a Fixed Asset Representative at each location.
- ▶ Reconcile fixed asset ledger to general ledger monthly and annually. Adjust as needed. This process makes the year end reconciliation easy.
- ▶ Audit the check out procedures in your school (libraries) for accuracy.



# How to Prepare...

- ▶ Asset assignment forms should be updated annually. New hot items to audit are the 1:1 student laptops.
  - ▶ Implement school 100% self audits by the location fixed asset representative at the beginning and end of the school year. Implement spot audits by the central office fixed asset representative. Resolve any discrepancies.
  - ▶ Retain proper and clear documentation. Documentation should speak for itself.
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Questions?



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