

Accounting for Walk-Away Assets/Items

Indiana State Board of Accounts

ILMCT Annual Conference - Fort Wayne

June 2019

Walk-away Assets



- What are they?
- Should they be accounted for?
- Why?
- How?
- Best Practices



CoolClips.com

Walk-away Assets – What Are They?



Smaller assets

- Below your capitalization threshold
- Still have value
- Heightened risk of loss, theft, or misuse

Defined as:

"... Lasting longer than a year, are mobile and might be easily replaced through a procurement system without raising suspicion."

Best Practices for Internal Controls over Small and Attractive Assets
Office of the Washington State Auditor

Walk-away Assets – What Are They?



Government Finance Officers Association (GFOA):

"controlled capital-type items"

Control Over Items That Are Not Capitalized
GFOA <https://www.gfoa.org/print/399>

State Board of Accounts:

"Walk-away" items or assets

Walk-away Assets – What Are They?



Computers & Other Electronic Equipment

- Laptops
- TVs
- Cameras
- Video equipment
- Cell phones



<https://digiten.weebly.com/hardware-theft.html>

Walk-away Assets – What Are They?



Power Equipment and Tools

- Lawn Mowers
- TVs
- Shop Tools
- Chain saws



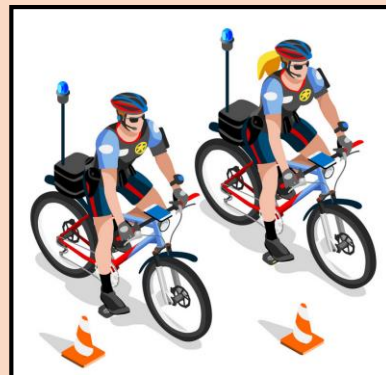
<https://digiten.weebly.com/hardware-theft.html>

Walk-away Assets – What Are They?



Vehicles

- Golf Carts
- “Gators”
- Scooters
- Bicycles



<https://www.vectorstock.com/royalty-free-vector/police-bicycle-vehicle-police-man-and-woman-cops-vector-15027550>

Walk-away Assets – What Are They?



Firearms

Items Obtained Using Grants

- Federal and/or
- State compliance



Walk Away Assets – What Are They?

**Not** normally supply-type items

- Unless loss of supply-type items is an issue
- Cost Benefit



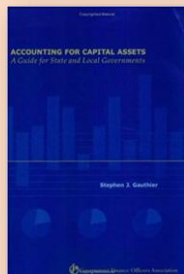
<http://www.rollingalpha.com/2014/02/04/we-would-all-commit-fraud/>

Should They Be Accounted For?

**Management Decision**

- Probably “yes” at least for some items
- ***“You cannot control what you don’t record”***

[Gauthier, Stephen, *Accounting for Capital Assets*, GFOA, 2013]



How Should They Be Accounted For?



Management Decisions

- Identify which items to track/record
- Develop internal controls
- Record similar to capital assets
- Listing of items – by department or location
- Periodic inventories
- Investigate any listed items not in inventory
- Access controls to prevent future losses

Best Practices - GFOA



Control at the Department Level

- Departments responsible for walk-away items as part of process of their operational goals.
- Individual departments focus of control efforts

Best Practices - GFOA



Control Assigned Within Each Department

- Departments assign responsibility to 1 or more persons/positions
- Assignment documented
 - ✓ Communicated with finance office
- Controls developed for any changes in responsibilities – also communicated to finance office

Best Practices - GFOA



Prepare & Maintain List of All Walk-aways

- Annually prepare report
- Explanations of changes
- Approved/reviewed by another department member

Certify List to Finance Office

- Available for inspection
- Accurate & Complete

Good internal controls essential

Best Practices - GFOA



Management Periodically Verify Lists

- GFOA suggests once every five years
- Rotating basis
- Getting started – may consider more frequently

Best Practices - Deterrents



- Tell employees
 - Fired/suspended/etc.
- Install gates/doors
 - With locks
- Put up signs
 - “No Trespassing”



Best Practice Citations



“Control Over Items That Are Not Capitalized.” Government Finance Officers Association, June 2019, <https://www.gfoa.org/print/399>

“Best Practices for Internal Controls over Small and Attractive Assets.” Office of the Washington State Auditor, June 2018, <https://portal.sao.wa.gov/PerformanceCenter/#/address?mid=6&rid=18520>

Gauthier, Stephen J. *Accounting for Capital Assets – A Guide for State and Local Governments*. GFOA Publishing, 2013

Questions



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Sources & Uses of Funds - A Refresher

Indiana State Board of Accounts

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Uses of Certain Funds



- **Motor Vehicle Highway (MVH & MVHRestricted)**
- **Local Road & Street (LRS)**
- **Cumulative Capital Improvement (CCI)**
- **Rainy Day**
- **Riverboat**
- **Public Safety**

Fund Uses - MVH



- **Authorized under IC 8-14-1**
 - **Primary purpose – account for state motor vehicle highway distributions**

- **Specific Uses in IC 8-14-1-5**
 - **Principally used for construction and maintenance of streets and alleys**
construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and cleaning of highways

Fund Uses - MVH

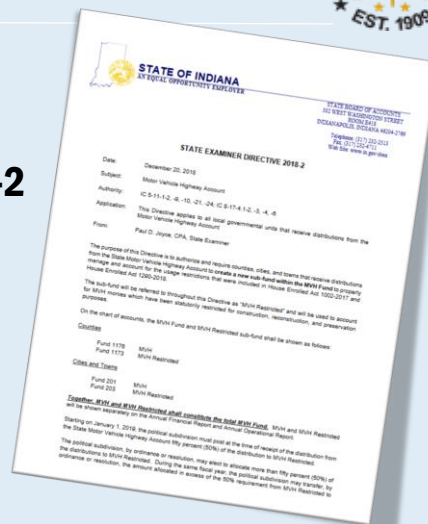
**Uses of MVH include:**

- ✓ **Curbs**
- ✓ **Unit's share of cost of separation of grades railroad crossings**
- ✓ **Purchase/lease of highway construction & maintenance equipment**
- ✓ **Traffic signs and signals**
- ✓ **Safety zones and devices**
- ✓ **Painting of structures, objects, surfaces in highways for purposes of safety and traffic regulation**

Fund Uses – MVH Sub-fund (MVH Restricted)

**MVH RESTRICTED SUB-FUND**

- **Created by State Examiner Directive 2018-2**
- **Fund 203 on your ledgers**
- **Is a sub-fund of MVH**
- **Can be used for:**
 - Construction*
 - Reconstruction*
 - Preservation*



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Fund Uses - LRS



- **Authorized under IC 8-14-2**
 - **Primary purpose – account for state gasoline tax distributions**
- **Specific Uses in IC 8-14-2-5**
 - 1. Engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road & street systems**
 - 2. Payment of principal & interest on bonds sold to finance road projects**
 - 3. Local costs required to undertake a recreational or reservoir road project**
 - 4. Purchase, rental, or repair of highway equipment**

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Fund Uses - CCI



- **Authorized under IC 6-7-1**
 - **Primary purpose – account for state cigarette tax distributions**
- **Specific Uses in IC 6-7-1-31.1**
 - **Principally used for capital improvement – several uses detailed in this statute**
 - **Most notably 6-7-1-31-1(a)(9) – “for any other governmental purpose for which money is appropriated by the fiscal body of the city or town.”**
 - **IC 6-7-1-31.1(c) – can be transferred at any time by ordinance or resolution to General**

Fund Uses – Rainy Day



- **Authorized under IC 36-1-8-5 and IC 36-1-8-5.1**
 - **Primary purpose – account for transfers of unused and unencumbered funds**
 - **Amount transferred may not exceed 10% of annual budget for that fiscal year**
 - **Fund created by ordinance in cities and towns**
- **Specific Sources and Uses**
 - **The ordinance creating the Rainy Day fund should specifically state the source of receipts to the fund, and**
 - **Specifically state what the fund can be used for**

Fund Uses – Riverboat



- **Authorized under IC 36-1-8-9**
 - **Primary purpose – account for tax revenue received under**
 - **IC 4-33-12-6 – Riverboat admission taxes**
 - **IC 4-33-13 – Wagering taxes**
- **Specific Uses**
 - *“Money in the fund may be used for any legal . . . purpose of the unit.”*

Fund Uses – Law Enforcement Continuing Education



- **Authorized under IC 5-2-8-2**
 - **Primary purpose – account for revenue from the following sources:**
 - **Law Enforcement Continuing Ed fees – IC 33-37-5-8**
 - **Inspection of Motor Vehicles – IC 9-17-2-12**
 - **Accident Report fees – IC 9-26-9-3**
 - **Gun permits – IC 35-47-2-3**
 - **Proceeds from sale of confiscated weapons – IC 35-47-3-2**
- **Specific Uses**
 - **For training law enforcement officers employed by a city/town and for equipment and supplies for law enforcement purposes. [IC 5-2-8-6]**

Fund Uses – Public Safety



- **Authorized under IC 6-3.6-4; 6-3.6-5; 6-3.6-6; 6-3.6-7**
 - **Primary purpose – account for additional tax rate imposed for public safety adopted by county’s adopting body.**
- **Specific Uses**
 - **For “Public Safety” as defined in IC 6-3.6-2-14(a):**
 - (1) A police and law enforcement system to preserve public peace and order.
 - (2) A firefighting and fire prevention system.
 - (3) Emergency ambulance services (as defined in [IC 16-18-2-107](#)).
 - (4) Emergency medical services (as defined in [IC 16-18-2-110](#)).
 - (5) Emergency action (as defined in [IC 13-11-2-65](#)).
 - ...
 - (14) Law enforcement training.

Questions



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Accounting for Investments

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Internal Controls

Objectives

- Operations
- Compliance
- Reporting



Internal Controls

IC 5-11-1-27

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



Deposit of Public Funds

IC 5-13-6

- Timely Deposit of Receipts
- Approved Depositories
 - <https://www.in.gov/tos/deposit/2377.htm>



Investment of Public Funds

IC 5-13-9

- Permitted Investments
- Investment Policy
- Contracts with Advisors



Investment of Public Funds

IC 5-13-9

- Posting a purchased investment
- Posting interest
- Annual Financial Report



Notes to the Financial Statements

Regulatory Report Format

Note 1. Summary of Significant Accounting Policies

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.



Notes to the Financial Statements

Regulatory Report Format

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.



Audit Exceptions

- Review of Internal Controls
- Compliance - Statute & Local Policy
- Annual Financial Report
- Monthly and Annual Upload Process
 - Funds Ledger
 - Bank Reconciliations
 - Depository and Investment Statements



Audit Exceptions

- Website: www.in.gov/sboa
- *Accounting and Uniform Compliance Guidelines Manual for Cities and Towns*
 - Chapter 1, Pages 1-14 to 1-17
- City and Town Bulletins



Internal Controls

Uniform Internal Control Standards for Indiana Political Subdivisions



Internal Controls

IC 5-11-1-27

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



Questions



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Contact Information

Todd Caldwell, CFE
Director of Audit Services

Susan Gordon, CPA, CFE
Director of Audit Services



makingtheweb.com

cities.towns@sboa.in.gov

317-232-2513



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