



Administrative Policy No. 14.07

Subject: Control of Capital Assets

Information Contact: Chief, Office of Administrative Resources (OAR)

Authorizing Source: [RCW 43.19.1917](#), Records of equipment owned by state Inspection- "state equipment" defined
[RCW 43.41A](#), Office of the Chief Information Officer
[RCW 43.09.185](#), Reporting Loss of Public Funds to the State Auditor's Office
Office of Financial Management, [State Administrative & Accounting Manual](#)

Effective Date: February 1, 2004

Revised: July 14, 2014

Approved By: Original signed by Dana Phelps
Senior Director, Policy & External Relations

Purpose

The purpose of this policy is to ensure that the Department of Social and Health Services (DSHS):

- A. Documents the acquisition, movement, and disposal of assets;
- B. Complies with the department's [Asset Management Procedures](#) (Procedures);
- C. Controls and is accountable for assets meeting the department's Inventory Criteria;
- D. Establishes division-level asset management procedures.

Scope

Responsible stewardship of assets is an inherent part of doing business at all levels of the agency. Accordingly, this policy applies to all DSHS institutions, divisions, offices, sections, units, and staff.

This policy applies to all DSHS Assets that meet Inventory Criteria.

Definitions

Asset: Equipment that is owned by DSHS, equipment that is purchased for or by a contractor or subcontractor if DSHS retains an interest in the equipment, and Information Technology equipment that is leased from the Department of Enterprise Services (DES) or a DES-approved vendor.

Asset Management Consultant: Staff identified in the Operations Support & Services Division, Financial Services Administration, whose function is to provide consultation, guidance, and oversight to DSHS programs related to the control of Assets meeting Inventory Criteria.

Asset Management Coordinator: The person appointed by the Division Director or designee responsible for the oversight of inventory within their cost center. Refer to **Section C** for specific duties.

Asset Management Representative: The person appointed by the Division Director or designee responsible for the oversight of inventory at one or more Physical Address Codes. Refer to **Section D** for specific duties.

Capital Assets: Assets with a Unit Value of \$5,000 or more. The definition of Capital Assets for the purpose of this policy excludes land, buildings and equipment permanently attached to, or an integral part of a building or structure.

Commodity Code: A four-digit numeric code assigned to a capital asset that correlates to a descriptive title. For example, 5805 is a cellular phone. Commodity Codes are listed in the Office of Financial Management's State Administrative & Accounting Manual (SAAM).

Computer-List Verification Inventory (Sheet-to-Shelf): A physical count of Assets meeting Inventory Criteria performed during even-numbered calendar years using the TRACKS Physical Inventory Report as a checklist.

Cost Center: A two-digit TRACKS Asset Inventory System code designating a DSHS administration, institution, division, program, or council that is comprised of multiple Physical Address Codes.

Cost Center Certificate of Completion: DSHS form 17-116A printed from the TRACKS Asset Inventory System to certify completion of the Reconciliation within a specific Cost Center.

Internal Controls: Organization, methods, and procedures adopted by an agency to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed policies. Internal controls may involve:

- Separation of duties;
- Clearly written procedures;
- Authorization and documentation;
- Competent, well-directed and well-trained staff; or
- Physical security.

Inventory Criteria: The standard that determines whether an Asset must be inventoried, and

that is met when an Asset falls within the definition of either Capital Assets or Small & Attractive Assets.

Local Office Certificate of Completion: DSHS form 17-116 printed from the TRACKS Asset Inventory System and used to report completion of the Reconciliation within a single Physical Address Code.

Physical Address (Location/Sub-Location) Code: A nine-digit alphanumeric code in the TRACKS Asset Inventory System that represents an organizational entity at a specific geographical site.

Physical Inventory (Shelf-to-Sheet): A blind, physical count of Assets meeting Inventory Criteria performed during odd-numbered calendar years and that is reconciled with the TRACKS Physical Inventory Report. The Physical Inventory Report printout cannot be used to conduct this inventory. Each cost center may conduct a physical inventory count annually, if desired.

Physical Inventory Report: The report generated through the TRACKS Asset Inventory System for a particular Physical Address Code that lists all Assets meeting Inventory Criteria residing at that location.

Reconciliation: The annual process of comparing physical counts and inventory records and then identifying, explaining, and correcting uncovered differences. This includes the Physical Inventory and Computer-List Verification Inventory.

Reconciliation Report: DSHS form 17-117 printed from the TRACKS Asset Inventory System and used to reconcile asset management activities occurring between the start and end dates of the inventory.

Small & Attractive Assets: Assets that are particularly at risk or vulnerable to loss, and that fall below the state's capitalization policy. DSHS-defined Small & Attractive Assets are listed on the [DSHS "When to Tag" List](#).

Surplus Warehouse: The DSHS Property Redistribution Warehouse, which is the central location within DSHS for disposal, collection, and redistribution of surplus Assets.

TRACKS Asset Inventory System (TRACKS): The agency inventory system used for tracking Assets meeting Inventory Criteria.

Unit Value: Initial unit sale price (excluding cash discounts and rebates) plus transportation charges, sales tax, installation cost, and any other normal and necessary costs required to make the item operational, or the initial unit lease price of IT equipment.

Year-End Reconciliation Report: The annual report that summarizes the inventory.

Policy

A. **Division Directors or their Designees must:**

1. Comply with the department's [Procedures](#) and establish division-level procedures for control of Assets meeting Inventory Criteria, as necessary, to implement the requirements set forth in the Procedures. These division-level procedures should include:
 - a. Information Technology Specialist (ITS) responsibilities for movement of any IT equipment; and
 - b. Division of responsibilities among Administrations, Regional Business Center (RBC), and Consolidated Institution Business Services (CIBS), as agreed to by the parties.
2. Appoint an Asset Management Coordinator to be responsible for oversight of Assets meeting Inventory Criteria assigned to their Cost Center and inform the Asset Management Consultant of the appointment.
3. Ensure the appointment of an Asset Management Representative to be responsible for oversight of Assets meeting Inventory Criteria at the Physical Address Code or organizational unit level, and inform the Asset Management Consultant of the appointment.
4. Ensure a Physical Inventory and Reconciliation is conducted during odd-numbered calendar years (Shelf-to-Sheet) and a Computer-List Verification Inventory and Reconciliation is conducted during even-numbered calendar years (Sheet-to-Shelf) for all division Physical Address Codes. Inventory instructions are maintained by the Central Purchasing Unit and can be found in the [Procedures](#).
5. Ensure that physical counts are performed by personnel having no direct responsibility for the Assets.
6. Attest to the completion of each inventory by co-signing a Cost Center Certification of Completion with the Asset Management Coordinator.

B. DSHS local managers and institution superintendents or their designees must:

1. Immediately report known or suspected losses of Assets meeting Inventory Criteria to Operations Review and Consultation per [DSHS Administrative Policy 16.10](#).
2. Report known or suspected losses of Assets meeting Inventory Criteria to the applicable Asset Management Coordinator and Asset Management Representative.
3. Report known or suspected losses of IT equipment to the ISSD Help Desk.

C. Asset Management Coordinators must:

1. Provide guidance to the Asset Management Representative(s) for implementing division-level procedures and guidelines.
2. Ensure that new Asset Management Representatives attend the mandatory Asset Management and Inventory Training within three months of gaining access to the TRACKS Asset Inventory System.
3. Provide basic inventory training for new staff on an "as-needed" basis.
4. Collect and review annual division inventories for accuracy and reconcile any differences with the local Asset Management Representative(s).
5. Submit the following documents, with all required signatures and sorted by Physical Address Code, to the Asset Management Consultant:

- a. Cost Center Certificate of Completion
 - b. Local Office Certificate(s) of Completion;
 - c. Reconciliation Report(s)
 - d. "Lost" disposals signed by Division Director; and
 - e. "Stolen" disposals signed by Division Director, with a copy of police report attached.
6. Ensure that the completed inventory reconciliation paperwork is sent to the Asset Management Consultant by November 30.
 7. Submit requests for extensions in the form specified in the [Procedures](#) and approved by the Division Director or designee. Completed requests for extensions must be sent to the Asset Management Consultant no later than November 23. Extensions will not be granted after December 31.
 8. Return the semi-annual confirmation packets of Physical Address Code information and user security to the Asset Management Consultant within 15 working days.
 9. Inform the Asset Management Consultant, in writing, of changes in inventory staff, locations, phone numbers, organization name, and security levels for staff access to the TRACKS Asset Inventory System.
 10. Retain all documentation related to disposals, including copies of emails, RTPS forms, and disposal forms signed by the Surplus Warehouse indicating receipt of disposed assets, for two years.

D. Asset Management Representatives must:

1. Ensure that Assets meeting Inventory Criteria are properly received and updated in TRACKS within seven working days of receipt of the Assets.
2. Adhere to DSHS capital asset policies and procedures.
3. Exercise approving authority for the receipt, transfer, loan, surplus, and disposal of fixed assets, except as noted otherwise in the [Procedures](#).
4. Obtain and retain for two years a dated, signed TRACKS surplus disposal document from Surplus Warehouse staff when the Surplus Warehouse picks up Assets meeting Inventory Criteria.
5. Forward copies of all documentation relating to disposals to the Asset Management Coordinator.
6. Inform the Asset Management Coordinator of changes in inventory staff, location, phone numbers or organization name.
7. Ensure that all Assets meeting Inventory Criteria have an accurate physical address.
8. Oversee the inventory for a particular Physical Address Code. This includes:
 - a. Ensuring the appointment of inventory count teams prior to October 1;
 - b. Beginning the annual inventory process on October 1st;
 - c. Coordinating count teams, local office managers, and IT specialists to locate any missing Assets meeting Inventory Criteria.
 - d. Reconciling the inventory, including initiating and accepting transfers and disposals in TRACKS.
 - e. Completing and submitting the following documents to the Asset Management Coordinator no later than the Friday before Thanksgiving, or sooner if requested by the Coordinator:
 - i. Reconciliation Report; and

ii. Local Office Certificate of Completion

9. Forward copies of all documentation relating to disposals to the Asset Management Coordinator.

E. Surplus Warehouse must:

1. Exercise approval authority for the disposal, transfer, scrap, and donation of Assets meeting Inventory Criteria.
2. Provide a dated, signed TRACKS surplus disposal document to the Asset Representative or designee of the Physical Location Code when receiving Assets meeting Inventory Criteria. Each dated, signed TRACKS surplus disposal document should indicate whether some Assets meeting Inventory Criteria were not actually received by the Surplus Warehouse.
3. Reconcile dated, signed TRACKS surplus disposal documents in the TRACKS Asset Inventory System within 14 calendar days of receipt.

F. Operations Support & Services Division, Central Purchasing Unit, Asset Management Consultant must:

1. Maintain the TRACKS system for fixed asset inventory control data. This includes:
 - a. Prompt performance of routine tasks, including issuing tags, processing disposals (not Scrap nor Surplus), and reviewing transfers; and
 - b. Provide consultation regarding asset management activities to field staff and the Surplus Warehouse to ensure compliance with this Policy.
2. Assign levels of security access to the TRACKS system for inventory field staff according to the Asset Management Coordinators' recommendations.
3. Conduct Asset Management and Inventory training throughout the year to ensure that new employees meet their mandatory training requirement. Document attendance to ensure new TRACKS users meet their access requirements as outlined in section C-2 of this policy.
4. Provide annual inventory refresher training, prior to annual inventory process.
5. Inform Division Directors when field staff fail to complete mandatory training sessions, which may result in revocation of security access.
6. Work with Division Directors to recommend and conduct remedial Asset Management and Inventory training on an as-needed basis when identifying areas of risk and non-compliance with this Policy by field staff.
7. Compile and complete the Year-End Reconciliation Report for the department and submit the report to the Chief Financial Officer annually by February 28th.
8. Send a listing of reported lost and stolen inventory items to the Office of Accounting Services by February 28th.
9. Send semi-annual mailings of Physical Address Code information and user security data updates to the Asset Management Coordinators for confirmation that the information in the TRACKS Asset Inventory System is accurate.

G. Office of Accounting Services must:

1. Act as the accounting/financial liaison with the state Office of Financial Management.
2. Ensure that significant reporting requirements associated with capital assets are met. These include Statewide Asset Reporting System (SARS)/AFRS reconciliation, the annual capital asset update to AFRS Fund 997, and capital asset expenditure monitoring.

H. Ownership of Capital Assets Associated with Contractors:

1. In the absence of any federal or state law governing a particular type of contract, ownership of all Assets purchased by a contractor in conjunction with a DSHS contract must be as stated in the contract.
2. When DSHS retains an ownership interest of Assets furnished to the contractor, the DSHS division must require that the Asset be:
 - a. Used only for the performance of the contract;
 - b. Reasonably protected from damage or loss;
 - c. Surrendered to DSHS prior to settlement upon completion, termination, or cancellation of the contracts; and
 - d. Tagged and recorded into TRACKS in accordance with asset management inventory policy and procedures, if the asset meets the department's Inventory Criteria.

Official DSHS