

**UNIVERSITY OF TOLEDO INTERNAL AUDIT DEPARTMENT
MANAGE FIXED ASSETS u**

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MANAGE FIXED ASSETS

Effectiveness and efficiency of operations

A. Capital expenditure request records are complete and accurate.

Business risks

- Some capital expenditure requests will not be addressed.
- Capital expenditure requests will not be updated properly when capital items are received, leading to redundant ordering and increased operating costs.

Control practices

1. Pre-number sequentially and account for all capital expenditure forms.
2. Perform a manual or system check to ensure that no documents are missing or duplicated and that none fall outside a specified range of numbers.
3. Research, correct, and reenter all rejected, suspense, or missing items in a timely manner.
4. Input approved capital expenditure forms into a capital expenditure request tracking system.
5. Compare entered information with source document as part of a one-to-one check for accuracy of key data fields. Research any discrepancies and subject reentered data to the same control procedures.
6. Configure the system to notify the appropriate staff automatically when capital items are received and matched to the purchase order, so that the capital expenditure request tracking system can be updated.
7. Require the accounting department to review monthly the open capital expenditure forms in relation to the capital expenditure request tracking system. Research and resolve items as necessary.

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B. Capital expenditure requests are approved properly.

Business risks

- The company will pay for and receive capital it does not need.
- Insufficient capital expenditure approval procedures will increase costs and reduce efficiency.
- Capital expenditure costs will exceed budget.

Control practices

1. Ensure that management at an appropriate level approves pre-numbered capital expenditure forms and forwards forms for internally constructed assets to an internal engineering group and those for external purchases to the purchasing department.
2. Require formal management approval of all changes to capital expenditure forms.
3. Establish policies and procedures that define spending limits and approval procedures for capital expenditures.
4. Configure the system to allow authorized users to enter and approve acquisitions within

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D. Duties are segregated adequately.

Business risks

- Fixed assets will be lost or stolen.
- The company will fail to track assets properly.

Control practices

1. Maintain segregation of duties between the following functions: 1. approval of asset acquisitions; 2. approval of asset disposal; 3. fixed asset custody; 4. supervision of fixed asset physical counts and related adjustments; 5. accounting and maintenance of fixed asset records; and 6. general ledger functions.
2. Maintain segregation of duties between those who update standing data and those who maintain financial records, for example, keeping reconciliations separate from posting or approval of adjustments.
3. Investigate and resolve segregation-of-duties exceptions.
4. Require management to review functions regularly for incompatibility and to investigate discrepancies and exceptions promptly.

E. Unauthorized input to the fixed asset sub ledgers is deterred and detected.

Business risks

- Fixed assets will be lost or stolen.
- The company will fail to track assets properly.

Control practices

- 1.

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Reliability of financial reporting

A. Fixed asset acquisitions are input accurately and in the proper period.

Business risks

- Fixed asset records will be complete or inaccurate.
- Incomplete or inaccurate fixed asset records will lead to inaccurate financial reports.

Control practices

1. Update fixed asset records after receipt of assets.
2. Compare internal and external supporting documents such as invoices with the fixed asset sub-ledger in a one-to-one check of new assets. Research discrepancies, reenter corrected data, and recheck against supporting documents.
3. Require the fixed asset manager to review all fixed asset additions and approve details such as classification, useful life, and depreciation methods.
4. Require management to review acquisition reports periodically, comparing them with budgets or other data for reasonableness by category of asset, location, or segment of business. Ensure that discrepancies are researched and corrected.
5. In systems that input additions into a temporary file before sub-ledger updates, use batch totals before processing is complete. Separate input documents into groups and calculate numerical totals in categories such as the quantity of documents, dollar amount, and hash items. Compare these totals with reports following inputs and updates, research all out-of-balance conditions, and reenter corrected data in a timely manner.

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B.

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E. Fixed assets are valued properly.

Business risks

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F. Fixed assets are depreciated appropriately.

Business risks

- Depreciation computations and reports will be inaccurate.
- Depreciation practices will not comply with company policies.
- Depreciation practices will not comply with regulatory requirements.
- Inaccurate depreciation of fixed assets will lead to inaccurate financial reports.

Control practices

1. Ensure that the fixed asset sub-ledger uses a standard form to record all relevant information for fixed asset additions.
2. Ensure that information necessary to compute depreciation is required to accept additions to the fixed asset sub-ledger.
3. Ensure that computer edit check programs confirm the reasonableness of information input to calculate fixed asset depreciation.
4. Ensure that invalid data is either rejected for reentry or stored in a suspense file to be researched, corrected, and reentered in a timely manner.
5. Standardize entries covering the useful life of assets and related information.
6. Ensure that the system's program limits and reasonableness checks identify deviations from useful life standards, to be researched and reentered in a timely manner.
7. Require management to review system reports on changes to depreciation rates and methods, and then research and correct changes not in compliance with policies.
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G. All disposals are input for processing completely and accurately.

Business risks

- The general ledger will not be updated properly when fixed assets are disposed of or retired.
- The company will fail to track assets properly.
- Inaccurate fixed asset general ledger data will lead to inaccurate financial reports.

Control practices

1. Pre-number sequentially and account for all fixed asset disposal documents.
2. Require that employees with custody over fixed assets use the pre-numbered forms to regularly report asset disposals or retirements to the accounting department.
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H. Approved general ledger adjustments are input for processing completely and accurately.

Business risks

- General ledger adjustments will be made inaccurately.
- General ledger adjustments will not be approved properly.
- Incomplete or inaccurate adjustments to the general ledger will lead to inaccurate financial reports.

Control practices

1. Compare reports following inputs or updates to the adjustment source data in a one-to-one accuracy check of adjustments input into the system, confirming the date and other key data.
2. In using batch totals, separate input documents into groups. Calculate numerical totals such as the quantity of documents, dollar amount, and hash items. Compare these totals with reports following inputs and updates, and research and reenter all out-of-balance conditions in a timely manner.
3. Reconcile sub-ledgers to the general ledger monthly. Research and resolve reconciling items in a timely manner.
4. Require an appropriate level of management to approve all adjustments.
5. Ensure that management's review of adjustments includes an examination of source documentation.
6. Ensure resolution of discrepancies identified in management's review of adjustments.

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I. Approved changes to standing data are input for processing completely and accurately.

Business risks

- Standing data will be incomplete or inaccurate.
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