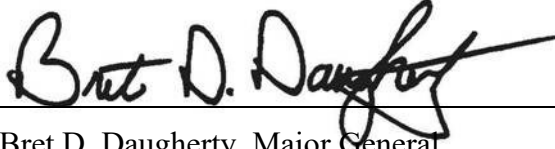




Department Policy No. FIN-104-02

Title:	Capital Asset and Inventory Management Policy
Former Number:	02-001-02
Authorizing Source:	State Administrative and Accounting Manual (SAAM) Sections 30.30, 30.40, 30.45, 35.10
Forms:	State Property Documentation Form: FORM-FIN-WMDF 1005-11 Surplus Request Form: FORM-FIN-WMDF 1017-21
Information Contact:	Chief Financial Officer (253) 512-7498 State Inventory Officer (253) 512-7371
Effective Date:	October 15, 2002
Mandatory Review Date:	June 5, 2027
Revised:	June 5, 2023
Approved By:	 Bret D. Daugherty, Major General The Adjutant General Washington Military Department Director

Purpose

To establish the Washington Military Department's (WMD) policy for recording, tracking, and inventorying state-owned assets.

Scope

This policy applies to all state employees of the WMD, as well as any federal WMD employees, National Guard members, State Guard members, and volunteers who are issued or who use state-owned capital assets.

Definitions

Asset Custodian – An individual designated by each Division Director who is assigned the responsibility for tracking and inventorying assets belonging to the division.

Capital Assets

- Tangible assets with a life expectancy of more than one year as defined by the Office of Financial Management (OFM) and a value of at least \$5,000. The cost includes transportation charges, sales tax, installation costs, warranties, and any other normal or necessary costs required to place the asset in its intended location and condition for use.
- Land (regardless of cost), buildings, building improvements, and leasehold improvements with a cost of \$100,000 or greater.
- Intangible assets, such as rights of way or software, that have a value over \$1,000,000.

Consumable Inventories - Supplies consumed in the course of an agency's operations.

Independent Third Party (Verifier) – A person who assists the asset custodian with the inventory process by positively confirming that an asset exists. This person has no direct responsibility for the asset.

Museum and Historical Collections - An individual item or group of items of historical or natural history significance that belong to the state. These items could be in state museums or in any state agency. They include items such as photographs, negatives, letters, blueprints, antique furniture, historical documents, miscellaneous artifacts, and other similar items.

State Inventory Officer – A single agency designee responsible for issuing asset tags to asset custodians upon request, logging new assets into the Capital Asset Management System (CAMS), running reports to assist with inventory management, fielding surplus requests to the Department of Enterprise Services (DES), and removing items from CAMS after they have been sent to surplus.

Small and Attractive Assets –

- All items in the commodity class code major group 10XX – Weapons, Firearms, Signal Guns, and Accessories no matter of value; and
- Assets in the following groups having a value greater than \$300:
 - All items in the class code major group 5805 – Telephone and Telegraph Equipment, and Cell Phones
 - All items in the class code major group 5810 – Communications Security Equipment and Components
 - All items in the class code major group 5822 – Communications Equipment, Public Safety: Audio and video
 - All items in the class code major group 6651 – Optical Devices, Binoculars, Telescopes, Infrared Viewers, and Rangefinders

- All items in the class code major group 6710 through 6730 - Cameras, Motion Picture Cameras, Still Picture Cameras and Photographic Projection Equipment
- All items in the class code major group 7012 through 7014 – Non-portable Microcomputer Systems, including desktop and personal computers, Portable Microcomputer Systems, Laptop and Notebook Computers, Tablets and Smart Phones
- All items in the class code major group 7034 through 7039 – Plotters, Other IT Accessorial Equipment and Components (Scanners, Data Displays, etc.), Monitors, Laser Printers, Impact and Other Printers
- All items in the class code major group 7420 through 7450 – Accounting and Calculating Machines, Typewriters and Office Type Composing Machines, Office Type Sound Recorder
- All items in the class code major group 7730 – Record Players, Radios, Television Sets, Tape Recorders, VCRs, and Video Cameras, Home Type

Policy

A. Inventory Documentation and Management

All capital assets, small and attractive assets, and museum and historical collections must be maintained in CAMS or other inventory management tool used by the state enterprise. For assets defined as small and attractive, the department may use an alternative in-house system without Office of Chief Information Officer (OCIO) approval. Each record must contain the data elements required by the State Administrative and Accounting Manual (SAAM 30.40.30).

For all right-to-lease agreements and subscription-based IT arrangements that meet the state's capitalization policy, the department must use the Facilities Portfolio Management Tool (FPMT). This includes leases where the department is the lessee or the lessor. The department must record all state-owned and leased facilities in FPMT regardless of whether they meet the capitalization policy to comply with RCW 43.82.150 (SAAM 30.40.30).

All tangible capital assets, small and attractive assets, and museum and historical collections must be clearly marked with an asset tag that identifies it as state property and provides a unique asset tag number. These items must be physically inventoried every two years.

Land, buildings, building improvements, leasehold improvements, and intangible assets do not require an asset tag but must be physically inventoried every two years. Consumable inventories must be physically counted, valued, and recorded in the general ledger when the fiscal year-end balance on-hand at an inventory control point exceeds \$50,000.

The Finance Division is responsible for maintaining the property records of the WMD. The State Inventory Officer is responsible for reconciling the inventory records with the asset inventory.

B. Asset Valuation and Capitalization

The following must be capitalized:

1. All land, including land use rights with indefinite lives acquired with the purchase of the underlying land, and ancillary costs.
2. Infrastructure with a cost of \$100,000 or greater
3. Buildings, building improvements, improvements other than buildings, and leasehold improvements with a cost of \$100,000 or greater.
4. Intangible assets other than lease assets, such as internally developed software, patents, and trademarks, with a cost of \$1,000,000 or more that are “identifiable” by meeting either of the following conditions:
 - a. The asset is capable of being separated or divided and sold, transferred, licensed, rented, or exchanged; or
 - b. The asset arises from contractual or other legal rights, regardless of whether those rights are transferable or separable.
5. Lease assets with total payments over the term lease of \$500,000 or greater.
6. All other capital assets with a unit cost (including ancillary costs) of \$5,000 or greater, or collections with a total cost of \$5,000 or greater, unless otherwise noted.
7. All capital assets acquired with Certificates of Participation (COP).

The following do not need to be capitalized:

1. Small and attractive assets
2. Museum and historical collections, as they are considered inexhaustible, in that their value does not diminish over time, provided that the following conditions are met:
 - a. The collection is held for public exhibition, education, or research in furtherance of public service, rather than financial gain.
 - b. The collection is protected, kept unencumbered, cared for, and preserved.
 - c. The collection is subject to an agency policy that requires the proceeds from sales of collection items to be used to acquire other items for the collections.

Responsibilities

Actor	Action
State Finance Office	
State Inventory Officer	<ol style="list-style-type: none"> 1. Responsible for recommending procedures for identifying, marking, maintaining records, and accounting for the department assets as defined by this document. 2. Inputs information from FORM-FIN-WMDF_1005-11, State Property Documentation Form (SPDF) into CAMS or the appropriate inventory management system. 3. Maintains control of all asset identification tags. 4. When an asset is purchased, assigns a control number, and forwards an asset tag with SPDF to the receiver. 5. Ensures that a physical inventory of department assets is conducted at least once every other year. 6. Produces an Inventory Verification Report (IVR) on a bi-monthly basis that includes assets not inventoried at least once in the last two years based on the Fiscal Month/Biennium (FMBI) field in CAMS or inventory management system. 7. Distributes the IVR to the asset custodians for the purpose of verifying that assets requiring verification are inventoried. 8. When the IVR is returned, ensures the is completed correctly and signed by a third party. 9. Reconciles the IVR to CAMS or the appropriate inventory management system and adds missing assets. Takes appropriate action for assets not located. 10. Biennially certifies that the inventory to date has been completed, reconciled and the CAMS database has been updated. A digital copy is sent to the Accounting Manager, and the State Inventory Office will retain a digital copy as well. 11. If a significant number of unrecorded assets are located, the State Inventory Officer will consult with the Accounting Manager to develop a corrective action.
Accounts Payable	<ol style="list-style-type: none"> 1. Pays for the asset after proper documentation (authorization for purchase, authorization for payment, and verification of receipt) is received.

General Ledger Accountant	<ol style="list-style-type: none">1. Processes quarterly depreciation of fixed assets in State accounting system.2. Reconciles asset general ledger accounts with CAMS and State accounting system.3. Prepares quarterly Journal Voucher for asset disposals.4. Prepares Journal Voucher for surplus capital assets.
Operating Division	
Asset Custodian	<ol style="list-style-type: none">1. Contacts the State Inventory Officer within 10 business days of receipt of assets to request state asset tag(s).2. Affixes the state asset tag(s) in a conspicuous place on the asset. The tag is to be placed on the body of the asset and not on a removable part. Asset tags must be placed in a visible location and should be consistently placed in the same location on like assets (e.g., computers, copiers, etc.). Labeling shall be accomplished immediately upon receipt and acceptance of property.3. Documents the serial number(s) or other identifying numbers on the SPDF and signs the form. The SPDF will be sent to the State Inventory Officer, along with all financial documentation of purchase (purchase order, invoice, receipt, etc.) for proper documentation in CAMS or other inventory management tool.4. When an IVR is received from the State Inventory Officer, enlists an independent third party to positively verify the asset(s) exists and is in the custody of the assigned recipient, and signs the IVR; the asset custodian will return the IVR to the State Inventory Officer. The tag number, description, location, and serial number will be verified. Any discrepancies will be corrected on the IVR.5. If an asset is located, but not listed on the IVR, adds the asset to the IVR.6. If an asset is not located, follows the process described under the Lost or Stolen Property section.7. Questions about the process should be directed to the State Inventory Officer.8. Receives items turned in by asset users when the user vacates the position or no longer needs the item. With the user, completes the "Transfer" section of the SPDF to document that the item has been transferred back to the Asset Custodian or to a different employee as appropriate.

	9. Coordinates with the State Inventory Officer for disposal of assets.
Employee Receiving Capital Asset for use	<ol style="list-style-type: none">1. Accepts and signs for the item.2. Maintains and safeguards item.3. Verifies custody to Asset Custodian during Inventory Verification4. If item is lost or damaged, immediately notifies their supervisor, who will then contact the State Inventory Officer.5. If item is no longer needed, coordinates with the Asset Custodian for turn-in of the item.

Description of Inventory Processes

A. Conducting the Inventory

On a bi-monthly basis, the State Inventory Officer will distribute an IVR to applicable Asset Custodians, notifying them of assets that have not been inventoried during the past 22 months.

The Asset Custodians shall enlist an independent third party to locate the assets needing verification, and document that the asset exists on the IVR. The independent third party will sign the IVR and the IVR will be returned to the State Asset Custodian, who will verify the assets in CAMS. If an item is not located, an SPDF must be attached to the IVR (see Lost or Stolen Property section below).

At the end of the biennium, the State Inventory Officer will run a complete listing of all active assets and their value. The State Inventory Officer will certify that all assets requiring verification have been inventoried at least once every other fiscal year, noting any exceptions, and sign the report. The State Inventory Officer will send it to the Accounting Manager for inclusion in the documentation of the biennial financial statements.

B. Marking and Labeling

Assets are marked to facilitate tracking, aid in identification if property is lost or stolen, discourage theft, and reduce the possibility of department losses. Inventoried assets will be permanently marked with a bar code and control number tag to identify them as WMD property. The standardized adhesive identification tag will consist of the following information:

- Washington State
- Department name: Military Department
- Department number
- Control Number

Under certain circumstances – such as the circumstance in which an asset tag cannot be affixed to an object due to an incompatible surface – asset labeling may be done with a permanent marker. In these cases, the asset will be marked with the control number from the state barcode tag. In circumstances where marking an item would devalue the item – such as artwork and collectables – the Asset Custodian will contact the State Inventory Officer for situational guidance.

C. Transferring Property - Assets transferred from one location to another or from one division to another must be coordinated in advance with the State Inventory Officer by completing a SPDF. The State Inventory Officer will update the property records to reflect the new location of the asset.

D. Lost or Stolen Property

1. If at any time a WMD asset is suspected as missing, the Division Director (or designee) will notify the State Inventory Officer. A SPDF will be prepared with the date and an attached explanation of how the loss occurred or was discovered. The form will include a description of the asset and the inventory control number.
2. The Inventory Manager will initiate a search for the missing property. All asset custodians will be notified of the missing asset and the identifying numbers (tag number/serial number). If the asset is located, the State Inventory Officer will update the asset location records if the asset was transferred to another location.
3. If theft is suspected, the WMD Chief Financial Officer (CFO), with concurrence from TAG, will notify the appropriate law enforcement agencies.
4. If the asset is not located, the State Inventory Officer will initiate a Surplus Request Form to remove the asset from the inventory. The State Auditor's Office and Department of Enterprise Services (DES) Office of Risk Management will be notified if appropriate, and the asset will be removed from CAMS.

E. Disposal/Turn-In of Assets

1. When assets are no longer needed or useful, the asset custodian will complete a [FORM-FIN-WMDF 1017-21](#), State Surplus Request Form. The form must include as much information as possible about the item to be sent to surplus. Ideally, each column on the form should be filled out, including but not limited to a description of the item(s) being turned in, serial number, asset tag number, physical location, etc. The asset custodian will turn the completed form into the State Inventory Officer.
2. [RCW 43.19.1919](#) directs state agencies to use DES Surplus Operations to dispose of their items if the value is more than \$500. Public agencies, including state and local government, school districts, tribal government, and ports can send items they no longer need (but still have usefulness) to one central location for purchase by other public organizations or even the public.

3. The State Inventory Officer will complete a request for property disposal in the DES Surplus Request Management System. All inventoried assets will be removed from the property records after approval is received and DES retrieves the property to be sent to surplus.

F. Disposal Records

The State Inventory Officer will update the asset inventory to document when assets are disposed.

1. If the asset is disposed through DES Surplus Operations, the State Inventory Officer will document the disposal approval number in CAMS or other inventory management tool.
2. If the asset is disposed using another means (such as thrown away), the State Inventory will enter 99 followed by the four-digit fiscal year of disposal.

Example: if a broken video camera was thrown away in March 2020, the disposal approval number is to be indicated as 992020.

3. If the State Inventory Officer determines that an item is no longer in state custody, and disposal records do not exist, they may retroactively designate the asset as disposed by using 98 followed by the four-digit fiscal year of disposal as the disposal number.

Example: The State Inventory Officer determines in March 2022 that a cell phone initially purchased in 2006 is no longer in WMD custody. The IT Asset Custodian confirms that they do not have this asset. The disposal approval number is to be indicated as 982022.