Government Guide

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Controls over non-capitalized assets...really?

By Marilyn Mays, CPA, CGMA

It is routine to maintain capitalized assets in a software because they have a high dollar value and a life that spans over one year. But items that fall below the capitalization threshold are more voluminous and more often forgotten. Controls over non-capitalized assets are just as important as controls over capitalized assets for several reasons: to ensure legal compliance, to protect public safety or to compensate for items that have a heightened risk of theft. The challenge for most organizations is identifying non-capital items to be inventoried and assigning responsibility for controls over them.

Governmental organizations need accountability over non-capital items. Assets purchased or acquired through grant contracts require a higher level of accountability due to the contractual or legal provisions in the agreement. Contractual agreements tend to require assets be maintained for a specified period of time and if sold, all proceeds must be returned to the grantor. Those agreements also tend to be subject to audit or other monitoring. Some non-capital items pose a risk to public safety and with no accountability, could be a source of potential liability. Examples include public safety weapons or various chemicals needed for public sanitation or pool systems. Organizations also purchase capital-type items that are easily transportable and marketable or diverted to personal use, such as computers, electronic devices or equipment, parts or various supplies. Individuals charged with oversight of these could be charged with misappropriation of public assets. It is also imperative to monitor non-capital items so that funds can be budgeted on an ongoing basis for replacements or reorders. Organizations lacking controls over non-capital items could find themselves out of compliance with legal or contractual agreements, potential liabilities or lawsuits or improper management of public funds.

Controls over non-capital items should be decentralized due to the wide variety and large number of items. Various departments within the organization are accountable for the non-capital items and should be required to maintain a list and perform periodic inventory of the listing. Departments should assign specific individuals within the department the responsibility to account for its non-capital items. That assignment should be documented, perhaps in a job description, and communicated to the centralized accounting department. At the end of the year, those individuals responsible for controlling non-capital items should complete an inventory of the items along with an explanation of changes from the previous year. The department should work with the accounting department to ensure they have a sound framework of internal controls necessary to certify the validity of the inventory. The accounting department should periodically verify the data on the controlled non-capital items. Recount procedures should be performed to verify the completeness of the department's listing of non-capital items. The recount procedures should be performed every five years and rotated amongst the various departments with non-capital items.

Organizations should take a look at their own departments to determine whether they have non-capital items that are not being accounted for properly. Don't leave your organization exposed to noncompliance or potential litigation. Being accountable for these various types of items can be easily accomplished by having good internal controls and inventorying non-capital items on a regular basis.

If you have any questions, Marilyn can be reached at (480) 839-4900 or MarilynM@hhcpa.com.

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Annual performance reviews a thing of the past?
By Andrew R. Gill, CPA

Out with the old and in with the new, so the saying goes. One of the latest trends to hit the business world is forgoing the annual, and often dreaded, performance review. What was once a mainstay in an entity's communications to staff about their performance is now being looked at as a relic of the past in today's fast paced and technology driven environment.

One of the main factors in this push is the ever-growing population of Millennials entering the workforce. Though Millennials are often blamed for a variety of changes in today's work environment, is this really such a bad thing? Who wouldn't like continual feedback throughout the year in order to improve immediately, especially when it could impact something as important as their paycheck? It's also important to look at this from a managerial standpoint. Instead of spending hours upon hours filling out evaluations for all employees and sitting down with each one, it can be fragmented into much smaller pieces scattered throughout the year, resulting in an efficient and more beneficial practice for everyone. Below are some popular alternatives to annual reviews.

One on ones

Set a time each week to have a brief meaningful conversation over what is happening right now in your employee's work. The benefit to having these conversations so often is that it enables you to have real time discussions over performance and hear feedback, rather than trying to remember everything at year-end.

Peer review

Having coworkers evaluate each other in a short anonymous survey is also becoming more prevalent across all industries. Employees are sometimes more open to the feedback from their peers that they work with every day rather than from the people above them. This can also help the reviewer get a better picture of the employee's strengths and weaknesses.

Accomplishments and goals

Whether it's monthly or quarterly, have your employee fill out a short questionnaire asking what they have accomplished since the last meeting and what their goals are to complete by the next meeting. Generally, people are much more motivated when they write down their goals and know they will be held accountable to them at a future time.

Implementing any of these changes can result in higher team engagement and productivity throughout the organization and even help with employee retention. Ultimately, the decision whether or not to stick with the annual review system comes down to whether an organization wants to save time, improve performance and open up more lines of communication. These are the benefits of an alternative, more frequent review system.

If you have any questions, Andrew can be reached at (480) 839-4900 or AndrewG@hhcpa.com.

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Henry+Horne has performed several audits of our annual financial statements, and each year they have submitted the reports on or before deadline. All members of the engagement team are very knowledgeable, extremely responsive and professional.