

CAPITAL ASSETS AND INVENTORY MANAGEMENT

- Policy Number:** FIN-105
- Effective Date:** Approved by the Eastern Washington State Historical Society (EWSHS) Board of Trustees on September 1, 2021.
- Application:** Applies to all employees, board members, volunteers and contractors of the EWSHS.
- History:** This Board Policy updates and renumbers BP #118 dated February 1, 2017.
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Article I PURPOSE

1.1 This policy meets EWSHS's obligation to adopt and maintain policies regarding Capital Assets and Inventory pursuant to RCW 43.19.1917; the *State Administrative and Accounting Manual (SAAM)* Chapter 30-Capital Assets, Chapter 35 Inventories; and the Washington State Auditor's Office *Budget and Reporting System (BARS)*.

1.2 This policy provides stewardship over EWSHS's resources by providing control and accountability of capital assets and inventory. It ensures collection and maintenance of complete and accurate capital asset and inventory information necessary to prepare financial statements in accordance with generally accepted accounting principles.

Article II POLICY STATEMENT

2.1 It is the policy of EWSHS to ensure that all assets, and other property in EWSHS's possession, including items for which EWSHS does not hold title, is adequately protected and its use is properly managed. In addition to other specific duties, it is EWSHS's policy to maintain records sufficient to establish custody of, provide adequate insurance for, maintain and repair, and plan for future needs of, all assets and other property under its control.

Article III DEFINITIONS

3.1 "Ancillary Costs" – Normal or necessary costs required to place an asset in its intended location and condition for use. However, minor ancillary costs, not measurable at the time a capital asset is recorded in an authorized property inventory system, are not required to be capitalized but may be capitalized if the information becomes readily available. Ancillary costs include such items as:

- 3.1.1 For Furnishings, Equipment, Intangibles, Collections, and other Capital Assets: 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.
- 3.1.2 For Land: Legal and title fees; professional fees of engineers, attorneys, appraisers, financial advisors, etc.; surveying fees; appraisal and negotiation fees; damage payments; site preparation costs; and costs related to demolition of unwanted structures.

- 3.1.3 For Infrastructure: Professional fees of engineers, attorneys, appraisers, financial advisors, etc.; surveying fees; appraisal and negotiation fees; damage payments; site preparation costs; and costs related to demolition of unwanted structures.
- 3.1.4 For Buildings and Improvements: Professional fees of architects, engineers, attorneys, appraisers, financial advisors, etc.; damage payments, costs of fixtures permanently attached to a building or structure; insurance premiums, interest in certain situations, and related costs incurred during construction; and other costs necessary to place a building or structure into its intended location and condition for use.
- 3.2 “Assets” – Resources with service capacity that the EWSHS controls as a result of past transactions or events. These resources can be tangible or intangible..
- 3.3 “Capital Assets” – tangible or intangible assets, such as land of any value; artwork and historic collections of any value; buildings and their furnishings, fixtures, and furniture; equipment, machinery, vehicles, and tools, which have a service life of more than one year and meet the state’s capitalization policy.
- 3.4 “Consumable Inventories” means supplies consumed in the course of an agency’s operations; or incidental items held for resale.
- 3.5 “Composite Method Depreciation Calculation” – this is based on weighted average estimated lives or an estimate of the useful life of the grouping of assets. The assessment can be based on condition assessments or experience with the useful lives of the grouping of assets.
- 3.6 “Equipment” - Tangible property other than land, buildings, improvements other than buildings, or infrastructure, which is used in operations and with a useful life of more than one year. Examples are furnishings or software. Equipment may be attached to a structure for purposes of securing the item, but unless it is permanently attached to, or an integral part of, the building or structure, it is to be classified as equipment and not buildings.
- 3.7 “Inventory Control Point” means a specific location, area, building, account, inventory type, etc., as defined in writing by the Inventory Officer where consumable inventories are aggregated for distribution, valuation, and/or reporting threshold purposes.
- 3.8 “Non-depreciable Capital Assets” – Include land, art collections, museum and historical collections that are inexhaustible, construction in progress, and intangible assets with indefinite useful lives.
- 3.9 “Small and Attractive Assets” - Assets that do not meet the state’s capitalization policy but that an agency considers particularly vulnerable to loss, thus subject to special property control. Absent a risk assessment and written procedures, agencies must include certain specified assets in their “small and attractive” inventory.
- 3.10 “State Equipment” - All items of machines, tools, furniture, or furnishings other than expendable supplies and materials as defined by the office of financial management.
- 3.11 “Straight-Line method Depreciation Calculation” – to calculate depreciation using the straight-line method as defined below:

$$\text{Annual Depreciation} = \frac{\text{Cost} - \text{Salvage Value}}{\text{Asset Useful Life}}$$

Article IV

MAINTENANCE, VALUATION & INVENTORY OF CAPITAL ASSETS

4.1 **Designation of Inventory Officers:** The Executive Director shall designate, in writing, one or more Inventory Officers to be responsible for maintaining and safeguarding all EWSHS Assets.

4.2 The Executive Director will develop internal procedures to protect and control the use of all EWSHS Assets and other property under its control (SAAM §30.10.40).

4.3 **Valuation of Capital Assets:** Capital assets shall be valued at cost including all ancillary charges necessary to place the asset in its intended location and condition for use. The value of capital assets shall be determined according to the state's capitalization policy. For more detail, refer to SAAM Chapter 30.20.10. Valuation shall include:

4.3.1 **Purchased Assets:** Use historical costs including all nonrefundable purchase taxes (e.g. sales taxes), and all appropriate ancillary costs less any trade discounts or rebates. If historical costs are not practicably determinable, use estimated costs.

4.3.2 **Self Constructed Assets, including internally developed software:** Capitalize all direct costs and agency project management costs associated with a construction/development project. Agency project management costs can be capitalized in one of two ways:

4.3.2.1 Use actual project management costs when they are practicably discernible and directly associated with the project; or 4.3.2.2 Apply a percentage of the total budget costs based on OFM Capital Plan instructions.

4.3.3 **Donated Capital Assets, Works of Art and Historical Treasures:** Use estimated acquisition value on the date of donation, plus all appropriate ancillary costs.

4.3.4 **Capital Assets for Income Purposes:** Capital assets acquired or created primarily for the purpose of obtaining income or profit should be valued pursuant to the investment policy in SAAM Chapter 85.52.

4.4 **General Inventory Requirements:** At least once every other fiscal year all inventoriable assets under EWSHS's control shall be inventoried, reconciled, and certified including:

4.4.1 Assets meeting the state's capitalization policy. See SAAM §30.20.20,

4.4.2 Assets with a unit cost (including sales tax and ancillary costs) less than \$5,000 identified as small and attractive assets (refer to Subsection 4.7 below),

4.4.3 Art collections, library reserve collections, and museum and historical collections unless such items are considered inexhaustible, in that their value does not diminish over time, and all of the additional conditions are met:

4.4.4 The collection is held for public exhibition, education, or research in the furtherance of public service, rather than financial gain.

4.4.5 The collection is protected, kept unencumbered, cared for, and preserved.

4.4.6 The collection is subject to an agency policy that requires the proceeds from the sales of collection items to be used to acquire other items for the collection.

The Inventory Office must provide descriptions of the collections and the reasons the collections are not capitalized.

4.5 Inventory Management of Consumables

- 4.5.1 Management of On-Hand Consumable Inventory: If the fiscal year-end balance of Consumable Inventories on-hand at an Inventory Control Point is estimated to exceed \$50,000 in value, the Inventory Officer is to implement an inventory management system similar to the inventory management system used for assets. (SAAM 85.56.20)
- 4.5.2 The designated Agency Inventory Officer(s) will document which inventory valuation system EWSHS selects for accounting and reporting inventories and ensure the system is consistently applied. The Agency Inventory Officer may select from the following acceptable inventory valuation methods: First-in, First-out (FIFO); Last-in, First-out (LIFO); or Weighted Average (W.A.).

4.6 Special Inventory Requirements for Collections: Arts collections and museum and historical collections under the control of EWSHS, which are not required to be capitalized under section IV.C.3 above are required to be controlled by means of a perpetual inventory or a recognized cataloging system, and collections under the control of EWSHS as defined by RCW 27.34.020 are required by RCW 27.34.070 to be cataloged.

4.7 Small and Attractive Assets Inventory Requirements:

- 4.7.1 Inventory Officers shall perform a risk assessment (both financial and operational) on the EWSHS Assets to identify those assets that are particularly at risk or vulnerable to loss. Operational risks include risks associated with data security on mobile or portable computing devices that store or have access to state data. Assets, so identified, that fall below the state's capitalization policy are considered small and attractive assets.
- 4.7.2 Periodically, the Executive Director shall ensure that the Inventory Officers perform a follow up risk assessment to determine if additional controls should be implemented to manage risk. At a minimum, the following assets with unit costs of \$300 or more must be included:
 - 4.7.2.1 Laptops and Notebook Computers; and
 - 4.7.2.2 Tablets and Smart Phones
- 4.7.3 At a minimum, the following assets with unit costs of \$1,000, or more, must be included:
 - 4.7.2.3 Optical Devices, Binoculars, Telescopes, Infrared Viewers, and Rangefinders
 - 4.7.2.4 Cameras and Photographic Projection Equipment
 - 4.7.2.5 Desktop Computers (PCs)
 - 4.7.2.6 Television Sets, DVD Players, Blu-ray Players, and Video Cameras (home type)

4.8 Adding Assets to Inventory: Upon receipt and acceptance of inventoriable assets, the Executive Director will ensure the addition of the asset to the inventory system consistent with EWSHS procedures. The Executive Director will develop and implement procedures to ensure the necessary information is entered into the State of Washington's Capital Asset Management System (CAMS) which will be used to inventory all assets that meet the capitalization policy. (SAAM §30.40.30).

4.9 Depreciation: EWSHS will calculate and record depreciation or amortization for all depreciable assets using SAAM §85.60.40. Depreciation normally begins when an asset is purchased or completed, and accepted. If an asset is not placed into service immediately, then depreciation should begin when the asset begins to lose value. Either option should be applied consistently and should be reasonable in the circumstance. Depreciation may be calculated either using the straight-line method or the composite level. The useful life of assets will be determined based on Schedule A, Capital Asset Class Codes and Useful Life Schedule §30.50.10a and Addendum to Schedule A §30.50.10b for energy efficient equipment and products. Prior written approval must be obtained from the OFM Accounting division for any deviations from the useful life Schedule.

4.10 Impairment of Assets: A capital asset that becomes impaired is to be revalued to reflect its decline in service utility consistent with SAAM §85.60.45. The assigned OFM accounting consultant should be contacted when there is a material impairment. Insurance recoveries related to impaired assets are reported net of the related loss when the recovery is realized or realizable in the same fiscal year as the loss. Otherwise, restoration or replacement costs are reported as a separate transaction from the related insurance recovery. The balance must be reconciled in CAMS in GL Code Series 2XXX "Capital Assets."

4.11 Removal of Assets: Capital assets will be removed from active inventory based on the completion and submission of a Property Disposal Request using the Property Disposal Request System available online at <http://des.wa.gov/services/surplus>.

4.11.1 Prior to surplus or disposal, the Executive Director will ensure that all assets are cleansed of any sensitive information. Refer to RCW 43.19.1919 for disposing of and removing other capital assets.

4.11.2 The cost and related accumulated depreciation/amortization of capital assets disposed of will also be removed from the applicable general ledger codes.

4.12 Lost or Stolen Property: In the event of a suspected or a known loss of inventoriable assets, the Executive Director should ensure a search for the missing property is conducted.

4.12.1 The Executive Director will develop procedures that detail how to address a suspected loss of public funds or property. The procedures will identify appropriate personnel who should be immediately notified prior to contacting the outside agencies. This may include the agency head, chief financial officer, or other staff depending upon the circumstances. If the missing property is not found:

4.12.1.1 Take action to minimize the loss.

4.12.1.2 Ensure that investigations are not hampered.

4.12.1.3 Ensure that bond claims are not jeopardized.

4.12.1.4 Ensure that appropriate personnel actions are taken.

4.12.1.5 If appropriate, report the suspected loss to the Department of Enterprise Services Risk Management Office.

4.12.1.6 Comply with RCW 43.09.185 and immediately report losses to the Office of the State Auditor (SAO).

4.12.1.7 Comply with RCW 43.09.330 and include the SAO and the Office of the Attorney General in any loss settlement.

4.13 Records Retention: Inventory listings, reconciliation, reconciliation certification, and records of loss shall be retained consistent with the EWSHS approved records retention schedule.

References that apply to this policy

RCW 43.19.1917	BARS
SAAM, Chapter 30 and Chapter 35	SAAM Chapter 85.52
SAAM Chapter 85.56.20	RCW 27.34.020
RCW 27.34.070	SAAM Chapter 85.60.45
	RCW 43.19.1919
RCW 43.09.185	RCW 43.09.330

CAPITAL ASSETS AND INVENTORY MANAGEMENT ADMINISTRATIVE PROCEDURE

Policy Number:	FIN-105A
Effective Date:	Approved by the Executive Director of Eastern Washington State Historical Society (EWSHS) on September 1, 2021.
Application:	Applies to all employees, board members, volunteers and contractors of the EWSHS .
History:	This Administrative Procedure updates and renumbers the Administrative Procedure for Board Policy #118 dated February 1, 2017.

Article I PURPOSE

1.1 This Procedure is being implemented consistent with the EWSHS Executive Director's obligation to develop and implement procedures regarding an inventory management system. This procedure is established to ensure adequate stewardship over EWSHS's resources through control and accountability of all EWSHS's assets, and to collect and maintain complete and accurate information required for preparation of financial statements in accordance with generally accepted accounting principles.

Article II PROCEDURE

2.1 Designation of Inventory Officer

2.1.1 The Chief Financial Officer *is* designated as the Inventory Officer for EWSHS. The Inventory Officer shall be responsible for maintaining and safeguarding all EWSHS Assets and other property under EWSHS's control consistent with chapter 43.88 RCW and the Office of Financial Management ("OFM") Generally Accepted Accounting Principles as set forth in the *State Administrative and Accounting Manual* (SAAM) and EWSHS Board Policy #118.

2.2 Designation of Systems and Valuation Methods

2.2.1 Designation of System: The Inventory Officer(s) shall use a *periodic inventory system or perpetual inventory system*. Capital Asset Inventory Records: The Inventory Officer(s) shall ensure that the following inventoriable capital assets are included on the property records of EWSHS:

2.2.1.1 All assets meeting the state's capitalization policy (SAAM §30.20.20);

2.2.1.2 Assets identified as small and attractive assets (SAAM §30.40.20);

2.2.1.3 Art, museum and historical collections under the control of EWSHS shall be cataloged consistent with RCW 27.34.070.

- 2.2.2 Maintenance of Fixed Asset Inventory System: The Inventory Officer(s) shall maintain an inventory system that includes records for all fixed inventoriable assets.
- 2.2.3 Inventory Requirements for Small and Attractive Assets: The Inventory Officer shall perform a risk assessment (both financial and operational) to identify assets that are particularly at risk or vulnerable to loss at least once every biennium. Operational risks include risks associated with data security on mobile or portable computing devices that store or have access to state data. Assets, so identified, that fall below the state's capitalization policy are considered small and attractive assets. If the Inventory Officer identifies additional small and attractive assets that are at risk or vulnerable to loss, the Inventory Officer shall coordinate with the Executive Director to implement additional controls for such items.
 - 2.2.3.1 At a minimum, the following small and attractive assets with unit costs of \$300 or more, shall be included in the EWSHS Inventory:
 - 2.2.3.1.1 Laptops and Notebook Computers; and
 - 2.2.3.1.2 Tablets and Smart Phones.
 - 2.2.3.2 At a minimum, the following assets with unit costs of \$1,000 or more, shall be included in the EWSHS Inventory:
 - 2.2.3.2.1 Optical Devices, Binoculars, Telescopes, Infrared Viewers, and Rangefinders;
 - 2.2.3.2.2 Cameras and Photographic Projection Equipment;
 - 2.2.3.2.3 Desktop Computers (PCs); and
 - 2.2.3.2.4 Television Sets, DVD Players, Blu-ray Players, and Video Cameras (home type)

(SAAM §30.40.20).

- 2.3 Inventory Requirements for Merchandise and Donated Inventories: All merchandise and donated inventories must be physically counted, valued, and recorded in the general ledger.
 - 2.3.1 Consumable inventories will be physically counted, valued and recorded in the EWSHS general ledger when the fiscal year-end balance on-hand is at an inventory control point that exceeds \$50,000.
 - 2.3.2 In calculating the balance on-hand, EWSHS may exclude those items sometimes referred to as bench stock items, characterized by high turnover rate and extremely low unit cost, as defined in writing by the Agency Inventory Officer in consultation with the Executive Director.
- 2.4 Inventory Data Elements: The Inventory Officer(s) shall ensure the fixed asset inventory system that includes the following data elements for each inventoriable fixed asset. (SAAM§ 30.40.30).
 - 2.4.1 Agency name and code number
 - 2.4.2 Account for which the asset is being used, this may or not be the original purchasing account. However, for governmental and expendable trust fund type accounts, this is the account which originally purchased the asset.
 - 2.4.3 Acquisition date - the date on which the agency takes title or assumes responsibility for the asset
 - 2.4.4 Commodity class code
 - 2.4.5 Cost-- the value assigned to the asset
 - 2.4.6 Depreciation for assets excluding small and attractive assets

- 2.4.7 Description--name of the asset
- 2.4.8 Disposal authorization, when required
- 2.4.9 Disposal date--the date that agency officially relinquishes responsibility for the asset with proper authorization
- 2.4.10 Inventory control number which is on or contained on the inventory tag attached to or referring to an asset
- 2.4.11 Location code-- the identification code of the county in which the asset is located, Spokane is 32
- 2.4.12 Manufacturer--the name of either the manufacturer or the commonly accepted trade name; if none, the vendor name
- 2.4.13 Order number--the number of the purchasing document used for the acquisition of the asset
- 2.4.14 Ownership status, if applicable
- 2.4.15 Quantity
- 2.4.16 Salvage value--the portion of the fixed asset's cost that is recovered at the end of its service life less any disposal costs excluding small and attractive assets
- 2.4.17 Serial number—the sequential identification number assigned by the manufacturer
- 2.4.18 Useful life—the estimated useful life of the fixed assets in years as provided in SAAM 30.50.10, Schedule A, excludes small and attractive assets

2.5 Inventory Management System: The Inventory Officer shall use the Capital Asset Management System (CAMS) for all assets that meet the state's capitalization policy. These capital assets can be entered on CAMS through OFM/Small Agency Client Services. An alternate in-house system shall not be used unless written approval by both the Executive Director and the Washington State Office of the Chief Information Officer (OCIO) is obtained prior to initiating acquisition or development of the system.

2.6 Marking Assets: The Inventory Officer(s) shall ensure that each inventoriable asset is marked upon receipt and acceptance to identify that the property belongs to EWSHS, except if the asset:

- 2.6.1 Would lose significant historical or resale value (such as art collections or museum and historical collections);
- 2.6.2 Would have its warranty negatively impacted by being permanently marked;
- 2.6.3 Is stationary in nature and not susceptible to theft (such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements);
- 2.6.4 Has a unique permanent serial number that can be used for identification, security and inventory control (such as vehicles); or
- 2.6.5 Is an intangible asset that lacks physical substance. (SAAM §§ 30.30.10 & 30.30.30)

2.4 Addition of Assets - Upon receipt and acceptance of an inventoriable asset, the Inventory Officer(s) shall be responsible for ensuring the addition of the asset to the inventory system. This includes assigning, tagging and recording the asset and data elements responsibilities to specific individuals as well as developing and implementing into the capital asset or authorized inventory system (SAAM §30.40.40).

2.5 Deletion of Assets – When deletion of an inventoriable asset from the inventory system is required due to sale, scrapping, lost or stolen items, or involuntary conversion (fire, flood, etc.),

the Inventory Officer(s) shall be responsible for ensuring the deletion of the asset from the inventory system. This includes ensuring proper approval for removal has been received as well as cleansing assets of any sensitive information prior to surplus or disposal (SAAM § 30.40.35).

2.6 Timely Removal of Assets from Inventory – When any asset (capital or other) has passed its useful life schedule, said assets will be retained as long as functioning or desirable. Then, upon approval from the Board or Executive Director, the asset may be transferred to Surplus Property to be sold or otherwise disposed of. The Inventory Officer(s) shall report all capital assets classified as surplus (excluding information technology related equipment and proprietary software) to Surplus Programs at the Department of Enterprise Services (DES) in the format and manner specified by DES.

2.7 Physical Count and Reconciliation – If using a perpetual inventory system, a physical inventory must be conducted at least once every other fiscal year for all inventoriable assets. If using a periodic inventory system a physical inventory must be conducted at least annually at fiscal year end. A person having no direct responsibility for assets shall conduct the physical inventories of all assets. The Inventory Officer will reconcile the inventories with the inventory records. When the reconciliation is complete, the Inventory Officer must certify in writing that the inventory was verified. The Executive Director shall also ensure that the staff person designated to complete the reconciliation certifies in writing that the inventory was verified. The Executive Director shall develop and adopt procedures that assign responsibilities to specific staff positions to ensure the proper and timely completion of physical inventory and reconciliation. (SAAM §§35.10.55, 35.10.60 & 35.10.65)

2.8 Records Retention: Inventory listings, reconciliation, reconciliation certification, and records of loss shall be retained consistent with the approved records retention schedule for EWSHS.

2.9 Lost or Stolen Property: When suspected or known losses of inventoriable assets occur, they shall be immediately reported to the Executive Director and Inventory Officer(s). The Inventory Officer(s) shall conduct a search for the missing property. The search should include transfers to other divisions or agencies, storage, scrapping, conversion to another asset, etc. If the missing property is not found, the Inventory Officer(s) shall notify the Executive Director immediately. Further, in the event of a suspected loss of public funds or property, the Inventory Officer(s) shall work with the Executive Director to:

- 2.9.1 Take action to minimize the loss;
- 2.9.2 Ensure that investigations are not hampered;
- 2.9.3 Ensure that bond claims are not jeopardized;
- 2.9.4 If appropriate, immediately notify Human Resources of any employee misconduct so personnel action, may be taken;
- 2.9.5 If appropriate, report the suspected loss to the Department of Enterprise Services Risk Management Office.
- 2.9.6 Comply with RCW 43.09.185 and immediately report losses to the Office of the State Auditor (SAO).
- 2.9.7 Comply with RCW 43.09.330 and include the SAO and the Office of the Attorney General in any loss settlement.

(SAAM§ 70.75.40).

2.10 Inventory Management of Consumables

- 2.10.1 The Agency Inventory Officer(s) will document which inventory valuation system EWSHS selects for accounting and reporting inventories and ensure the system is consistently applied. The Agency Inventory Officer may select from the following acceptable inventory valuation methods: First-in, First-out (FIFO); Last-in, First-out (LIFO); or Weighted Average (W.A.).
- 2.10.2 If the fiscal year-end balance of Consumable Inventories on-hand at an Inventory Control Point is estimated to exceed \$50,000 in value, the Inventory Officer(s) shall implement an inventory management system similar to the inventory management system used for assets. (SAAM §85.56.20)
- 2.10.2.1 “Consumable Inventories” means supplies consumed in the course of an agency's operations; or incidental items held for resale.
- 2.10.2.2 “Inventory Control Point” means a specific location, area, building, account, inventory type, etc., as defined in writing by the Inventory Officer where consumable inventories are aggregated for distribution, valuation, and/or reporting threshold purposes.