



<b>TITLE: NON-CAPITAL CONTROLLABLE ASSETS POLICY</b>		<b>POLICY: FIN-002-2023</b>
<b>EFFECTIVE DATE: 11/15/2023</b>	<b>SUPERSEDES: FIN-003-2016</b>	<b>PAGES: 3</b>
<b>MAYOR: CHRISTINE FRIZZELL</b> <i>Christine Frizzell</i> <small>Christine Frizzell (Nov 30, 2023 15:37 PST)</small>	<b>DEPARTMENT DIRECTOR: MICHELLE MEYER</b> <i>Michelle Meyer</i> <small>Michelle Meyer (Nov 30, 2023 15:00 PST)</small>	<b>Policy Level: Administrative</b>

**APPLICABLE TO:** All City Departments, Offices and Employees

**POLICY STATEMENT:** The policy of the City of Lynnwood is to ensure the accuracy and reliability of financial statements, comply with authoritative guidance and best practices, and maintain appropriate stewardship over the City's assets.

**PURPOSE:** The purpose of this policy is to establish the City's guidelines for identifying and tracking non-capital controllable assets to provide adequate controls over items that may be particularly susceptible to theft, misappropriation, or vulnerable to loss. The intent of this policy is to ensure accountability over items that do not meet the criteria of a capital asset and would not be noticed immediately upon disappearance or replacement.

**DEFINITIONS:**

"Non-Capital Controllable Assets" (also referred to as Small and Attractive Assets) - Assets that fall below the capitalization threshold but require special attention to ensure legal compliance, protect public safety and avoid potential liability, and items that may be susceptible to theft, misappropriation, or vulnerable to loss (easily transportable and marketable non-capital assets).

This category does not include permanent fixtures such as desks, tables and shelving and specifically excludes small tools and minor equipment such as shovels, hand tools, supplies, etc.

Examples include but are not limited to electronic items and equipment that falls below the capitalization threshold.

All weapons, firearms, signal guns, and related accessories must be accounted for regardless of the dollar amount.

"Custodial responsibility" - Being in charge of, and having the authority to manage the asset, not limited to the caring for, safekeeping and protecting the asset.

Refer to the Capital Assets Policy (FIN-001-2023) for current guidance and criteria on management of capital assets.

## **POLICIES:**

### **RISK ASSESSMENT:**

Each department should perform a risk assessment to identify those assets that are most vulnerable to loss. It should be conducted periodically as changes occur. An assessment should consider:

- Public perception about what the government should be tracking.
- Operational risks with data security.
- Tracking or monitoring that may already be done for operational purposes.
- Pre-existing controls (such as an asset being stored in a secured location).
- Recent problems with missing or unusable equipment.
- New asset types being purchased.
- Ease to sell or convert to personal use.
- Perceived risk associated with the asset.
- Replacement cost compared with the cost to track it.
- Consider excluding small dollar items to ensure the City is not spending resources tracking and monitoring items that might not be worthwhile (cost/benefit).

The risk assessment's purpose is to consider which non-capital assets are most susceptible to theft, misappropriation, or vulnerable to loss and then decide the extent of internal controls that should be put in place to safeguard the assets. Departments should also take into consideration the cost/benefit of tracking certain types of assets and the resources they have available when establishing control measures, as compared to the risk involved.

### **PHYSICAL INVENTORY:**

Department Directors should designate an Inventory Control Officer(s) (ICO) who is(are) responsible for conducting physical inventory of the items annually at year-end.

The ICO conducting the physical inventory and reconciling their Non-Capital Controllable Assets Inventory list should be independent of personnel purchasing assets. If segregation of duties is not feasible, compensating controls should be implemented.

Departments are responsible for preparing and maintaining their Non-Capital Controllable Assets Inventory list. The inventory list must be reviewed and signed by the Department Director and submitted to the Finance Department by January 31<sup>st</sup> of each year.

As a part of the physical inventory, each department should verify the existence and condition of each item on the inventory list and update it with any non-capital controllable asset additions or deletions noted during the annual inventory that are not reflected on the list.

Each item on the list must include a thorough identifying description (make, model, serial number, location) and value.

### **ADDITIONS:**

Department ICO's will add and update their Non-Capital Controllable Assets Inventory list when new items are acquired.

## **TRANSFERS:**

Occasionally, transfers of property between departments, within a department, or between funds will occur. The department with the original custodial responsibility is accountable for all assets (until transferred), and for notifying the receiving department ICO of the transfer.

If an interdepartmental transfer occurs involving a proprietary fund, a transfer of money must be made for the fair market value of the item. Contact with the Finance Department is needed to record the transfer entry into the financial system.

## **DELETIONS:**

Departments can delete an item from the inventory list if the item is no longer operational, traded in for an upgraded item, salvaged, lost, or stolen.

Deletions should be shown on the list as a strikethrough and a reason must be documented to provide an audit trail when reviewed. Deletions can be removed from the list following the next year.

## **LOST OR STOLEN ITEMS:**

When known or suspected losses of non-capital controllable assets occur, departments should conduct a search for the missing property. The search should include transfers to other departments or divisions, storage, disposal, conversion to another asset, etc.

If the missing property is not found:

- Notify the department's ICO, Department Director, and the Finance Department.
- A police report must be filed for missing and presumed stolen items as soon as they are discovered.
- The individual deemed primarily responsible for the asset, as well as that individual's supervisor must complete and sign a statement to include a description of events surrounding the disappearance of the property, who was notified of the loss, and steps taken to locate the property.
- The Finance Department will report known or suspected losses of assets to the State Auditor's Office in accordance with RCW 43.09.185.
- The ICO will remove the lost or stolen property from the department's inventory and handle the same as a deletion.

## **SALE AND DISPOSAL OF ASSETS:**

The sale of non-capital controllable assets must comply with Lynnwood Municipal Code 2.92.100 (A), and the City's surplus procedures.

## **RESPONSIBILITIES:**

Departments have custodial responsibility of the non-capital controllable assets and are accountable for maintaining appropriate stewardship of the non-capital controllable assets in their care and/or control. Departments should identify the individual(s) who have primary responsibility for the non-capital controllable assets.

Departments should update and maintain their Non-Capital Controllable Assets Inventory list regularly, documenting additions, transfers, deletions and retain the master listing in their department folder.







# FIN-002-2023 Non-Capital Controllable Assets Policy

Final Audit Report

2023-11-30

Created:	2023-11-30
By:	Michelle Meyer (mmeyer@lynnwoodwa.gov)
Status:	Signed
Transaction ID:	CBJCHBCAABAA2ojxymPgHMoCvNc506oDHIQ3nlpDeOF

## "FIN-002-2023 Non-Capital Controllable Assets Policy" History

-  Document created by Michelle Meyer (mmeyer@lynnwoodwa.gov)  
2023-11-30 - 10:59:54 PM GMT - IP address: 66.165.18.228
-  Document e-signed by Michelle Meyer (mmeyer@lynnwoodwa.gov)  
Signature Date: 2023-11-30 - 11:00:29 PM GMT - Time Source: server- IP address: 66.165.18.228
-  Document emailed to Christine Frizzell (cfrizzell@lynnwoodwa.gov) for signature  
2023-11-30 - 11:00:30 PM GMT
-  Email viewed by Christine Frizzell (cfrizzell@lynnwoodwa.gov)  
2023-11-30 - 11:35:30 PM GMT - IP address: 104.47.64.254
-  Document e-signed by Christine Frizzell (cfrizzell@lynnwoodwa.gov)  
Signature Date: 2023-11-30 - 11:37:16 PM GMT - Time Source: server- IP address: 174.127.205.70
-  Agreement completed.  
2023-11-30 - 11:37:16 PM GMT