



Office of the  
Washington  
State Auditor  
Pat McCarthy

# Best practices for tracking small and attractive assets

Governments own a variety of assets that fall below their capitalization threshold for financial reporting purposes that require safeguarding. We call them small and attractive assets here in Washington state, but other popular terms include theft-sensitive assets, walk-away assets or controlled assets. Small and attractive assets tend to mysteriously disappear more than other asset types, often because they are portable, attractive for personal use and easy to sell. Some examples include:

- Desktop computers, laptops, tablets, notebooks, monitors, shop tools, shop equipment, power tools, radios, smart phones, cameras, law enforcement weapons, safety equipment, televisions, audio-visual equipment, GPS devices, microscopes, medical devices, optical devices such as binoculars and telescopes (excluded are consumables or other assets that last less than one year).



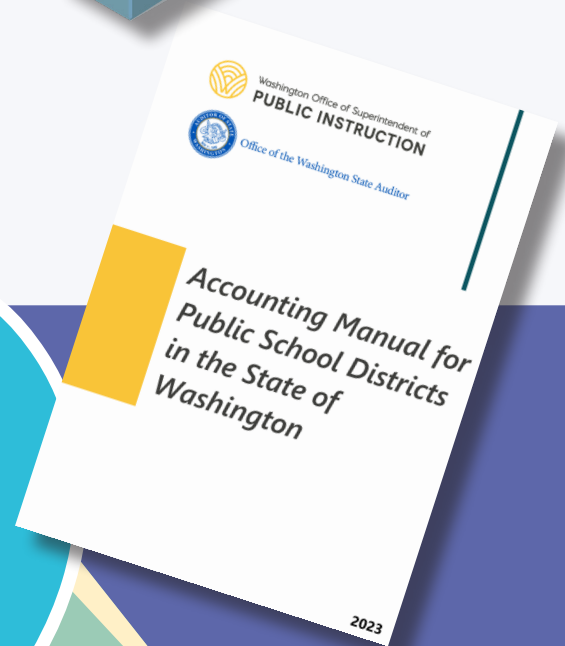
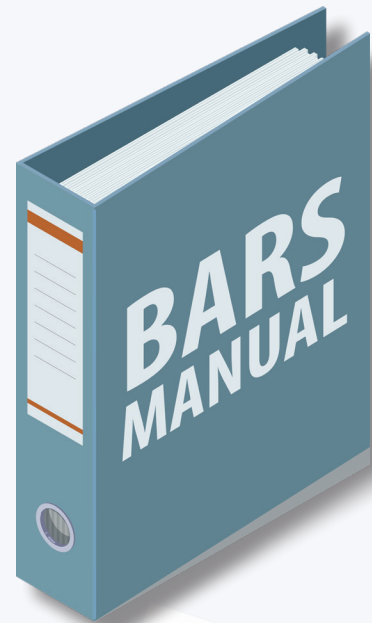
In Washington, the requirements differ for state agencies and local governments. State agencies must follow the requirements in the [State Administrative and Accounting Manual](#). Most local governments must follow requirements in the [GAAP](#) or [cash-basis Budgeting, Accounting and Reporting System \(BARS Manual\)](#), but generally have more flexibility in determining their small and attractive asset policies. Regardless of these requirements, best practices are universal no matter the level of government managing the assets.

This resource describes best practices to help you improve your internal controls over small and attractive assets. It covers requirements, policy tips, guidance for risk assessments and tracking, and inventory advice.

## Learning about the various requirements

- **Learn about local government requirements.** You will find “small and attractive asset” guidance for most local governments in the BARS Manual [GAAP, 3.3.11.50](#) or [cash basis, 3.3.8.50](#). The BARS Manual requires you to:
  - > Perform and document a risk assessment to identify risky assets
  - > Implement measures to track and control these assets to minimize identified risks; controls may vary from limited to comprehensive tracking and inventories
  - > Consider the cost versus benefit, as well as the risks involved

School districts must follow the *Accounting Manual for Public School Districts in the State of Washington*. The [2023-2024 Accounting Manual](#) recommends school districts develop a policy that addresses small and attractive assets.

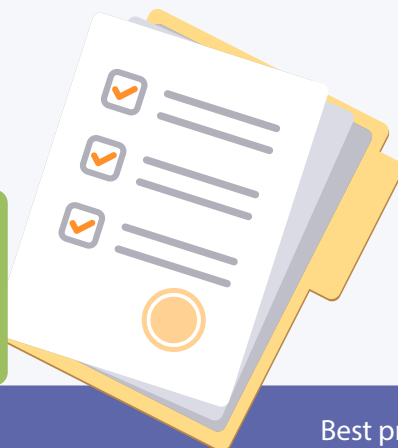
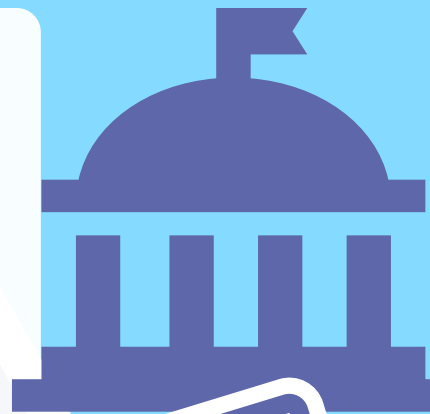


- **Learn about federal program requirements.** If you purchased equipment with federal funds, you must comply with Uniform Guidance requirements, [2 CFR §200.313](#). The Uniform Guidance defines [equipment](#) as tangible personal property that has a useful life of more than one year and a per-unit acquisition cost that equals or exceeds the entity's capitalization threshold or \$5,000, whichever is less. Because of this, many governments establish their capitalization threshold for equipment at \$5,000. (Note: As of October 1, 2024, Uniform Guidance will update this threshold to \$10,000).

When managing federally funded equipment as defined above, you must:

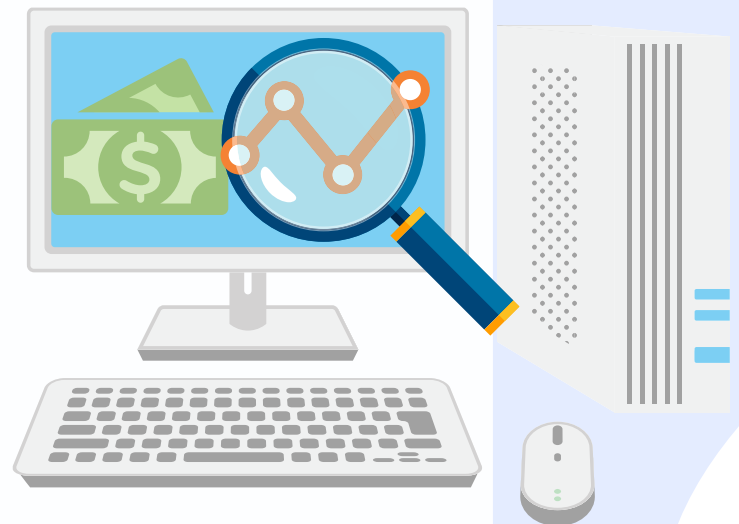
- > Maintain up-to-date property records that include specific key information about the asset, including the source of funding for the property and the federal agency's contribution toward the original purchase. Refer to [2 CFR §200.313\(d\)\(1\)](#) for the required elements.
- > Conduct a physical inventory and reconcile the results to the property records at least once every two years.
- > Develop an internal control system to prevent property loss, damage, and theft.
- > Investigate any property loss, damage, or equipment theft and notify the awarding agency if it will impact the program
- > Put into place regular maintenance procedures to ensure the property is in proper working condition
- > Develop sales procedures before selling any property to ensure the highest possible return

Keep in mind that an awarding agency may impose additional requirements within the terms of the award. For example, one federal agency may require award recipients to mark property as purchased by that particular federal agency. Carefully read program guidance and the terms and conditions of your federal award to identify such requirements.



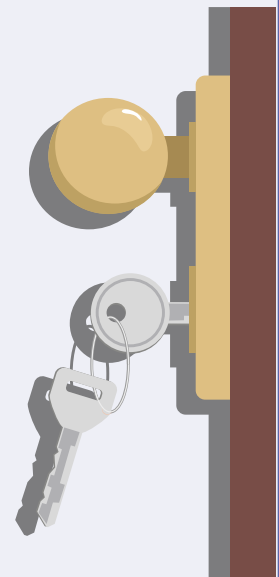
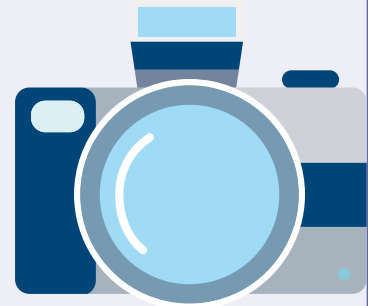
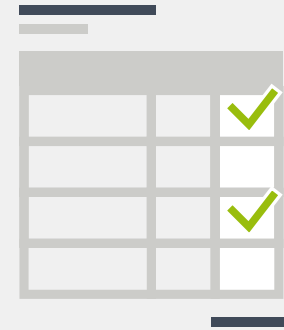
## Updating and improving your policy

- **Perform a risk assessment as your first step to establishing or updating internal controls.** Perform a risk assessment to identify assets most vulnerable to theft, loss or misuse. You may lack the resources to track everything, so assessing risk will help you prioritize and customize internal controls. See [Appendix A](#) for how to perform a risk assessment. Document the risk assessment and periodically revisit it when you update your policy or as circumstances change.
- **Consider not tracking small value assets.** You may incur significant administrative costs if you attempt to track all assets. Use your risk assessment results to decide what to track. Possible approaches include:
  - > **Set a dollar threshold in your policy.** For example, the State of Washington uses a \$300 threshold for laptop and notebook computers and a \$1,000 threshold for other assets such as desktop computers (for a complete list, refer to 30.40.20 in the [State Administrative and Accounting Manual \[SAAM\]](#)). You may find SAAM guidance helpful as you develop your policy, but local governments do not need to comply with it.
  - > **Set specific exclusions in your policy.** You may include or exclude certain types of assets based on the risk assessment results. For example, a government might choose to track computers but not peripheral devices such as monitors, keyboards and scanners.
- **Establish an entity-wide policy.** Provide direction to all departments rather than allowing individual departments to adopt their own approach. That way, you set expectations and can hold each department responsible for implementing a baseline set of controls. See [Appendix B](#) for policy considerations and refer to other best practices referenced throughout this resource. You could encourage departments to adopt their own procedures to further direct staff, so long as they comply with your overarching policy.



## Preparing for asset management

- **Clearly define assets to track.** Clearly communicate the types of non-capitalized assets you plan to track and inventory.
- **Mark assets as government property.** To deter theft, mark assets as government property as soon as you purchase them, either with tags, decals or an engraving. If you plan to inventory them, include tags with inventory control numbers so you can trace them to your asset list.
- **Prepare to prove ownership.** If you experience a loss, your insurance company or risk pool may require evidence of ownership. Check with your insurer as you may need documentation like inventory records, photographs and purchase records. You may want to keep purchase records for certain assets, even after record retention requirements end.
- **Consider an asset checkout log for assets used by many people.** For certain situations, it might be best to implement a usage log or checkout system so you can keep track of the asset custodian and therefore hold employees accountable for returning assets.
- **Consider if you should keep certain assets in a restricted area.** For example, you might store some assets in a separate locked room with limited employee access. You might also secure assets that you recently received and have not yet marked or added to the asset listing.
- **Implement a formal process to recover assets from departing employees.** Make sure that the human resource staff check for employee-assigned assets before employees leave the organization. Human resource staff might add an item to their employee separation checklist.
- **Adopt sound disposal procedures.** Equipment or property that governments no longer need is at a higher risk of employee misappropriation. Employees may take it, recycle it or sell it to others and keep the proceeds. Adopt a disposal process, from approval to execution, for all types of disposals including damaged property. Use a standardized form to document the disposal and retain documents supporting the sale or disposal.



## Keeping an asset listing

- **Maintain centralized control over the asset listing.** Track all assets on one entity-wide list and segment them by department. That way, departments can review their activity and provide updates or make changes themselves (however you decide to structure it). If you allow departments to maintain their own independent lists, then central finance should practice oversight.

The Government Finance Officers Association's best practice guidance, [Control Over Items That Are Not Capitalized](#), indicates that tracking should occur at the departmental level with oversight from the central accounting or other designated finance function.

- **Include sufficient detail on the asset listing.** Asset lists should have enough information to uniquely identify the assets, such as:
  - > Detailed descriptions with manufacturer identification numbers to positively identify the asset during inventory
  - > Asset tag numbers, to allow for easy tracing to the master asset list
  - > Asset location
  - > Custodian or responsible official, so you can hold custodians accountable
  - > Date purchased
  - > Disposal date and method
  - > Cost or value at acquisition, for insurance purposes

For any federally funded equipment, your asset list that tracks such equipment must comply with [2 CFR §200.313\(d\)\(1\)](#).

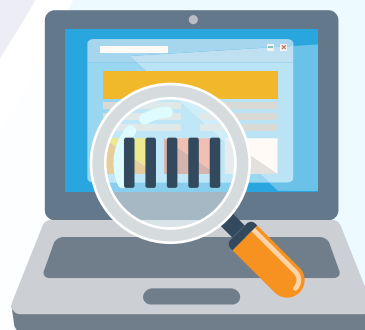
- **Update the asset listing as changes occur.** Someone should promptly update the list when you purchase new assets, dispose assets and change custodians or locations. To remove an asset from the listing, the employee should have quality evidence that the disposal is valid.
- **Limit access to the asset listing, especially from those with asset custody.** Only allow a limited number of employees to update the asset list to prevent unauthorized personnel from making changes. In addition, do not give employees with physical custody of assets access to the list at any point in its life cycle. For example, you want to avoid having a custodian misappropriate an asset and then remove all traces of it from the asset listing.
- **Avoid or reconcile duplicative lists.** For example, information technology might track computer equipment that departments also track. Agree on one list to use, so that employees cannot duplicate efforts. However, if you must maintain duplicative lists, reconcile them periodically.
- **Use purchase data to ensure completeness.** Compare purchasing data to the assets reported on your list to ensure it is complete. Some larger entities have automated this process.





## Inventorying assets

- **Adopt an inventory schedule.** You have flexibility in how you establish an inventory schedule. For example, your schedule may vary by asset type, based on your risk assessment results. However, if you have federally funded property, you must conduct an inventory at least once every two years ([2 CFR §200.313\[d\]\[2\]](#)). Note: Longer time lapses between inventories can make it more difficult to follow up on discrepancies.
- **Communicate the inventory objectives.** Clearly communicate all important objectives with employees performing the inventory. Possible objectives include:
  - > Identifying missing assets
  - > Identifying assets that are in use but not on the asset list
  - > Determining if all property reflects government ownership (engraved, marked or tagged)
  - > Evaluating if employees or departments have properly secured assets
  - > Verifying asset information such as the location, custodian, description and serial number
  - > Assessing asset condition; identifying damage or deferred maintenance
- **Segregate duties during inventories.** Assign an employee who does not have custody of the assets (or physical access to them) to conduct the inventory. You want to avoid the risk that an employee may misappropriate an asset and then fail to report it missing when they perform the inventory. If this is not feasible, then someone should perform oversight to reduce this risk.
- **Perform a two-way inventory.** Trace from the asset listing to observed physical assets to ensure the assets exist (book to floor testing). In addition, trace observed physical assets to the asset listing to ensure completeness (floor to book testing). Document your inventory results.
- **Promptly investigate inventory discrepancies.** Follow up on and try to locate any missing assets. In addition, assess the impact of any lost, missing or stolen assets, such as whether the asset contained sensitive information. Update the asset listing based on the inventory results.
- **Certify inventory results.** Employees performing the inventory should finalize their results, which management should also review.



## Performing monitoring and oversight

- **Perform active oversight.** Conduct physical and electronic spot checks of asset management procedures. Doing this reinforces the importance of asset management to employees throughout the organization.
- **Summarize annual losses for management.** Provide a report to management summarizing the assets that were lost, missing or damaged during the year.



## Additional resources:

The Office of the Washington State Auditor *Budgeting, Accounting and Reporting System* (BARS Manual) [GAAP, 3.3.11.50](#) or [cash basis, 3.3.8.50](#)

The Office of Financial Management [State Administrative & Accounting Manual](#) – Section 30.40.20

The Code of Federal Regulations Uniform Guidance “Property Standards” [2 CFR §200.310-316](#)

The Office of the Washington State Auditor [Segregation of Duties guide](#) (Section 2, Chapter 7, Capital and other valuable assets)

Government Finance Officers Association’s best practices guidance [Control Over Items That Are Not Capitalized](#)

Municipal Research and Services Center [Asset Management Policies](#)

The Office of Financial Management [Risk Assessment Guidelines](#)

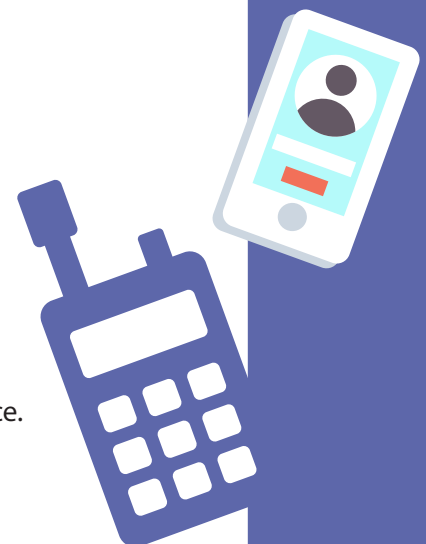


## For assistance

This resource was developed by the Center for Government Innovation at the Office of the Washington State Auditor. Please send questions, comments, or suggestions to [Center@sao.wa.gov](mailto:Center@sao.wa.gov).

### Disclaimer

This resource is provided for informational purposes only. It does not represent prescriptive guidance, legal advice, an audit recommendation, or audit assurance. It does not relieve governments of their responsibilities to assess risks, design appropriate controls, and make management decisions.





# APPENDIX A – How to perform a risk assessment

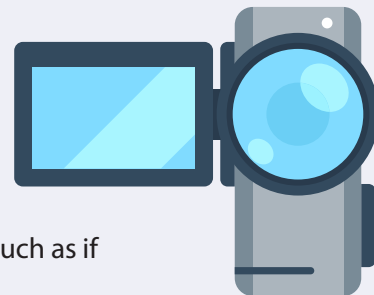
Consider using the following methodology when you perform a risk assessment. You may adapt it to meet your needs.

**Step 1: Identify all noncapitalized assets by asset type.** For example:

- Computers, laptops, tablets, notebooks, monitors, shop tools, shop equipment, power tools, radios, smart phones, cameras, law enforcement weapons, safety equipment, televisions, audio-visual equipment, GPS devices, microscopes, medical devices and optical devices such as binoculars and telescopes

**Step 2: For each asset type identified in step 1, identify risks using the following questions:**

- a. Is this a new asset type for your government?
- b. Would the public expect you to have strong safeguards over this asset type?
- c. Is the asset type susceptible to theft or resale?
- d. Is the asset type easily converted to personal use?
- e. Is the asset type expensive?
- f. Is the asset type likely to go unnoticed as missing or broken (such as if infrequently used)?
- g. Have you experienced past problems with missing or damaged assets of this type?
- h. Is the asset type dangerous and does it present a safety risk to the public?
- i. Could the loss of a certain asset type expose you to business risks (such as a data breach, lawsuit, accident, safety issue or reputational harm)?
- j. Did you purchase any assets using federal funds? If so, does the awarding agency or Uniform Guidance require you to follow certain requirements?
- k. Did you acquire any assets through a federal surplus program? If so, do you have special requirements for asset tracking?
- l. Did you purchase any of this asset type using other grant funds that may have special requirements?



**Step 3: For each identified risk, determine the likelihood it will occur and how much it could impact the organization.** This analysis can help you allocate limited resources to the riskiest assets.

For example, consider these hypothetical situations:

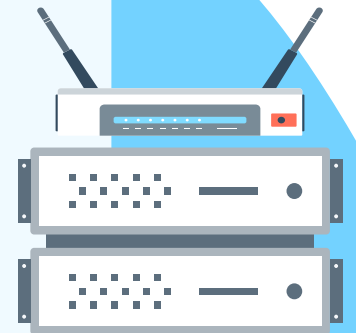
Risk: Desktop computers store sensitive information

- Likelihood of loss: Low because computers are stationary, the building is secured with an alarm, the employees use the desktops daily and their supervisors observe them.
- Potential impact: Very high because employees store significant amounts of confidential information on the hard drives and a data breach would be costly.



Risk: Specialized equipment is susceptible to resale

- Likelihood of loss: Low because equipment is stored in a secured area and one employee checks out the equipment to other employees.
- Potential impact: Moderate because some of the specialized equipment is costly.

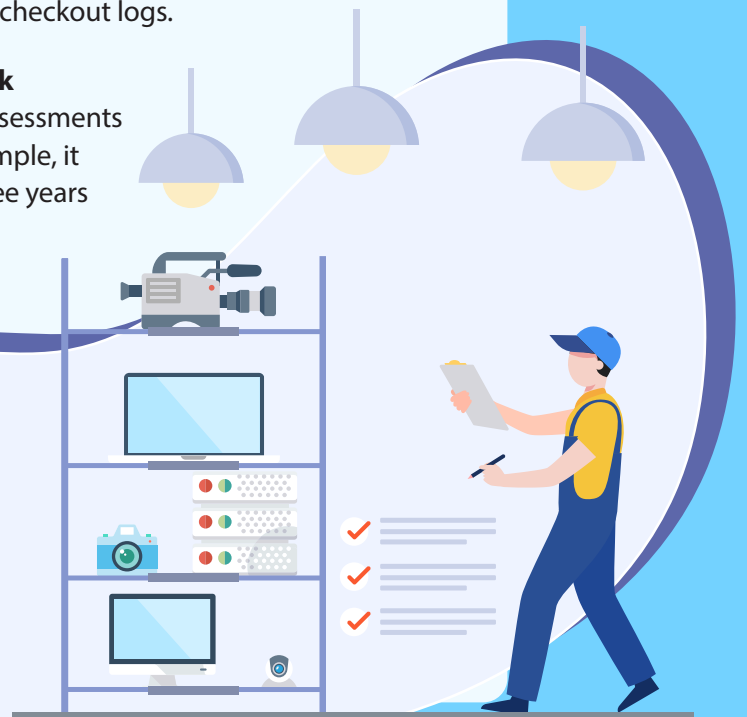
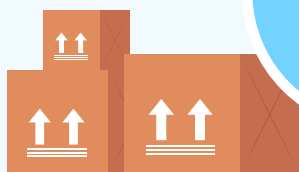


**Step 4: Develop and implement safeguards based on the risk analysis.**

You might track and inventory certain categories of assets and exclude others depending on the overall risk. You could also implement special controls to reduce the risk, such as using secured storage or checkout logs.

**Step 5: Set a recurring date for subsequent risk assessment reviews.** You should perform risk assessments periodically or as circumstances change. For example, it is a best practice to update your policy every three years and reevaluate your risk assessment at that time.

**Step 6: Monitor the effectiveness of adopted safeguards.** Make adjustments as needed.



## APPENDIX B – Developing a policy to track small and attractive assets.

Consider addressing these areas in your policy:

- **Scope.** Define small and attractive assets for your organization. Describe the asset types you expect employees to control and track, as well as what qualifies it as an asset (such as if it lasts longer than a year and/or is portable). Also, describe any excluded assets and minimum and maximum thresholds.
- **Risk assessment.** Determine how frequently you will perform a risk assessment, who you will assign this task to and how you will implement results.
- **Asset identification.** Determine requirements to tag, label, mark or engrave assets with the government's name and the amount of time it should stay intact (such as through disposal or sale). Decide if you will assign an identification number to each asset that will follow them throughout their life cycles.
- **Asset care and handling.** Describe how employees should treat the assets (such as handle and operate with care, engage in proper use and schedule regular maintenance). Also, address whether you will allow incidental personal use or prohibit it altogether. (Note: Incidental use of computer equipment is fairly common, but less so for other asset types).
- **Asset listing.** Determine if you will maintain one central asset list or if departments will prepare their own. If you assign responsibility to departments to maintain separate lists, then determine who will monitor each list to ensure they keep the asset listings updated. As you develop your asset listing requirements, consider the various users, such as for insurance purposes, asset management, etc. In your policy, you should:
  - > Describe the information you will document for each asset within your asset listing (such as description, location, custodian, etc.)
  - > Assign and authorize someone to make changes to your asset listing (see segregation of duties principles below)
  - > Address how soon assigned employees should update the asset listing (for example, promptly upon purchase or disposal)
  - > Specify if you expect employees to use a specific software program for asset listing documentation



Logo

Name:

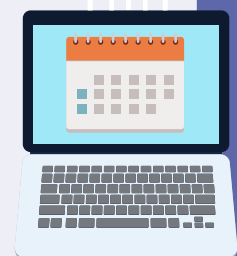
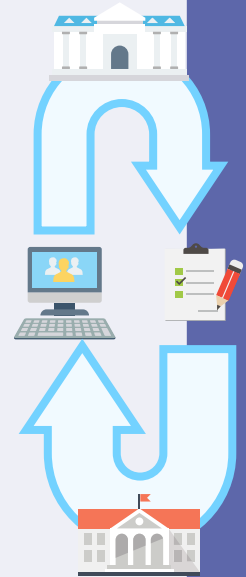
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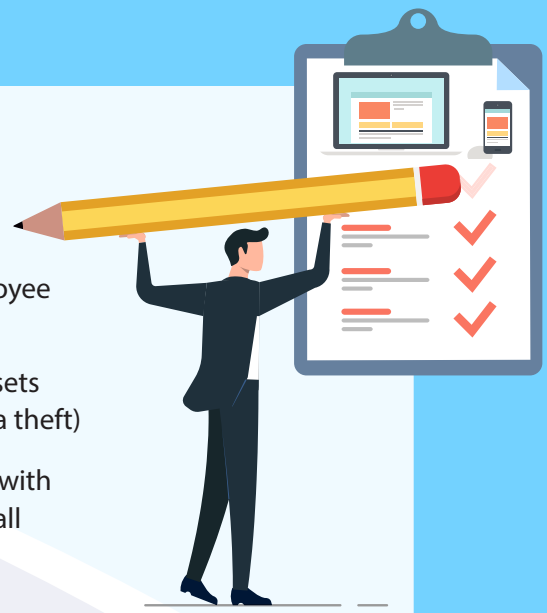
Disposal date:



- **The inventory process.** Describe who is responsible for performing the inventory and how often they should perform it (see segregation of duties principles below). Also:
  - > Describe which asset types should be inventoried
  - > Indicate how employees should document the inventory results
  - > Designate who should follow up on missing assets, as well as the follow-up process
  - > Designate who should communicate inventory results to management
  - > Designate who should update the asset lists based on the inventory results, and the expected timeframe for doing so
  - > Indicate who should monitor the inventory process to ensure employees properly perform it
- **Asset transfers.** Determine the process departments should use when transferring assets within the organization to other departments or between custodians. Also:
  - > Indicate how employees should communicate changes, so that the designated employee will update the asset listing
  - > Address the calculation of sales price for assets that transfer between funds (particularly those owned by restricted funds like utilities)
- **Reporting lost or stolen assets.** Designate who will report lost or stolen assets, what they must report, when they should report it and to whom they should report it (such as management, leadership and/or the governing body). Also:
  - > Decide if you will require special reporting for mysterious asset disappearances
  - > Designate who should report asset losses to third parties (such as law enforcement, the grantor, insurance company or the State Auditor's Office)
- **Other safeguards.** Decide if you will require or encourage departments to use any other methods to protect and control certain asset types (such as assigning custody to specific individuals, restricting access and/or checkout systems).
- **Segregation of duties.** Explain how employees should segregate duties to protect publicly owned assets. If this is not feasible, describe the additional monitoring management will perform. Which duties should you segregate? Any employee with physical custody of the assets at any point in their life cycle should not perform these duties:



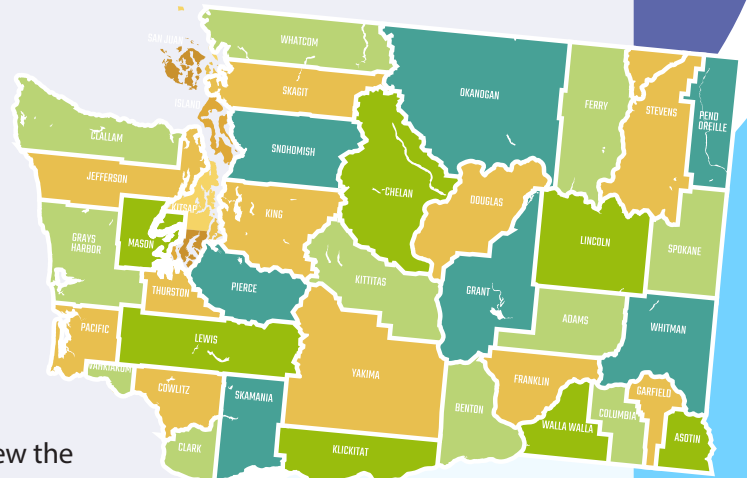
- > Recording: Edit the asset listing (the risk is that the employee may alter the asset list to conceal a theft)
- > Reconciliation: Conduct inventories (the risk is that the employee will manipulate inventory results to conceal a theft)
- > Authorization: Authorize purchase of new or replacement assets (the risk is the employee may procure new assets to conceal a theft)



- **Federal interests.** If you purchased any property in full or in part with federal funds, address in the policy how you plan to comply with all federal requirements.
- **Sales, surplus and disposals.** You may address this topic in your small and attractive asset policy or refer to a separate policy. You should ensure more than one employee is involved in the disposal process. Address who will authorize disposals, the disposal methods and if you will require a disposal form. Your policies and procedures should help protect you from the following risks:
  - > Conflicts of interest: The employee responsible for managing asset sales may want to acquire them. They may alter the description, lower the price and even arrange for an intermediary (such as a family member) to make the purchase.
  - > Special handling: Some assets require special handling or consideration during disposal, such as information technology equipment or firearms.

Some local governments must follow specific surplus procedures, so make sure you check for any applicable state laws for your entity type. We are aware of the following statutes:

- > Hospital districts: [RCW 70.44.320](#)
- > Counties: [RCW 36.34](#)
- > Irrigation districts: [RCW 87.03.135](#)
- > Library districts: [RCW 39.33.070](#)
- > Port districts: [RCW 53.08.090](#)
- > Public utility districts: [RCW 54.16.180](#)
- > Water sewer districts: [RCW 57.08.015-.016](#)



If you purchased assets with federal funds, review the federal asset disposition requirements in [2 CFR §200.313\(e\)](#).

Asset transfers between governments must comply with [RCW 39.33.010](#) and [RCW 43.09.200](#). For clarity in understanding these seemingly conflicting statutes, refer to [Washington Attorney General Opinion 1997 No. 5](#).