Small and Attractive Capital Asset
Risk Assessment Guidelines

What are small and attractive assets?
SAAM Section 30.40.20 defines small and attractive assets as those falling below the state's capitalization level of $5,000 that are particularly vulnerable to loss. Agencies must consider Weapons, Firearms, Signal Guns, and Accessories (commodity class major group code 10) as small and attractive assets. Otherwise, agencies have some discretion in defining small and attractive assets.

What are the policy requirements related to small and attractive assets?
State policy requires that each agency develop written internal policies for managing small and attractive assets. The agency should implement specific measures to control them including inventorying them and conducting a physical inventory of them at least once every other fiscal year. (Refer to SAAM 30.40.10, 30.40.20, and 30.45.10). Internal policies should take into consideration the Office of the Chief Information Officer (OCIO) IT Security Standard 141 Section 5.8 Mobile Computing and Section 8.3 Media Handling and Disposal.

What should be considered when establishing controls over small and attractive assets?
The first thing to consider is why the agency owns the asset in the first place. In general, an agency owns assets to aid in achieving its mission in an efficient and effective manner. Thus, the loss of use of an asset would be detrimental to the agency in carrying out its mission.

Another consideration is the cost/benefit associated with controlling small and attractive assets. While it is important that the assets be available when needed, the cost associated with maintaining control should not exceed their replacement cost or the cost/inconvenience to the agency if the asset is not available when needed.

An agency should also consider the public perception related to safeguarding small and attractive assets. Agency management must balance a tolerable level of exposure in owning public assets in relation to how much it can/will spend on controls.

How does an agency exercise its discretion in defining small and attractive assets?
An agency can do one of two things:

1. An agency can conduct a risk assessment to determine what assets are small and attractive in its operating environment, **OR**
2. An agency must include, at a minimum, the following:
   A. Assets with unit cost of $300 or more:
      - 7013 – Laptops and Notebook Computers
      - 7014 – Tablets and Smart Phones

   B. Assets with unit cost of $1,000 or more:
      - 6651 – Optical Devices, Binoculars, Telescopes, Infrared Viewers, and Rangefinders
      - 6710-6730 – Cameras and Photographic Projection Equipment
      - 7012 – Desktop Computers (PCs)
      - 7730 – Television Sets, DVD Players, Blu-ray Players, and Video Cameras (home type)

Refer to SAAM 30.40.20.

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What purpose does a risk assessment serve?
A risk assessment asks the question which assets or asset categories are "at risk" to being not available or usable when needed. It identifies where an agency would be best served in using resources for control purposes.

What does a risk assessment entail?
The process of conducting a risk assessment for capital assets could involve a variety of agency employees such as the internal auditor, internal control officer, the agency inventory officer, or program staff as deemed appropriate by agency.

It involves considering an agency's operating environment, what assets it owns, how it uses those assets and then balancing that against the risk tolerance/aversion of its management.

Some general questions that might aid management in assessing risks include:

1. Do we have effective policies for assigning assets to people who need them? Would we know if the assets were missing or broken?

2. Do we have existing controls already in place, for example are the assets held in a secure location and/or is access to the assets restricted? Or are there other compensating controls, for example a cell phone or pager might be controlled via its telephone number and the usage invoice received each month?

3. Do we have operational risks associated with data security on mobile or portable computing devices that store or have access to state data?

4. Are the individuals who are assigned assets knowledgeable and responsible for the accountability, availability, and preservation of items assigned to them? Is there an established process for them to follow in the event of damage or loss of the assets? If so, are they aware of the process?

5. Do we currently or have we recently had problems in missing or unusable equipment?

Possible outcomes when using this simple risk assessment:

Q #1	Q#2	Q #3	Q #4	Q #5	Action	
Yes	Yes	No	Yes	No	Adopt minimum inventory control for asset category (if applicable)	*
No	No	Yes	No	Yes	Adopt full inventory control of asset categories listed in SAAM 30.40.20	
Yes	Yes	No	Yes	Yes	Adopt full inventory control of assets identified in question #5.	

*If the answer to question number 1, 2 and 4 are yes and the answer to number 3 and 5 are no, then it is assumed the agency has a good basis of control for these assets not currently under inventory control. (The control environment already minimizes any risks these assets present.)

An additional question an agency may ask: Are any new items being placed in service with which the agency has no previous experience? New assets could pose higher risks given the agency's inexperience in using and maintaining them. The agency might want to consider added controls until agency personnel gain experience with this new asset.

Lastly, there is always the basic question: Are there assets where management and staff would "feel" better or have more confidence in its maintenance or utilization when under formal inventory control? Management can always put an asset under inventory control if such control satisfies a perceived risk with that asset.

In general, risks can increase when circumstances change. This underscores the importance that a risk assessment is an ongoing process within an organization.

How should a risk assessment be documented?
While there is no prescribed format for documenting an agency's risk assessment process, it must be documented. The documentation may range from a memo to the file to a formal agency policy. Existing agency policies and procedures related to the control or usage of assets could be cross-referenced. The documentation should identify the assets under review, and result in defining specifically which assets or class of assets are considered small and attractive and the nature of inventory control deemed appropriate. Periodic updates to the risk assessment should also be documented.

What other questions might an agency consider when conducting a risk assessment?
Additionally, as a part of an agency's risk assessment for small and attractive assets, other questions may be considered and rated for the level of risk within the agency (low, medium, or high):

1. What is the size of the agency? Are the agency's operations centralized or decentralized? Does the agency's structure and degree of centralization reduce or increase risks related to small and attractive assets?

2. Is the agency's management supportive and involved in controlling noncapitalized assets? At what level? How can you tell?

3. What type of noncapitalized assets are in use? (Size, cost, desirability, ease to convert to personal use/sell)

4. What are the existing controls regarding access to noncapitalized assets? Are current policies and procedures for noncapitalized assets documented? How often the policies and procedures reviewed?

5. Are noncapitalized assets already tracked for other operational purposes? For example, computer equipment may be tracked by IT staff for scheduling upgrades/maintenance or for system security purposes.

6. Are staff available to control noncapitalized assets? What level of staff expertise is available? Are training resources available?

7. What other resources are available to control noncapitalized assets? (Systems, financial, other agencies' experiences).