



**Asset Management Resources**

AMR, A Division of TEKsystems Inc.

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# Data Visibility The Combination of Data Quality and Data Validation

Company fixed assets can make up a large portion of the Balance Sheet. After 14 years of experience, AMR has repeatedly found that 65% of fixed asset data is incomplete, inaccurate, or altogether missing, while 10% to 30% of fixed assets are no longer owned. This presents challenges for tax, capital budgeting, insurance, and other related issues. Additionally, it represents a potential disclosure risk for executives now responsible for certifying the accuracy of financial data, as in the case of Sarbanes-Oxley compliance. This data validation/quality issue can become a potential risk for executive exposure.

## How does your data stack up?



Over the years, users of corporate information have come to recognize the age old adage “garbage in, garbage out.” For these reasons programmatic steps are taken to ensure data quality. Data entry and field edits are imposed to catch the obvious typographical errors and database triggers and rules are instituted to prevent the entry of duplicate records. While these measures serve an important role in the information capturing activity, many errors, omissions, and duplicates can and do occur. In this context, data quality and data validation are two separate and distinct steps necessary to ensure confidence in your data.

The good news is that fixed asset data validation is not an extraordinary exercise costing millions of dollars. In fact, the final result is often a reduction in operating costs, tax savings, and efficiencies that far outweighs the fractional cost of fixed asset verification.

## The Best Practice

The Best Practice for data validation is an independently conducted wall-to-wall physical inventory and reconciliation of all fixed assets. This comprehensive approach can dispel any uncertainty about the financial accuracy of fixed asset records. This method establishes the foundational baseline for business process improvements and the management of fixed assets on a life cycle basis.

For companies that implement new ERP and other financial systems, the validation of incoming data can substantially reduce the continuation of errors. It can shorten the implementation time and effort by eliminating a large portion of non-validated legacy data from being transferred to the new system. In this scenario, the user gains in both data quality and data validation.

The establishment of controls and audit procedures required by Sarbanes-Oxley is relevant to mitigating management risk. But these steps alone are not sufficient given the history of past practices and circumstances. Additionally, the ever changing landscape of Corporate America, with the commonality of acquisitions, reorganizations, and divestitures, points to the need to establish a new fixed asset baseline if any certainty can be realized. This approach can become an integral part of an organization’s process for attestation required for Sarbanes-Oxley compliance.

The savings achieved directly impact the bottom line based on factual and validated cost data (not subjective valuation data). Data validation delivers confidence for regulatory compliance and data quality for better strategic decisions.



## Summary

Lack of data quality is a significant contributor to reduced operational profitability and effective financial management. An entire industry has developed in an attempt to deliver a systematic data scrubbing capability to address this issue. However, data quality systems cannot validate the data. This requires human intervention and a data validation process.



Through data validation, a company can reduce operational inefficiencies and costly errors. A wall-to-wall physical inventory achieves verifiable results while cleansing fixed asset data. It provides the following advantages:

- It eliminates the “ghost” asset problem that often arises from unrecorded whole retirements, partial retirements and aggregate records.
- It fortifies and corrects fixed asset data, reducing the average 65% error rate substantially below a 5% error rate.
- It verifies the quality of data in corporate information systems.
- It helps validate fixed asset data required for Sarbanes-Oxley compliance.
- It delivers personal property tax relief from improved knowledge of fixed asset data and proper property tax classifications.
- It simplifies system deployments where legacy information falls short of accuracy and validity; the user can repopulate new systems with validated data rather than transferring suspect legacy data.

**Data validation is the Best Practice for data quality in Fixed Asset Management.**

## About Asset Management Resources

Since 1990, AMR has inventoried millions of fixed assets with GBV in excess of \$150 billion dollars through 2003. Our expertise encompasses the project management and technological competencies to collect information within a corporate operating environment with limited disruption and maximum efficiency. The process incorporates a variety of quality control mechanisms to ensure completeness, accuracy, and uniformity of data. Additionally, many companies can enjoy personal property tax relief while the project is often self-funding.

### AMR's core competencies include:

#### Wall-to-Wall Fixed Asset Inventory & Reconciliation (FAIR)

- Floor-to-Book; Book-to-Floor Reconciliation – Your physical inventory exactly matches your financial reporting requirements.
- Extensive Audit Trail facilitates Sarbanes-Oxley compliance for accurate financial reporting and tax mitigation.
- Superior Expertise in Large and Complex Environments – Our professional inventory team has expertise with a wide variety of machinery, equipment, and computer hardware to ensure assets are accurately categorized for maximum tax benefits.

#### Personal Property Tax (PPT) Management Consulting

- Property Tax compliance filing services.
- Classification Analysis supports reduced tax liability.
- Cost Segregation maximizes exempt allowances.
- Pollution Control Review can achieve greater tax exemptions.



To learn more about how AMR can assist your tax mitigation efforts, please contact Michael Day at

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