



THE FIXED ASSET CONNECTION



YOUR INFORMATION CHANNEL FOR ASSET MANAGEMENT AND PERSONAL PROPERTY TAX MANAGEMENT

A Newsletter For Leaders of Industrial Organizations With Large Investments in Fixed Assets

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Sarbanes-Oxley Act of 2002 How it applies to your Balance Sheet

Sarbanes-Oxley Act

Sarbanes-Oxley enacted in 2002 is now upon us. Compliance is fast approaching and most organizations have recognized the challenges facing them to comply, but few have rationalized a solution. The Sarbanes-Oxley Act is designed to enforce accurate financial reporting for publicly traded companies. This added fiduciary responsibility and burden on senior management and their auditing firms has created the need to redefine the "Best Practices" used to manage the business.

In the area of compliance, most attention has been centered around executive certification and business process verification. Revenue recognition policies, statement of earnings, stockholder equity, and SEC filings have received the bulk of the attention. Admittedly, these are critical to the Sarbanes-Oxley compliance requirements. However, a very large and significant aspect of the Balance Sheet is often forgotten or ignored. Fixed Assets is often not deemed material to the operational and dynamic processes requiring pro-active management. The investment is made in an asset, an entry is recorded on the ledger, and it is put into service to support the delivery of a product or service.

The Problem

Company assets make up a large part of the Balance Sheet. After 14 years of experience, AMR has repeatedly found that 10% to 30%+ of assets are not properly reflected in the financial records. It is commonly found that assets are misclassified, not recorded, or no longer exist. Moreover, this presents challenges in tax, capital budgeting, insurance, and other issues. The impact can be overwhelming. This represents a potential disclosure risk for executives now responsible to certify the accuracy of financial data. This has become a significant data validation concern.

In some firms, this problem is compounded by several factors. Prior to Sarbanes-Oxley, many firms acquired assets through synthetic leases. With the enactment of Sarbanes-Oxley, firms must now unwind these lease transactions and record the fixed assets. A daunting task when the paper trail seldom captures retired assets, transferred assets, or sufficient detail to reconcile the fixed assets.

The Solution

Section 404(b) of the Sarbanes-Oxley Act states:

INTERNAL CONTROL EVALUATION AND REPORTING — With respect to the internal control assessment required by subsection 404(a), each registered public accounting firm that prepares or issues the audit report for the issuer shall attest to, and report on, the assessment made by the management of the issuer. An attestation made under this subsection shall be made in accordance with standards for attestation engagements issued or adopted by the Board. Any such attestation shall not be the subject of a separate engagement.

The establishment of controls and audit procedures is paramount in mitigating management risk.

Several methods of fixed asset verification have been used over the years. The “Best Practice” is an independently conducted wall-to-wall physical inventory, bar-code tagging and reconciliation of all fixed assets. This comprehensive approach can dispel any question about the financial statement accuracy of fixed assets. This method also establishes the foundation for business process improvements and management of fixed assets on a cycle-basis. Lastly, this approach can become the definitive method, pertaining to fixed assets, that measures the compliance level as established by Section 404. Simply stated, the end result is a complete validation and audit trail of resident assets versus assets that have been retired or no longer exist.

Fixed asset inventory and reconciliation (“FAIR”) is a proven method of validation and verification. FAIR provides the confidence that management needs to

certify that a large section of the financial statements is accurate and meets SEC requirements now demanded by the Sarbanes-Oxley Act of 2002.

About Asset Management Resources

Since 1989, AMR has inventoried millions of fixed assets with GBV in excess of \$150 Billion dollars. Our expertise encompasses the project management and technological expertise 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 with confidence.

AMR’s core competencies include:

- Wall-to-Wall Fixed Asset Inventory & Reconciliation (FAIR)
 - **Barcode Tagging and Inventory ensures easy identification and tracking of all assets.**
 - **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 in a wide variety of machinery, equipment, and computer hardware to ensure assets are accurately categorized for maximum tax benefits.

- Personal Property Tax Management Consulting (PPT)

- Un-booked Disposal Adjustments reflects actual asset inventory value.

- Classification Analysis supports reduced tax liability.
- Cost Segregation maximizes exempt allowances.
- Pollution Control Review can achieve greater tax abatements.



Please ask us about Barcoding Assets



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