



# 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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## Data Quality and Validation How it impacts your operation

### Data Quality

A recent analysis by The Data Warehouse Institute (TDWI) estimates that poor data quality costs American businesses **\$611 Billion** a year in operating expenses and overhead. The most serious problems occur when poor quality data is used to report corporate financials or to make strategic business planning decisions. This is a staggering statistic when considering the financial implication on operational profitability, global competition, and effective financial management.

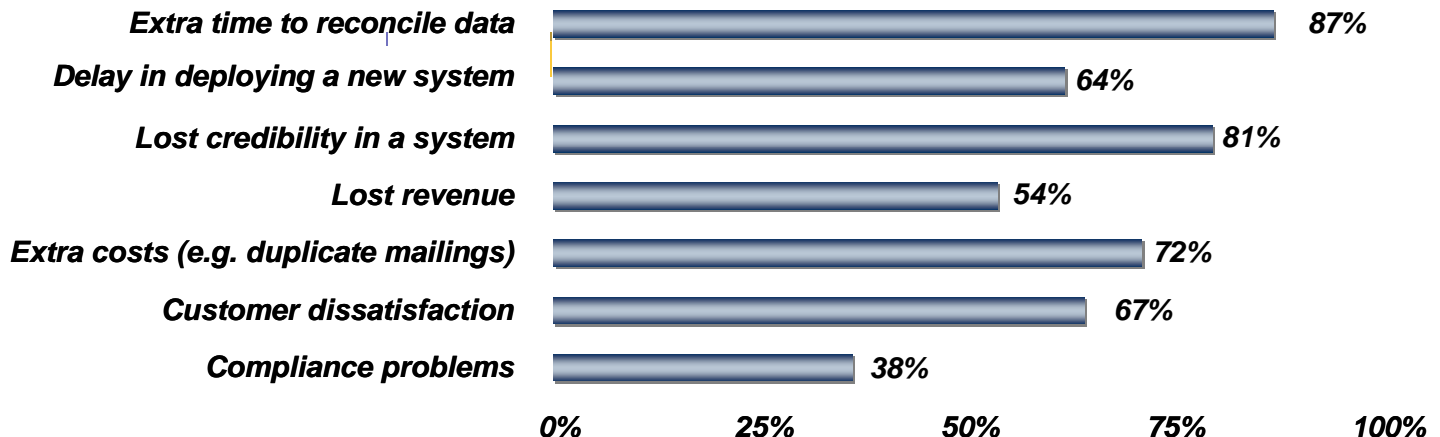
*The chart below represents the tangible and*

*intangible contributors to the cost of poor quality data.*

In recent years an entire industry has been born to address these issues found in corporate application systems. These technology companies have developed comprehensive and intelligent algorithms that programmatically mend, consolidate, and attempt to repair the data resident in corporate databases.

In response to the realization that data quality is a major contributor to the overall cost structure of an organization, major system initiatives have been established to address

### Problems Due to Poor Quality Data



Source: TDWI Data Quality Survey, December, 2001

this issue. System integration efforts among disparate application systems, databases, and business processes are evaluated and when possible consolidated to minimize the data quality impact.

All these efforts are critical to the on-going operational effectiveness and corporate agility of the global enterprise.

### Data Validation

Over the years, users of corporate information have come to recognize the age old adage "garbage in, garbage out." Data quality is ensured in a myriad of ways. Data entry and field edits are imposed to catch the obvious typographical errors and database queries 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 best practices.

If we examine Financial Systems, for example, they are intended to reflect the current state of a business enterprise. The transaction systems and the chart of accounts are intended to interrelate such that an executive can understand the financial condition of the enterprise at any moment in time. The reality is most systems disconnect between the information gathering and the business process. Either the information gathering system fails to support the level of detail needed to reflect the business process or the business process is not followed. The latter is more common.

Given these circumstances most organizations require data validation. Data validation is the human effort to certify that

the information in corporate systems reflects reality. This is an enormous task with few exceptions. Fixed Assets is one area where data validation is not only possible but also desirable.

### Data Validation Applications

A wall-to-wall physical inventory of Fixed Assets can be achieved in a relatively short period of time. It validates that the resident financial systems data represents what actually exists in the organization. This process of Fixed Asset Inventory and Reconciliation (FAIR) can achieve several beneficial advantages.

For companies that are implementing 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.

Another area of benefit applies to Sarbanes-Oxley compliance. This can be realized in two aspects. The obvious is the data validation benefit, but FAIR also can fortify the internal controls and business process changes for attestation purposes.

Tax advantages can also be achieved in the area of personal property tax mitigation. Taxing authorities are sensitive to the validity of claims made by resident busir especially when it can affect expect revenues. This data validation et difficult to challenge since it can be ph verified.

### Summary



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

Through data validation, a company can confidently reduce operational inefficiencies and costly errors. It is an effective method to ensure the quality of data in corporate information systems. This process has other advantages in areas including tax mitigation, Sarbanes-Oxley compliance and simplified system deployments.

### **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 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 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)**
  - **Unbooked Disposal Adjustments reflect actual asset inventory value.**
  - **Classification Analysis supports reduced tax liability.**
  - **Cost Segregation maximizes exempt allowances.**
  - **Pollution Control Review can achieve greater tax abatements.**

**For more information contact:**

**Michael Day, Vice President at**  
[\*\*Mday@amrnow.com\*\*](mailto:Mday@amrnow.com)  
**(877) 401-4639**



**Please ask us about Barcoding Assets**

