



Asset Management Resources

AMR, A Division of TEKsystems Inc.

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## Worldwide Communications Company Consolidates Fixed Asset Systems After Cleansing and Fortifying Data

A multi-national, multi-location Communications Company grew through acquisition. Their objective was to consolidate disparate financial systems onto a single common platform. Due to numerous acquisitions the corporate fixed asset data was grossly incorrect and woefully inaccurate. The financial records for fixed assets had not been updated; a large number of retirements and asset acquisitions had not been properly represented. Compounding the challenge was that a large portion of the fixed asset data had no corresponding financial information to correctly report fixed asset information on the balance sheet. Management deemed that any independent service provider had to be **SAS 70 Type II Certified** to ensure financial integrity for future reporting.

### The Challenge

There were over 70 locations with more than 45,000 assets to inventory and reconcile. Many assets were misclassified and the appropriate depreciation schedules were not being used. AMR was engaged to manage the project. AMR could realistically visit 25 of the 70+ sites and also had to account for the assets at the other 45+ overseas locations through managed correspondence.

### AMR Inventory and Reconciliation Service

AMR provided a comprehensive solution that satisfied all of the Communications Company's requirements. The solution included performing a fixed asset inventory then reconciling the inventory to the company's fixed asset system.

This included cleansing and fortifying the data captured during the inventory process and applying appropriate accounting methods to the many unknowns. This solution followed AMR's unique delivery model focused on verifiable and accurate results delivered in a professionally executed man-

## The AMR Model

### Planning

AMR devotes significant resources during the planning phase of all projects to ensure that all client objectives are achieved. To facilitate this, AMR develops a client specific "Inventory Work Plan" (IWP) that documents the objectives, methods and expected results for the project. For the Communications Company, the IWP detailed all accounting and asset-tracking data to which AMR would reconcile the fixed asset inventory results. The IWP also outlined the remote site inventory to be managed through correspondence and the online web portal developed by AMR. Security procedures, safety and numerous other administrative issues were also addressed. This phase was completed by AMR in three weeks.

### Physical Inventory

AMR's trained inventory technicians followed the procedures defined in the IWP to complete the fixed asset inventory using handheld data collectors. In a eight-week period, AMR completed the site inventory of over 48,010 assets (38,066 through on site visits and over 10,000 managed remotely by AMR's web portal for the overseas locations). This included verifying technology assets that were embedded within other assets.



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## Financial Reconciliation

Upon completion of the inventory, AMR began the financial reconciliation phase of the project. Our methodology entails proven processes that provide a high percentage result in any inventory and reconciliation engagement.

Additional reconciliation to the financial information was accomplished by examining maintenance, facility and fixed asset accounting source documents to help establish financial values for the Company's fixed asset system.

The reconciliation was completed by AMR within four weeks after the inventory phase was completed.

AMR's reconciliation methodology completed the most difficult portion of this engagement and achieved a reconciliation and data fortification of 100% and 95%, respectively.

## The Results AMR Delivered

This Fixed Asset Inventory and Reconciliation project produced the following results for the Communications Company:

- The three phases of Planning, Inventory, and Reconciliation were completed in fifteen weeks.
- AMR inventoried and verified 65,000 assets due to a large percentage of unrecorded retirements.
- The reconciliation process identified assets totaling over \$240 million in gross book value that were no longer owned yet were still maintained on the Company's financial ledgers as "active" assets. AMR also inventoried and established asset values of \$310 million not on the financial ledgers but operationally in place.
- The AMR reconciliation results improved/fortified fixed asset data integrity by over 95% and achieved 100% full reconciliation – a significant achievement given that a large percentage of assets had no descriptive information.
- All aggregate entries (bulk line item totals) in the fixed asset system were segregated into individual entries allowing future retirements to be accurately booked and managed in the future.
- The identification of capitalized asset retirements and additions reflected the actual financial make up of the operations across all 70+ sites. This was critical for Sarbanes-Oxley compliance and the establishment of an accurate baseline data for fixed asset tracking going forward.

## Conclusions

The Communications Company realized the value of AMR's independent fixed asset inventory and reconciliation process resulting in a substantial improvement in the financial reporting of fixed assets. AMR achieved 100% full reconciliation and 95%+ improvement in data accuracy and data fortification. Moreover, AMR's ability to complete this project in a very specific and tight deadline with clearly identified objectives was a major advantage for the Communications Company. Additionally, the fact that AMR was an independent and SAS 70 Type II Certified supplier for this service provided the Company's financial staff the necessary independence for both the Company's outside auditors and internal operating units to accept the final outcome of the reconciliation.

*This project delivered 100% reconciliation of the fixed asset ledger, achieved Sarbanes-Oxley compliance for the balance sheet and fortified the fixed asset data for future asset management.*

To learn more about how AMR can assist your inventory reconciliation, please contact :  
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