



Asset Management Resources

AMR, A Division of TEKsystems Inc.

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Accurate and Complete Fixed Asset Inventory Data Streamlines ERP Implementation and Financial Reporting Systems

Fixed asset tracking, data integrity, compliance, simplified reporting, and accurate information for corporate decisions can be difficult objectives in today's dynamic business environment. Comprehensive Fixed Asset Inventory and Reconciliation Services are required to solve the numerous financial reporting and operational challenges for companies migrating to new ERP and financial reporting systems. Companies need to migrate existing fixed asset accounting data to these new systems. Universally, companies discover the existing data is incomplete, inaccurate and has never been adequately verified with a documented auditable process. In order to receive the ROI of these new ERP & financial systems, it is essential that 100% of the fixed asset financial data be validated and reconciled to the financial books of the company. Once the fixed asset data has been verified and reconciled, management can rely on the financial information from these ERP and financial reporting systems.

The Challenge

A multi-site apparel manufacturer was migrating to a new ERP system. During the ERP migration planning process it became evident the fixed asset accounting information they had for their 17 sites throughout North America was incomplete and inaccurate. Additionally, they had not completed a comprehensive inventory and reconciliation of their fixed assets within the last seven years. A comprehensive barcode inventory and financial reconciliation was required in order to populate the fixed asset module with validated fixed asset information. The scope of the inventory engagement included over 13,500 assets comprised of production, distribution, furniture, and office equipment in 17 sites with a capitalized cost in excess of \$575 million. Meeting a hard deadline consistent with the ERP implementation schedule was key to success.

AMR Inventory and Reconciliation Service

Detailed planning and scheduling was fundamental to quickly and accurately collect and classify assets at 17 sites throughout the United States. AMR provided a comprehensive solution that satisfied all of the Apparel Company's requirements for populating the new ERP system with the validated fixed asset information. This solution followed AMR's unique delivery model focused on verifiable and accurate results delivered in a professionally executed manner.

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 an "Inventory WorkPlan" (IWP) for each client that documents the final specifications for the project to be completed. The IWP detailed all accounting, maintenance, and asset-tracking data AMR will use to reconcile the fixed asset inventory. The IWP also outlines the usage of additional source documentation at the root of the Company's financial ledgers, as well as, security procedures, safety, and numerous other administrative issues. This phase was completed by AMR in three weeks.

The IWP documented the procedures that AMR's trained inventory and reconciliation technicians followed to complete the entire fixed asset inventory using AMR's handheld barcode scanners. In a six-week period, AMR technicians visited all 17 sites, and completed the inventory by placing bar coded asset tags on 16,250 assets (2,750 or 20.4% more assets than originally estimated).

Physical Inventory

Over a four week period, AMR completed the inventory by placing barcoded asset tags on 15,035 assets (4,965 less than the estimated 20,000 or 24.8%). AMR utilized different tagging methods for assets that proved difficult to tag, utilizing wire tied tagging, indirect tagging, and in limited circumstances, ghost tagging methods. Along with the inventory task, plant layouts were validated and documented for the implementation team.



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The Results AMR Upon completion of the inventory, AMR began the financial reconciliation phase of the project. Our methodology entails proven tactics that provide superior results in any inventory engagement:

- Determine project specifics
- Review available data
- Frequent communication
- Methodical inventory tactics
- Key demographic information collected for each asset
- Technological solutions
- Stringent quality control process
- Disciplined reconciliation procedures
- Data deliverable in hard and/or soft formats

AMR's reconciliation was completed one month after the inventory phase.

Delivered This Fixed Asset Inventory and Reconciliation project produced the following results for the Apparel Manufacturer:

- The three phases of Planning, Inventory, and Reconciliation were completed in twelve weeks.
- AMR inventoried 16,700 assets, a significantly greater amount than estimates calculated from information contained on Company's financial ledgers.
- The Reconciliation process identified assets totaling over \$62.5 million in gross book value (over \$21.5 million of net book value) that were no longer owned and yet were still maintained on the Company's financial ledgers as "active" assets. These assets represented over 10.9% of total book cost and 7.8% of total net book cost.
- The AMR Reconciliation data improved/fortified fixed asset data integrity over 65%.
- All aggregated entries contained in the fixed asset system were segregated into individual entries allowing future partial retirements to be accurately booked. This is the main reason there were significantly more assets inventoried (20.4%) than estimated.
- The validated and reconciled fixed asset data was used to populate the fixed asset module of the ERP system and only required 25% of the conversion budget allocated for that effort.
- The identification of capitalized assets retired at year-end and enhanced personal property tax classification of each asset during the inventory reduced the Company's personal property tax liability more than 19%.

Conclusions The Apparel Company realized the value of AMR's ability to complete this project in a very specific deadline with clearly identified objectives. Additionally, the Company's financial staff gained the necessary independence for both the Company's outside auditors and internal operating units to accept the final outcome of the reconciliation. ***This project also delivered to the Apparel Company a 19% reduction in personal property taxes and a 75% savings on the fixed asset accounting migration budget for a combined ROI equivalent of 250% for this project***

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

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