



**Asset Management Resources**

AMR, A Division of TEKsystems Inc.

[www.amrnow.com](http://www.amrnow.com)

## Accurate Fixed Asset Inventory and Reconciliation Generates Significant Savings for Electronics Manufacturer

Fixed Asset Inventory and Reconciliation Services are required to solve the numerous financial reporting issues of companies resulting from the recent passage of the Sarbanes-Oxley Act of 2002. Additionally, fixed asset inventory and reconciliation services provide the necessary validation organizations require for proper accounting of assets that are acquired using lease-financing methods. In this customer the financial department had four months before significant negotiations would take place for lease buyouts and extensions. They needed validated fixed asset data, by lease contract schedule, in order to negotiate with each leasing company effectively.

**The Challenge** A multi-location Electronics Company acquired a major portion of their fixed assets using various leasing arrangements over the past fifteen years. During that same period they acquired three additional companies. Coincidentally, those companies also acquired most of their fixed assets using various leasing arrangements as well. The financial department was chartered with negotiating buyouts and renewals of the assets covered under the lease contracts. Unfortunately, leased assets were not properly coded in the fixed asset system, which precluded the financial department from effectively negotiating with the leasing companies. A comprehensive barcode inventory and reconciliation was required in order to determine which assets were leased versus owned by the company. The scope of the inventory engagement included 15,000 fixed assets. This inventory was comprised of manufacturing equipment, laboratory, testing, distribution and furniture assets located at 16 US facilities with a capitalized cost in excess of over \$110 million US dollars. Additionally, there were 9 separate leasing companies with over 85 separate leasing schedules.

**AMR Inventory and Reconciliation Service** AMR provided a comprehensive solution that satisfied all of the Electronic Company's requirements. The solution included performing a fixed asset barcode inventory then reconciling the inventory to the companies fixed asset system and the 85 lease schedules. 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 Work Plan" (IWP) for each client that documents the final specifications for the project to be completed. For the Electronics Company, the IWP detailed all accounting, lease, maintenance, and asset-tracking data to which AMR would reconcile the fixed asset inventory results. The IWP also outlined 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.

**Physical Inventory** The IWP documented the procedures that AMR's trained inventory and reconciliation technicians followed to complete the fixed asset inventory using AMR's handheld barcode scanners. In a four-week period, AMR technicians completed the 16-site inventory by placing bar coded asset tags on 12,450 assets (2,550 - 17% fewer assets than originally estimated).



# Accurate Fixed Asset Inventory and Reconciliation Generates Significant Savings for Electronics Manufacturer

**Financial Reconciliation** 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

Additional reconciliation to the financial information was accomplished by examining lease, maintenance, facilities, calibration and fixed asset accounting source documents. These documents were used to unbundle aggregate entries from the Company's fixed asset system. The reconciliation was completed by AMR within six weeks after the inventory phase was completed.

**The Results AMR Delivered** This Fixed Asset Inventory and Reconciliation project produced the following results for the Electronic Company:

- The three phases of Planning, Inventory, and Reconciliation were completed in fourteen weeks.
- AMR inventoried 12,450 assets, 17% fewer assets than estimated from information contained on the Company's financial and lease ledgers.
- The Reconciliation process identified assets totaling over \$14 million in gross book value (over \$6 million of net book value) that were no longer owned; yet were still maintained on the Company's financial ledgers as "active" assets. These assets represented over 12.7% of total book cost and 8.1% of total net book cost.
- The Reconciliation process accurately identified assets that were leased by vendor and schedule. This key demographic asset data greatly assisted the financial department with their lease buyout and renewal negotiations.
- The AMR Reconciliation data improved/fortified fixed asset data integrity by over 65%.
- All aggregate entries contained in the fixed asset system were segregated into individual entries allowing future partial retirements to be accurately booked.
- The identification of capitalized assets retired at year-end, duplicate tax billings from the leasing companies and enhanced personal property tax classification of each asset, resulted in a reduction of the Company's personal property tax liability by more than 15%.

**Conclusions** The Electronics Company realized the value of AMR's ability to complete this project in a very specific and tight deadline with clearly identified objectives. Additionally, the fact that AMR was a third party supplier of 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 a 15% reduction in personal property taxes and a significant savings from the end of lease negotiations. The ROI for this project exceeded 225%.*

To learn more about how AMR can assist your inventory reconciliation, please contact Michael Day at  
Michael Day, Vice President

[Mday@amrnow.com](mailto:Mday@amrnow.com)  
(877) 401-4639