



**Asset Management Resources**

AMR, A Division of TEKsystems Inc.

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## Proven Reconciliation Process and Data Integrity Supports Compliance with the Sarbanes-Oxley Act of 2002

A multi-location Pharmaceutical Company had an internal accounting policy mandating a fixed asset inventory and a reconciliation of their fixed asset general ledger every five years. An executive management directive to the financial staff was to complete this mandate prior to year-end, so that all unbooked disposals could be properly reflected on the year-end financials and ensure compliance for financial reporting purposes under the Sarbanes-Oxley Act. The scope of the Pharmaceutical Company's engagement included approximately 31,000 fixed assets comprised of furniture, machinery, laboratory, testing, and research equipment assets located at three US facilities with a capitalized cost in excess of \$400 million US dollars.

**The Challenge** The Pharmaceutical Company had previously attempted to complete this project internally. Prior headcount reductions within the Company had already minimized internal financial staff and the imminent deadline was recognized to be rapidly approaching.

**AMR Inventory and Reconciliation Service** AMR provided a comprehensive solution that satisfied all of the Pharmaceutical Company's requirements by the end of their fiscal reporting period. 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 dedicates 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 that AMR would use to reconcile the fixed asset inventory results. 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 two weeks.

**Physical Inventory** 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 three-week period, AMR technicians completed the inventory by placing bar coded asset tags on 27,500 assets (3,500 less assets than originally estimated or 11.2%).

**Financial Reconciliation** Upon completion of the inventory, AMR began the financial reconciliation phase of the project. Key demographic information collected for each asset during the inventory was matched against specific entries in the fixed asset system. Techniques used by AMR Technicians during this phase involve a "direct match" which correlates exact information in the inventory data to the fixed asset system such as serial number. AMR also employs a "forced match" technique which focuses on subjective information such as model or descriptive data of inventoried assets to correlate to the fixed asset system. Additional matching to the financial information was accomplished by extracting identifying information from various other sources such as maintenance, facilities, calibration and fixed asset accounting source documents to unbundle "group" entries in the Pharmaceutical Company's fixed asset system. The reconciliation was completed by AMR within one month after the inventory phase was complete.



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

- The three phases of Planning, Inventory, and Reconciliation were completed in nine weeks.
- AMR inventoried 27,500 assets, a significantly less amount than estimates calculated from information contained on the Company's financial ledgers.
- The Reconciliation process identified assets totaling over \$40 million in gross book value (over \$8 million of net book value) that were no longer owned by the Pharmaceutical Company and yet were still maintained on the Company's financial ledgers as "active" assets. These assets represented over 9.5% of total book cost and 6.1% of total net book cost.
- The AMR Reconciliation data improved/fortified fixed asset data integrity over 40%.
- All "group" 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 and enhanced personal property tax classification of each asset during the inventory reduced the Pharmaceutical Company's personal property tax liability more than 13%.

**Conclusions** The Pharmaceutical Company realized the value of AMR's ability to complete this project in a very specific deadline with clearly identified objectives. Additionally, the fact that AMR is 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 also delivered to the Pharmaceutical Company a 13% reduction in personal property taxes or the ROI equivalent of 300% for this project.*



To learn more about how AMR can assist your Sarbanes-Oxley compliance, please contact Michael Day at

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