

OPTIMIZE FIXED ASSET AUDIT

70% REDUCTION IN MISSING ASSETS



PROBLEM

The annual fixed asset audit for a Fortune 500 company determined that 1.3% of fixed assets were unaccounted for (\$500K book value). The audit duration was 4 months (2000 work hours) spent working to locate/identify missing assets.

In addition to the financial loss, there were soft costs of non-value-added time spent by line personnel during the audit and potential liability risk in terms of missing sensitive information.



OBJECTIVE

- Reduce unaccounted-for fixed assets to 0.39% of total assets (70% reduction).
- Reduce total audit duration to one month and work hours to under 600 hours.



ROOT CAUSE

- Critical root causes identified:
- Manual verification process.
 - Managers and staff who did not care or did not take the audit seriously.
 - Lack of communication to Finance of employee status change.




SOLUTION

Developed and implemented a new policy and procedure. The most significant improvement was a change in audit responsibility from the asset expense manager to an asset auditor, typically a member of IT or Office Services.

RESULT

The new procedure shifted the audit responsibility from the managers/ employees to the asset owners. This change eliminated the issue of team members being too busy, not caring, or not taking the audit seriously. It also eliminated the need to train team members on how to perform the audit. Although the semi-manual audit verification process was maintained in the short term, missing items were below the 0.39% target due to SMEs performing the audit.

Example: Fixed Asset Audit Process Improvement
Failure Mode and Effects Analysis (FMEA)



| Process Identification and Analysis | Severity | Potential Causes | Occurrence | Current Controls | Detection | RPN |
|---|---|--|---|--|---|--|
| Identify key process step | Rate the severity of the failure effect | Identify why the key input goes wrong | Rate the frequency of the failure mode | Identify existing controls and internal/external controls and best practices (check or status) to include SGP function | Rate the ability to detect failure mode | Calculate the RPN |
| Work with department team members to identify asset list | <ul style="list-style-type: none"> • Key Process Input: SGA asset audit/Excel file asset listing • Potential Failure Mode: Manager does not review the list • Potential Failure Effect: Wrong asset composition | <ul style="list-style-type: none"> 9 The team to look for assets 9 Do not carefully not take audit seriously 9 Do not understand how to perform audit | <ul style="list-style-type: none"> 1 4 9 | <ul style="list-style-type: none"> Policy/Supervisor notification Policy/Supervisor notification Policy/Supervisor notification | <ul style="list-style-type: none"> 9 9 9 | <ul style="list-style-type: none"> 81 324 729 |
| Confirming email to FA Group + Notify FA Owner of discrepancy - Investigate/resolve issue - FR and CAM Form | <ul style="list-style-type: none"> • Key Process Input: Asset status is unconfirmed • Potential Failure Mode: Assets not missing • Potential Failure Effect: Asset misstatements off necessarily | <ul style="list-style-type: none"> 9 Do not understand how to perform audit 9 Employee status changes (transfer, termination) are not communicated to Finance in a timely manner | <ul style="list-style-type: none"> 9 5 | <ul style="list-style-type: none"> Policy/Supervisor Notification Policy/Supervisor Notification | <ul style="list-style-type: none"> 9 9 | <ul style="list-style-type: none"> 729 45 |
| IS review IS Investigate + CS | <ul style="list-style-type: none"> • Key Process Input: Paper CAM form • Potential Failure Mode: Form incompleteness/blank | <ul style="list-style-type: none"> 9 Do not understand how to perform audit | <ul style="list-style-type: none"> 9 | <ul style="list-style-type: none"> Policy/Supervisor Notification | <ul style="list-style-type: none"> 9 | <ul style="list-style-type: none"> 729 |