

# 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	Control Controls	Detection	RPN
Identify the process step	Identify the key process input, potential failure mode - work the Key Input gone wrong, and potential future effect - impact on Key Output customer requirements or internal requirements	Rank the severity of the effect	Identify why the Key Input goes wrong	Rank the frequency of the event or failure mode, include SCF number	Rank the ability to detect the event or failure mode	Calculate the RPN
Work with department lead members to confirm asset list	<ul style="list-style-type: none"> <li>• <b>Key Process Input:</b> SGA asset detail/Excel file asset listing</li> <li>• <b>Potential Failure Mode:</b> Manager does not review the list</li> <li>• <b>Potential Future Effect:</b> Delays audit completion</li> </ul>	<ul style="list-style-type: none"> <li>9 Traveling/vacation</li> <li>9 No time to look for assets</li> <li>9 Do not consider to take audit seriously</li> <li>9 Do not understand how to perform audit</li> <li>7 Manual audit verification process</li> <li>9 Do not understand how to perform audit</li> </ul>	<ul style="list-style-type: none"> <li>1</li> <li>4</li> <li>9</li> <li>9</li> <li>9</li> <li>9</li> </ul>	<ul style="list-style-type: none"> <li>Policy/supervisor notification</li> <li>Policy/supervisor notification</li> <li>Policy/supervisor notification</li> <li>Policy/supervisor notification</li> <li>Policy/supervisor notification</li> <li>Policy/supervisor notification</li> </ul>	<ul style="list-style-type: none"> <li>9</li> <li>9</li> <li>9</li> <li>9</li> <li>9</li> <li>9</li> </ul>	<ul style="list-style-type: none"> <li>81</li> <li>324</li> <li>729</li> <li>729</li> <li>81</li> <li>729</li> </ul>
Confirming email to FA Group - Notify FA Director of discrepancy - Investigator's relative status - Fill out CAM Form	<ul style="list-style-type: none"> <li>• <b>Key Process Input:</b> Asset status is unconfirmed</li> <li>• <b>Potential Failure Mode:</b> Assets not missing</li> <li>• <b>Potential Future Effect:</b> Asset redistribution off responsibility</li> </ul>	<ul style="list-style-type: none"> <li>9 Employee status changes (transfer, promotion) are not communicated to Finance in a timely manner</li> <li>9 Do not understand how to perform audit</li> </ul>	<ul style="list-style-type: none"> <li>9</li> <li>9</li> </ul>	<ul style="list-style-type: none"> <li>Policy/supervisor notification</li> <li>Policy/supervisor notification</li> </ul>	<ul style="list-style-type: none"> <li>9</li> <li>9</li> </ul>	<ul style="list-style-type: none"> <li>729</li> <li>729</li> </ul>
IS controls/ Investigate - OS	<ul style="list-style-type: none"> <li>• <b>Key Process Input:</b> Paper CAM form</li> <li>• <b>Potential Failure Mode:</b> Form incorrectly filled out</li> </ul>	<ul style="list-style-type: none"> <li>9 Do not understand how to perform audit</li> </ul>	<ul style="list-style-type: none"> <li>9</li> </ul>	<ul style="list-style-type: none"> <li>Policy/supervisor notification</li> </ul>	<ul style="list-style-type: none"> <li>9</li> </ul>	<ul style="list-style-type: none"> <li>729</li> </ul>

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