ASSET INVENTORY
BEST PRACTICES:
Company-Wide Implementation to Reduce Costs and Ensure Compliance

White Paper
Effective Asset Inventory Management

In today’s current regulatory and highly-competitive business environment, asset management is taking on far greater importance than in the past, with closer scrutiny of return on investment as well as full disclosure of financial asset information.

Yet, in many organizations asset management is still one of the weakest areas of internal controls – resulting in overpayment of taxes and insurance, higher total cost of ownership, and the risk of non-compliance with regulatory mandates.

Whether it’s Sarbanes-Oxley compliance or the pressure to squeeze out the maximum return on assets, it’s no longer an option to continue business as usual. Companies today must make significant improvements to address how fixed assets are tracked and managed.

“Organizations that practice asset management had 15% lower total cost of ownership. The greatest savings from asset management practices were realized in the areas of procurement (160%), disposal (60%), operations (44%), user support (43%) and database management (43%).” – IDC

The Asset Inventory Pay-Off

- Reduces federal tax liabilities by writing off ghost assets (assets an organization no longer has but that are still on the books)
- Lowers personal property taxes by retiring assets no longer in use
- Reduces insurance premiums by properly identifying and classifying assets and their conditions
- Increases efficiency of capital budgeting through more effective reuse of assets
- Validates assets for financial data and reporting
- Reduces the risk and potential losses due to theft with quick and accurate audits
- Supports documentation for Sarbanes-Oxley compliance

Everything to Gain

With fixed assets representing a significant sum on most organizations’ balance sheets, incomplete and out-of-date information can have a major financial and compliance impact.

According to industry analysts and experts, organizations that practice effective asset management have a lower total cost of ownership, with reduced procurement, disposal, operations, and other costs. By identifying unused assets and retiring them, companies – especially ones in asset-intensive industries – can significantly reduce their property tax and insurance bills.

With an improved asset management process, companies can address both near-term compliance requirements and long-term process improvement to:

- Maximize the return on capital investment
- Increase efficiency of asset management, saving both time and money
- Improve the accuracy of financial and tax reporting
- Demonstrate Sarbanes-Oxley compliance
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The Asset Inventory Process
While fixed asset accounting focuses on the financial aspects of assets, including depreciation calculations and financial reporting, it is dependent upon having an accurate picture of actual physical inventory. Unfortunately, many companies lack the processes and systems needed to ensure that asset data is correct and reflects the current status.

Best practices for asset inventory require rethinking past processes and understanding the tools available today. Establishing a company-wide method of asset inventory management is key to reducing costs and ensuring compliance. The asset inventory process involves establishing an accurate basis and developing policies and procedures for maintaining and auditing this information going forward.

Getting Started
Before you start the inventory validation process, ensure you have the software, hardware, and expert help you need to make it a success. Critical ingredients for asset inventory include:

- Organization-wide participation
- Individual asset tagging
- Automated data collection and maintenance
- Integration with your accounting system

Best Practice: Asset Definition
- Assets are defined as the lowest level of individual item commonly managed
- All assets are identified with a machine-readable asset label
- All items within a category are identified regardless of cost
- Capitalization limits are applied to transaction flow rather than asset recording
- Assets are identified individually, not by groups

Asset Inventory – Three Critical Steps
1. Prepare & Plan
   - Implement asset inventory software
   - Review existing data
   - Define scope of physical inventory work
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This step includes installing and setting up any new software and hardware components you’ll need for asset tracking and management. The process continues with reviewing and examining all of your current asset inventory data to identify whether assets are tagged and whether there is individual identification of assets. You’ll also need to check for data consistency and completeness to get a sense for the current state of your assets.

2. Conduct Physical Asset Inventory

- Identify target assets
- Affix standard or custom bar code labels to assets
- Collect asset data and store in asset inventory software

Asset labeling provides a foundation for rapid, accurate inventories. And because a bar code label is simply scanned, the person conducting the inventory does not need extensive product knowledge to create reliable results. Target assets to be inventoried based on the scope of the project you identified in the first step. Each asset will be affixed with a bar code label. During the process, relevant asset data is collected and missing information such as location, condition, serial number, tag number, custodian, cost center, and more is entered.

3. Analyze and Reconcile the Results

- Load data from bar code readers and analyze the results
- Review exceptions and identify ghost assets
- Match, scan, and attach invoices to asset records

This last step reconciles the results of the physical inventory with your asset records. As part of the reconciliation, exceptions will be identified as well as any ghost assets. Best practices include matching, scanning, and attaching corresponding invoices to your asset records.

BNA Asset Inventory™

BNA Asset Inventory provides the comprehensive solution you need to improve the accuracy and efficiency of the management of your moveable fixed assets. Integrated with BNA Fixed Assets™, BNA Asset Inventory includes state-of-the-art software, hardware, supplies, and expert professional services.

BNA Asset Inventory helps you track assets such as furniture, fixtures, IT software and hardware, plant assets, machinery, equipment, tools, and more – from receipt of the asset through to retirement. With BNA Asset Inventory, you’ll be able to efficiently perform accurate asset inventory, validate data, and reconcile it with existing asset data on the books, and track the physical location of assets for accurate payment of personal property taxes and insurance payments.

The fixed assets experts at Bloomberg BNA can help you implement your solution, conduct an asset inventory, reconcile asset data, and train your staff on using the software as well as maintaining the asset inventory process. They can also assist you with ongoing audit and inventory services. Ensuring accurate and timely results, Bloomberg BNA Professional Services can relieve your organization of the burden of conducting a physical inventory – helping you more effectively and efficiently improve the accuracy of fixed asset data.

“…70% of organizations have a 30% discrepancy between a planned inventory and their actual inventory” – Gartner
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BNA Asset Inventory At A Glance

• **Complete solution** with everything you need to gain control of your assets
• **Easy data collection** using bar code technology eliminates errors and reduces labor
• **Fast, accurate, ongoing management** with dynamic inventory eliminates duplicates and simplifies maintenance
• **Full integration with BNA Fixed Assets** means assets are only entered once for both inventory and financial management
• **Expert assistance** is available to help you deploy your solution, conduct an inventory, and reconcile data
• **Custom training services** can help your team establish and maintain the right process for your organization while maximizing the use of your asset inventory software

About Bloomberg BNA’s Software Products

Bloomberg BNA offers expert software products for tax and accounting professionals. With category-leading software and top-rated technical support, we are the solution of choice for professional firms and corporations of every size. More than 70,000 customers, including the IRS, depend upon Bloomberg BNA’s software products for the highest degree of tax, regulatory, and compliance expertise available in the market.

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