



Close isn't good enough

Recently, a friend, who is also the CFO of a multi-billion dollar public manufacturing company, asked me why he should care about tracking his fixed assets. He explained that he hires Personal Property Tax (PPT) auditors every 5 years to perform a snapshot inventory of capital assets and calls it quits. He figures his approach covers all material assets and gives him a defense for his PPT return. Moreover, it's quick and it's painless.

Unfortunately, this short-sighted view of asset management is far too common among financial executives, particularly in capital intensive industries. Equating sound asset controls to PPT audits ignores several important considerations.

- Reviewing only capital assets overlooks a large number of items that are likely taxable for PPT purposes and, hence, presents a significant exposure.
- If reconciliation is required, the project starts from scratch every time.
- No safeguarding of assets occurs between audits.
- Complete asset audits are expensive.

Moreover, in most organizations, assets are tracked in some fashion and, often, more than once. The survival of technology managers requires that they know what and where the IT assets are. Plant managers compile similar data to plan, organize and deploy production sites. Similarly, facility, telecom, and medical equipment managers carefully track their assets to fulfill their duties. And, yes, the accounting department maintains similar records. Clearly, asset tracking (perhaps under other names) is being accomplished.

The challenge, then, becomes how to optimize all of these disparate efforts into a single solution that addresses the needs of both the field personnel and finance. The secret is a system that is easy to integrate and highly adaptable to address the broad range of data requirements. Automatic data collection, either bar coding or RFID, can provide accurate and high speed data maintenance. Contemporary databases allow many levels of integration that support other systems. The Web and WANs can distribute data where it's most needed. The tools are available to do the job right.

My friend admitted that his judgment is based on opinion not a careful evaluation of facts. Unfortunate. With a bit of effort, he could examine his organization and its practices to better understand what's being done and leverage it rather than to simply apply an expedient solution for temporary effect.

So, as much as I hate to say it, he's wrong. But, he's still a nice guy.

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Tales from the Front is a periodic publication of Asset Systems, Inc. that is designed to provide users and prospective implementers insight and perspective on current trends and issues in asset management.