Solutions to Tracking & Auditing Your Fixed Assets

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Introduction

For most organisations, their fixed asset register comprises a substantial portion of their non-current assets and are a key factor in their revenue earning strategies or cost minimisation strategies. Assets require careful management to realise maximum benefit. Inaccurate tracking of assets can lead to problems such as:

- Poor decision making information
- Incorrect cost recovery
- Incorrect asset depreciation rates
- Incorrect asset acquisitions
- Increased risk of loss or theft

Key Components to Ensuring Integrity of Your Fixed Assets

- Sound systems and business processes
- Appropriate asset management software
- Robust capitalisation and addition processes, which also should include correct identification, components and naming conventions Accurate and standardised descriptions for assets are important to assist with visual identification.
- Timely disposals and transfers of assets

The final key component is physical asset tracking with associated processes to verify existence of assets and to ensure the asset management system is updated with accurate and timely data. Bar coding of assets, particularly in a large organization enables the use of technology for more accurate and efficient stock takes via use of mobile scanners or palm pilot devices. Where possible assets should be bar-coded when received - before they move off to their intended locations.

Asset Tracking - What is it?

This involves utilising appropriate data capture methods with effective business processes to maintain an accurate picture of an organisation's asset inventory.

We should be able to identify accurately:

- What assets do we currently have
- Where are they located
- Age of assets for decision making purposes

Key Features of Auckland District Health Board's Asset Profile

Auckland District Health Board (ADHB) has over 30,000 active assets. A significant number of these are "mobile" items which can move across two sites within a day (eg beds, pumps) or at the less extreme may move within various rooms/wards within a building.

We have many locations (eg: Grafton Road, Green Lane, Owens Road etc), many buildings, floors and rooms.

Net Book Value as at 30 June 2002:

- All assets \$304 million.
- Plant & Equipment \$57 million

ADHB is currently undergoing a \$420 million building programme across two key sites (Grafton & Green lane). The emphasis on assets has never been greater. Nearly every asset we own will move to a different location as part of the migration programme. We have to know that our assets exist and where they are. Asset tracking is critical to ensuring we have robust decision making information. The asset migration project team have to determine room and equipment requirements for the new Hospital and Clinical Centre, then use our data to determine what we have (including models etc), whether it can be used or "cascaded" to another area of ADHB and determine where the shortfalls are for purchasing decisions.

Key Features of ADHB Business Processes

Devolved Accountability of Asset Ownership

It is always difficult to get departments involved in the process of asset management. To improve accountability ADHB has devolved the accountability and ownership of the assets to the various cost centres (or Responsibility Centres as we call them). The means that budget decisions have a direct bearing on their financial results and performance measures. Responsibility Centre's (RC's) bear the cost of depreciation for all assets "owned" by that department along with loss on disposal for any items disposed with a book value or that have been lost or stolen.

Financial and Transactional Management

The financial management and transactional management of items such as additions, transfers, month end processes, reconciliation and asset auditing process is managed centrally.

Capitalisation Threshold & Capex Processes

Our capitalization threshold is \$1,000 and like any large organization, we have Capex processes for all items over this value. Levels of authority and justification increases with the level of spend.

Systems

ADHB uses Oracle Assets and Oracle Project Costing as its asset management tools.

Prior to implementation of both modules in Dec 00, ADHB suffered from a proliferation of non-standard databases and spreadsheets, insufficient data for financial analysis.

Now all capital items are managed through Oracle Project Costing to facilitate tighter control and improve capital reporting capabilities. Purchase Orders must be used for all capital acquisitions to ensure commitments are recorded correctly in Oracle Project Costing. All assets are capitalized from Oracle Project Costing and transferred to Fixed Assets using the standard mass additions interface.

Our Clinical Engineering Department receives a monthly interface download to update the Clinical Equipment maintenance system with additions, disposals and transfer data.

ADHB Tracking & Bar coding Requirements

All assets are bar-coded where possible. The barcode number = asset number.

All assets with a financial impact that meet the capitalization threshold will be capitalized, tracked and barcoded where possible. NB: there are some items which can't practically be bar-coded such as mattresses, software etc.

Assets without a financial impact, where they meet the following requirements will be tracked (but a Nil value loaded):

- Where the asset has a legal obligation to be tracked eg all clinical equipment subject to testing by Clinical Engineering Department.
- Where there is a business requirement to track must be bar-coded eg artefacts, equipment on loan to A+

Oracle Assets Tracking Features

Oracle Assets Release 11 onwards contains several features to assist with asset inventories:

- A Physical Inventory Flag, which is set at either the category or individual asset level that distinguishes where you want to include these assets in stock take comparisons.
- An Inventory Entries form that allows manual entry of stock take results or shows results loaded into inventory temporary tables. See Fig. 1 below
- Comparison programs to compare your stock take results with actual assets in the Assets workbench
- Reports to highlight differences in asset scenarios.

Note: When a comparison reports is run, if an item has not had its Physical Inventory flag set, then it will not appear on missing assets reports.

		Tag Number	Asset Key		Model	Serial Number	Manufacture	Category	Units	Status
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Fig. 1 - Oracle Physical Inventory Form

How to Make Physical Stock takes/Inventories More Efficient

Manual Physical stock takes in large organizations are time consuming and tedious with a high risk of error. The Physical Inventory functionality can be extended by use of mobile devices, such as scanners or palm devises, to electronically collect asset details during the stock take. Use of bar code labels to identify assets has the added advantage of making the stock takes faster and even more accurate. This helps to provide more accurate and up to date information in your Asset system with which to make critical financial decisions.

The scanner can be used to collect live asset information and outputs a text file that can be loaded into Oracle assets physical inventory tables. Bar coded assets are easy to scan, but asset numbers can be keyed in to the scanner if this facility is not available. The Fixed Asset component of ADI has a text file import facility that lets you import asset data downloaded from the scanner.

Limitations of the Oracle Assets Physical Inventory process

The main limitation of the Oracle process is the inability to update asset data with stock take results.

In addition you can't enter GL segment information. In ADHB's case the RC segment is a key part of our Asset Stock take process.

ADHB's Customised Physical Stock take Process.

Business Requirements

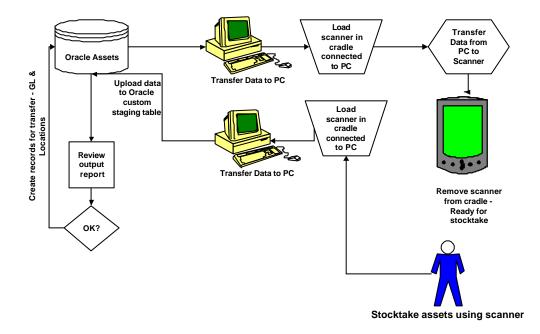
ADHB utilizes bar code scanning devices to track their fixed assets. However, ADHB needed to automate the update process for two outputs from its asset stock take process. These were considered to be high volume with minimal or no financial impact risk.

The interface developed will only update location and RC General Ledger account code segment changes for existing assets (i.e. transfers). Over 50% of assets will have moved location between any audit and the location parameter has four segments. To have to re-key this information for a second time following an audit was considered impractical, inefficient, with a high risk of error.

Additions of new assets and retirement of existing assets will be entered manually. These were considered to have a greater financial impact and therefore required investigation and review by the Fixed Asset Accountant.

Process Overview

Diagrammatical Overview



The interface process can be split into three areas:

- Creating Extract Files
- Importing and Validating Data File from Bar Code System
- Creating Transfer Transactions

Creating Extract Files

The first part of the interface involves running concurrent programs, which extract the required information out of Oracle Assets in a format that can be imported into the Bar code scanning device.

- Bar Code Asset Download Details (see Fig 2 for Parameters)
- Bar Coding GL code information (for RC code validation)

Fig 2 – Parameters	1 1 1 1	1 1 4 1 *	1 1 1	1 1
F_{10} / $-$ Parameters	which can i	ne selected in	the Asset Down	lload process

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		- Other - Requests					
		Run View)pen	
Record: 1/1	List of Valu	« 08C>					

Output consists of:

- Asset Number
- Asset Description
- Manufacturer Name
- Location Site
- Location Building
- Location Floor
- Location Room
- Reporting Center
- Serial Number

Load Data Into Bar Code Scanner

The output is then loaded into the Bar Code Scanning devices.

Physical Asset Stock take

Import and Validate Stock take Data

Once the Bar Coding process is finished a data file is produced which can be uploaded and validated in Oracle Assets using the following concurrent programs.

- Bar Coding Upload Staging Table Program
- Bar Coding Upload Processing Program
- Bar Coding Upload Review Report

The Fixed Asset Accountant will review the report and investigate anomalies.

Create Transfer Transactions for GL & Location Differences

Once the differences have been verified, the transfer transactions can be created by running the following concurrent program:

• Bar Coding Transfer Creation Program

Purge

To delete the batches no longer required in the Loading table the following concurrent program can be run.

• Bar Coding Purge Program

Conclusion

Asset management is a critical part of an organisations financial decision making process and has a substantial impact on the profitability of an organisation.

Therefore it is critical to have a central asset database that has a high degree of data integrity and reliability ensure appropriate and effective asset management strategies and procurement decisions can be taken.

Automating the physical stock take process through use of bar code scanners assists to increase the efficiency, integrity and timeliness of data updates.

References & Acknowledgments

OAUG Asia Pacific 2002 Conference Paper:

"Tracking Your Assets: Why, When and How?" by Cathy Jones, Red Rock Consulting

Program Specification

"Oracle Assets Bar Coding Interface Programs" by Steven Smith, Asparona

About the Author

Michelle Teirney, BCom., C.A. joined Auckland District Health Board (ADHB) as Group Accounting Manager in August 99. Michelle is responsible for their Shared Service Group Accounting team consisting of 30 employees.

A significant part of this role has been associated with the ongoing operational custodianship of Oracle Financial applications at ADHB. Michelle was seconded to the Project Manager – Financials role in 2000/2001 with responsibility for leading finance project teams through a successful upgrade of Oracle 10.7 to R11i, including implementation of new modules, new business processes and new functionality. This was closely followed by an upgrade to 11.5.3, and on 17 March 2003 to 11.5.8.

Michelle is a qualified accountant who has been involved in financial system and process implementations/ upgrades for a number of years.

Previously Michelle worked for Amcor Kiwi Packaging in a number of roles, but latterly as Group Accounting Manager and Group Commercial Manager. Michelle also has also worked in tax consulting and audit roles.