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New fixed assets management process design for Pontifica Universidad Catolica Madre y Maestra (PUCMM)

Mary Baez

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James Jacobs and Dr. Richard Morales for their dedication and support.

Thank you!

Mary C. Baez
Abstract

Currently, PUCMM does not have a reliable management process for its fixed and controlled assets. In addition, PUCMM does not have a system that can provide accurate, fast and updated information about these items. Therefore, there is the need of a new process for managing PUCMM’s fixed assets.

The purpose of this research is to design a new management process for PUCMM’s fixed and controlled assets that will provide reliable, quick and updated information.

The methodology for this study is based on a cross-sectional study to assess fixed assets management processes in this and other well-established organizations. It is a descriptive study using qualitative data that describes how this type of property is managed and controlled. Primary and secondary sources were used to gather information for this research project. The data collection instruments issued for this study were interviews, observations, Internet, books, journals and magazines.

The findings of this study clearly show that all processes, procedures and controls regarding the management of fixed assets have been very inefficient. As a result, PUCMM does not have a fixed assets management process that can provide reliable, precise, up-to-date, and quick information about the institution’s property. Furthermore, PUCMM does not know what are its fixed assets, their current condition, or how well these items are maintained.
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call me whe you are on your way and we'll have a cold one waiting.......261-1762

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-----Original Message-----
From: Anne Zachmeyer [mailto:a_zachmeyer@cast-fc.rit.edu]  
Sent: Friday, January 30, 2004 9:49 AM  
To: Dinehart, Theresa HDi  
Cc: kgsant1@aol.com; dilan@rochester.rr.com  
Subject: Re: RE: Fw: Fw: Computer Error

it's 750-0050. Guess I better leave it on huh? Keep my beers cold :)}
Chapter I

Introduction

Asset management, to be more specific, fixed and controlled asset management, is a very meaningful activity in any organization. A general definition of fixed asset is: all non-consumable goods with a unit value in excess of X dollar amount, usually established by the organization, and with a useful life of one year or more (UCAR Property Manual, 2002). Proper fixed asset management establishes and maintains a current inventory of this type of property within the company. By doing so, the institution ensures responsibility and accountability of these assets, in addition to the efficient and effective use of them. Further more, a good fixed asset management program can facilitate the physical inventory process of fixed assets, establish their insurance condition and comply with federal, state and local policy.

Background

Today, companies have a large quantity of fixed assets. To provide better service and to be more efficient, organizations are always acquiring more fixed assets. Every company and/or organization in today’s economy needs to keep up with the ever-changing technology to contribute to meeting market expectations. Better and improved fixed assets can make organizations more valuable because of their use and the benefits that these assets provide. For example, faster service and better support to a company’s operations can help provide a better quality service to the organization’s customers.

Institutions, worldwide, need fixed assets and management processes to control how these items are purchased, store and utilized by the firm. Fixed assets are high cost
Fixed Assets Management Process 2

items; this is a reason why all companies need to manage their assets in an organized manner. Universities are not an exception. As educational institutions, they also require a fixed asset management system in order to offer better quality service and support to their teaching staff.

In the United States, as in the Dominican Republic, universities such as Pontificia Universidad Catolica Madre y Maestra (PUCMM) are required to report depreciation on fixed assets, and for that reason, these institutions have tried to manage this type of property in the best possible manner. In addition, these institutions are audited on this type of property and must make evident that they have adequate control systems and management processes in place. Universities could face drastic sanctions and other consequences if they do not have adequate control systems. Many universities have a fixed assets inventory management system, which helps them ensure proper control and management of their assets. The improper management of an organization's fixed assets can have a negative effect on the institution for example, hidden costs associated with excess of assets. Many times organizations make unnecessary purchases because they do not have an inventory control system that can confirm the need for more or less assets.

Important criteria of a good property management process, especially of fixed and controlled assets, includes: (a) Determination of fixed assets needs, (b) Establishment of centralized fixed asset management, (c) Identify, document, and implement policies, procedures, and controls needed, (d) Procurement (e) Receiving, inspection, inventory, storage and distribution of assets, (f) Repair and maintenance of assets, (g) Disposition
of damaged, obsolete or unneeded fixed assets, (h) Recording and reporting of fixed asset transactions and (i) Monitor and evaluate the fixed asset management process.

When assets are received at the receiving center, they are registered as fixed assets, tagged and assigned an asset-number. Later, these assets are transferred to the end-user and assigned a location in the asset’s registration sheet. In any fixed asset management process the responsibility for the asset(s) lies on the final or end-user of the property. Fixed and controlled assets are assigned to a department in which the person in charge signs a hand receipt accepting the responsibility of the asset or assets. This person is responsible for the loss, theft or damage to the property they signed for. Many firms and universities have severe sanctions for those who do not act in a responsible manner with the assets they have signed for. The Fixed Assets Department of the Denver Public Schools (2002) has a property control manual with many policies that explains the responsibilities of the employees who have signed for fixed assets. Employees are responsible for the use, care and safekeeping of such property, if not, they can face legal consequences.

It is important to know the status of an institution’s property. A good property management process can help provide accurate information about a firm’s assets. Accurate and reliable information in this area is a key factor in a better and more efficient management system within any institution. By having control over their fixed and controlled assets, an institution can increase efficiency and reduce costs associated with the mismanagement of fixed assets (excess, lost, theft, misuse of assets, etc.).
Problem Statement

PUCMM does not have a reliable management process for its fixed and controlled assets. In addition, PUCMM does not have a system that can provide accurate, fast and updated information about these assets. There is the need to design a new process for managing PUCMM’s fixed assets to provide accurate information on the status of the university’s fixed and controlled assets

Purpose Statement

The purpose of this research is to design a new management process for PUCMM’s fixed and controlled assets that will provide reliable information. More specifically, it will help: (a) Determine what are PUCMM’s fixed and controlled assets, (b) Determine their condition or status, (c) Identify where these assets are located, (d) Determine the overall cost of the institution’s fixed and controlled assets, (e) Assure that assets are adequately insured, (f) Ensure that all fixed and controlled assets are registered and tagged and (g) Assure that proper depreciation procedures are in place.

Major Questions

1. What fixed and controlled assets does PUCMM have?
2. What is the condition or status of current PUCMM’s fixed assets?
3. Where all PUCMM’s fixed and controlled assets are located?
4. Are fixed and controlled assets being registered and tagged correctly?
5. What is the overall cost of PUCMM’s fixed assets?
6. What are PUCMM’s fixed assets needs?
Delimitations

The scope of this process will be limited to fixed and controlled assets that are movable in nature and controlled assets that are considered to be highly susceptible to theft or misuse.

Limitations

A new fixed assets management process will need the approval and support of upper management and their financial support for the full development of this process. Adapting to change is a big limitation particularly for new processes. Getting employees to follow the new process and procedures can also be a challenge. Lastly, poor communication in the form of feedback of information from the departments within the organization regarding fixed assets transactions as part of the process may also be problematic.

Significance

PUCMM is interested in the proper management of its fixed and controlled assets in order to avoid hidden costs associated with the mismanagement of this type of property. A new management process will support decisions when buying, eliminating or assigning assets within the organization. Further more, the institution will have more control over what it has in order to provide better support to the teaching staff and students.

Long Term Consequences

Once a fixed assets management process is in place, this process will be of great help in any decision-making concerning fixed assets. Managers will have accurate
information about the institution's fixed assets and what fixed assets are needed to support current and future operations. In addition, the new process can save the institution from making unnecessary purchases.

**Short Term Consequences**

A new fixed assets management might require more personnel in this area. In addition, it will encounter many drastic changes in the fixed assets management arena. This new process will define how fixed assets are going to be managed and new procedures addressing the full range of fixed assets activities, including planning, attainment, reporting, accountability, storage, issue and receipt, controls, valuation, and disposition.

**Summary**

This research project will explain the importance of having a good fixed assets management in any organization. Furthermore, it will describe a new fixed assets management process that will support upper management decision-making regarding the institution's fixed assets (i.e. fixed assets needs, excess, condition). The research will give details of how the data or information was collected and what are the best practices concerning fixed assets management. At the end, recommendations for the new fixed assets management process will be provided based on findings and best practices in the market.

The literature to be discussed in the next chapter will give you a better idea of how important are fixed assets and what are the steps and procedures to take into consideration when managing these items. Related topics from articles, books,
magazines, best practices and online information will be shared to provide a better explanation at a wide scope of fixed assets management.

Definition of Terms

The following definitions are in accordance with PUCMM's manuals and policies.

1) **Fixed Assets**: All non-consumable items in nature with a value of more than "X" amount (usually set by the organization), and a useful life of a year of more.

2) **Controlled Assets**: All non-consumable items with a value of less than "X" amount and a useful life of a year or more, but need to be controlled as regular fixed assets because these items are considered to be highly susceptible to theft or misuse.

3) **Location**: Refers to the current physical location of assets.

4) **Asset Number**: Is the number assign to an asset as soon as it is registered it can be done with a barcode system.

5) **Cost**: The real value of assets after depreciation.

6) **Time or date of acquisition**: Time evaluated in months or years of the initial purchase of the asset, date of acquisition.

7) **Insurance**: Coverage by contract whereby one party agrees to guarantee another against a specific loss.

8) **Maintenance**: The provision of support or repair of assets.

9) **Inventory**: The act or process of making an inventory, or the period of time when this is done.

10) **Depreciation**: The lessening of price or value of an asset over time.
Chapter II

Literature Review

Introduction

Companies worldwide have fixed assets to support business operations. These fixed assets are an essential part of every business. Sometimes fixed asset management can be difficult if there are not policies and procedures in place. Fixed assets affect myriad aspects of financial planning, reporting, and control. Many discrete, complicated, and time-dependent tasks comprise fixed asset management. In addition, the slightest error can have drastic effects. This chapter will present a literature review to better explain the importance of fixed assets management, and how important these assets are to an institution.

Fixed Assets Definition

Fixed assets are non-consumable goods, tangible in nature and have a useful life longer than one year. According to William D. Brady, Jr. (2001), "it can be any item costing over a certain dollar amount, large or small, to an item that has a certain useful life (pg 4)." These fixed assets are classified as land, improvements other than buildings, operating plants, equipment, vehicles, and construction in progress (Peterson, 2002). Fixed assets can be both movable and immovable. Items of insignificant value, while they meet the above criteria, are normally expensed instead of being considered fixed assets.

For profit and non for profit organizations, such as universities, are required under GAAP, General Accepted Accounting Principles, (Delaney, Epstein, Nach and Budack,
to maintain a ledger or group of accounts in which to record the details relating to
the general fixed assets of the organization.

Establishing and maintaining complete and accurate accounting records for fixed
assets is important for several reasons as stated by Brady (2001). First, the value of fixed
assets is large in most organizations. Therefore, adequate accounting procedures and
records are essential for effective property management (including risk management)
and control. Second, the stewardship responsibility involved in safeguarding such a
large investment is of the utmost importance for good financial administration. Third,
adequate fixed assets records can assist in making management decisions. Proper use of
these records may prevent unneeded assets from being purchased. Fixed asset records
also could be used to help clarify long-term capital budgeting needs. Finally, accurate
and complete fixed assets records can prevent the possible misstatement of the
institutional financial statements for fixed assets. Otherwise, assets such as those
acquired under capital leases and joint ventures could be overlooked.

Classification of Fixed Assets

Fixed assets should always be recorded in the accounting records of an institution.
Accounting classifications of fixed assets accounts are as follow (Heintz & Parry, 2002):

1. Property

    Land- A fixed assets account that reflects the acquisition value of land and the rights
to land owned by the organization. It includes all land held in fee simple and all rights
to land that have no termination date.
Improvements Other Than Buildings- A fixed assets account that reflects the acquisition value of permanent improvements (other than buildings) that add value to the land or improve the use of the land. Examples of such improvements are: fences, retaining walls, drainage systems, sidewalks, parking lots, and driveways. It is good to make clear that the term improvement and betterment have different meanings when used with fixed assets. Improvements are fixed assets permanently attached to land. Betterments are additions to or changes in existing depreciable assets intended to increase their efficiency or prolong their useful lives. Recording of this type of assets in the accounting records is optional. This category of fixed assets is immovable and of value only to the institution (US Department of Housing and Urban Development, 1999).

Buildings- A fixed assets account that reflects the acquisition value of permanent structures owned by a business to house persons and property. Permanently installed fixtures to or within these structures are considered parts of the structures. The cost of major improvements to structures is included in this account.

2. Plant

Operating Plants- A fixed assets account that reflects the acquisition value of plants used to provide the services of utilities, including both the building and the equipment.

3. Equipment

Equipment- A fixed assets account that reflects the value of tangible property not permanently affixed to real property, used in carrying out the operations of the business. Examples of equipment are machinery, furniture, and vehicles. This project
will specifically examine and recommend a new process for the management of equipment.

**Recording Fixed Assets**

Business may acquire fixed assets by several methods. Possible acquisition methods include purchase with a Purchase Order or PO, lease-purchase, installment purchase, construction, and gifts. The method of acquisition of fixed assets should be properly recorded on the books of account and in subsidiary records that provide detailed information on each asset. In an article published in Management Accounting: Magazine for Chartered Management Accountants, Stephan Moriarty (Moriarty, 1998) says that “a lot of financial managers do not have accurate information about what their companies own (pg 42)”, and continues explaining how important it is to record fixed assets in the appropriate books.

There are many rules and regulations on what and how fixed assets should be recorded. To avoid recording many assets with low values that do not, in the aggregate, amount to a material portion of the value of the fixed assets, organizations should set minimum asset values below which an asset is not recorded in the fixed assets records. There are some guidelines recommended to make decisions on when to record an asset in the fixed assets records taking into consideration its value. Peterson (2002) recommends the following in his Accounting for Fixed Assets book:

**Land**- All land and permanent rights to land should be recorded without regard to any significant value.
Improvements other than Buildings- Improvements other than buildings that cost $1000 or more should be recorded as fixed assets.

Buildings- All buildings should be recorded at acquisition cost without regard to significant value.

Operating Plants- All buildings classified within the operating plants account should be recorded at acquisition cost without regard to significant value.

Equipment and Vehicles- Equipment and vehicles costing $1000 or more should be recorded as fixed assets.

The dollar amount used to decide whether an asset is of significant (capitalized or expensed) value should be a policy decision of the institution’s governing board. When an organization decides to increase its threshold for capitalization, all old assets not meeting the new requirement should be removed from the fixed assets records (Peterson, 2002).

In many cases, institutions decide upon what movable fixed and controlled assets will be recorded and how. For equipment and vehicles, an amount of “X” dollars is set for an item to be classified as fixed assets. If the equipment bought is “X” amount or more it can then be considered a fixed asset. Controlled assets on the other hand, are tangible and movable items with a value of less than the “X” amount but need to be controlled as regular fixed assets because they are considered to be highly susceptible to theft or misuse.
Controlling Fixed Assets

All fixed assets must be physically identified, clearly marked, and the responsibility for their custody must be assigned. Kriss (1999), in his article Where have all the PCs gone?, agrees with this statement when he says that “consistent tracking of high-tech fixed assets can yield a number of important benefits and put real dollars on your bottom line.” One of the main reasons for fixed assets management is the need to have secure control and accountability over the business’ fixed assets (Brady, 2001). Policies and procedures on how to control the organization’s fixed assets should be in place. Accountability of fixed and controlled assets is a key feature in the management of this type of property. As Brady explains, “the primary purpose of fixed assets management is to ensure accountability of the significant investment in fixed assets entrusted to administrators (pg 29).” This is why many organizations for example, Banco Popular in the Dominican Republic, have designated users to their fixed assets for better accountability and safeguard of these items.

There are many methods on how to assign control numbers or identify fixed assets. Alternative ways of identifying fixed assets can be accomplished through a serially numbered metal or durable plastic tag affixed to the asset. These identification tags should be made of a permanent adhesive that adheres to all surfaces. With the advance of technology, identification tags are also available with bar codes. As stated in Frontline Solutions News (Anonymous, Summer 2002-03), “bar code remains the most widely used automatic data capture technology for lifetime item identification”  

(http://gateway.proquest.com/openurl?ctx_ver=z39.88-)
There are a number of systems now, which use the barcode and laser scanning technology easing greatly the task of physically auditing and tracking fixed assets. Stephan Moriarty, Managing Director of Castof, a leading supplier of computerized asset management in the UK and Europe, has worked with many organizations automating their asset management procedures (Moriarty, Oct 1996). “A few years ago we were having to do quite a lot of missionary work”, says Moriarty, “but managers are now waking up to the fact that there are very substantial savings to be made through better management of fixed assets (pg 38)”. Most of Moriarty’s clients judge that the time taken to do a full audit has been cut by between 70% and 95%, after using their system (pg 38).

Those assets where it is impossible to affix a permanent tag, need to have a number so it can be positively identify as a capitalized asset (Brady, 2001). Identification numbers should be assigned and affixed as soon as the item is acquired.

**Valuation of fixed assets**

Fixed assets should be accounted for at cost or if the cost is not practicable determined, at estimated historical cost. Donated fixed assets should be recorded at their estimated fair market value when received (Peterson, 2002).

**Cost**- The cost of a fixed asset includes the purchase price or construction cost (including costs of engineering studies) and ancillary charges necessary to acquire the asset or to place it in the intended location and condition for use. Ancillary charges include costs such as transportation charges, site preparation, professional fees, legal
claims directly attributed to asset acquisition, and certain interest costs during construction. For equipment the costs of any testing also should be capitalized (Peterson, 2002).

**Estimated Historical Cost** - Institutions are sometimes required to establish appropriate fixed assets accounting records after many years of operating without such records. In such situations, the original purchase documentation may not be available, or an inordinate expenditure of resources may be required to establish original costs precisely. Therefore, it may be necessary to estimate the original asset cost on the basis of documentary evidence available, including price levels at the time of acquisition, and to record these estimated costs in the appropriate fixed assets accounts. In some cases, the cost may not be known but information and records may be available showing the year of acquisition. In this instance, a historical appraisal cost can be used (US Department of Housing and Urban Development, 1999). A historical appraisal cost is defined for this purpose as the current appraised value adjusted to the year of acquisition (Peterson, 2002). If the exact date of acquisition and cost are not known, but the general period of acquisition and cost are known, an average year during the period of acquisition and a reasonable estimated cost might be used (Peterson, 2002). The important concept is to obtain reasonable estimated costs to record these assets on the books and establish accountability.

Littrell and Thompson (1998), explained in their article, "Fix Asset reporting: A research note", that using estimated costs does create some margin of error in the fixed assets accounting records as compared to the proper recording at acquisition. However,
such errors should diminish over time as assets are retired and replaced, and estimated costs are replaced with actual costs.

Valuation Considerations

According to Peterson (2002) in his book, Accounting for Fixed Assets, valuation consideration by category of fixed assets includes:

- **Land** - If the land is purchased, the valuation includes such costs as purchase price, legal fees, filling and excavation, and other costs directly related to the acquisition of the land and its preparation for use.

- **Buildings, Operating Plants and Improvements other than Buildings** - If purchased or constructed, the valuation includes such costs as the purchase price, acquisition legal fees, and other professional fees.

- **Equipment** - The basis of valuation of purchased equipment includes the net contract price, transportation charges, and the cost of installing special devices or other preparations required to ready the asset for its intended use.

In case of a gift, the valuation recorded for these assets should be the appraised value at the time of acquisition.

Initial Inventory of Assets

To set up a fixed assets system, an initial inventory must be taken. For this inventory, all fixed and controlled assets should be tracked and accounted for. Once the data has been collected, it is fed into the inventory management system. The initial inventory of fixed assets should begin with the identification of land and rights in land, all buildings, and all improvements, other than buildings should be listed. Buildings
should be identified and described at least by reference to the original project. Any additions or improvements, which have been made since the original construction, should be identified and listed separately.

Regarding equipment and Operating Plants, the initial inventory has a multipurpose function. At the time of the initial identification of each asset, an identification tag or stencil is affixed to the asset, the complete description is recorded, the physical condition is assessed, and the fixed assets control number is assigned. All equipment should be tagged, including equipment that is being leased to the business (Brady, 2001).

In addition, assets, that do not meet the price criteria under the fixed assets category, need to be inventoried as well due to their vulnerability of becoming lost or stolen. Examples could be cameras and photographic projection equipment, record players, and radios.

Developing and maintaining complete and accurate fixed assets records should always be emphasized as one of the most important functions of fixed asset management. An accurate fixed assets inventory provides information as to what assets are on-hand, their specific location, and what if any loss, theft or damage assets.

Organizations should maintain a fixed assets system, which includes records for all fixed assets that should be inventoried. Strict control must be maintained during the inventory process to assure that items not yet inventoried are not moved to areas already accounted for, or vice versa. "The physical inventory function is one of the most important functions in the management of fixed assets and the particular inventory
verification procedures that are employed are of critical importance to the success of the fixed assets management program”, (Brady, 2001, pg. 56)

In order to ensure objective reporting of inventory items, personnel having no direct responsibility for assets subject to the inventory count should perform physical inventories. If it is not feasible to use such personnel for any part of the inventory, then those portions are, at least, to be tested and verified by a person with neither direct responsibility of that portion of the inventory nor supervised by the person directly responsible (Brady, 2001). Many organizations, such as the Rochester Institute of Technology, use a computerized system in which the inventory verification is assigned to the custodians of the items and this information is updated automatically in their system (Dr. James Watters and Roger W. Stackpoole, Personal Interview, July 14, 2003).

Written physical inventory instructions and training must be given to each person participating in the inventory process. Instructions about how and where to record each item, what information to record, what to do when they have a question, what procedures to follow when equipment is located but not listed and many other instructions can make the inventory easier, efficient and more accurate (Denver Public Schools Fixed Assets Department, 2000).

Inventory Reconciliation

After a physical inventory count is completed, the fixed assets inventory manager conducts the reconciliation process. Reconciliation is defined as the process of identifying, explaining, and correcting the differences occurring between the physical
count and the inventory records (Peterson, 2002). Once all differences have been identified, and explained, the inventory is considered reconciled.

Brady (2001) suggests that the existence and condition of all fixed assets should either be verified annually as a part of the year-end closing process or on a cycle basis during the year.

Fixed Assets Transactions

Fixed assets transactions arise primarily from acquisitions and disposals of fixed assets. Furthermore, fixed asset transfers are also important transactions that must be record. These transactions appear first in the expenditure ledger as purchases or in the revenue ledger as revenues from the disposal of fixed assets when these assets are being sold. It is important to mention that lost, missing or stolen fixed assets will also affect fixed assets records, resulting in other transactions. After the end of each month, the transactions for the month should be journalised and recorded. It is important that these transactions be inspected for any transactions not recorded in the proper accounts such as donated assets. Fixed assets record should always be maintain once they have been established (Denver Public Schools Fixed Assets Department, 2000).

Fixed Asset Transfers

Transfers between departments may take place during the useful life of the assets. An important function of fixed asset management is to keep track of these transfers within the organization. A form must be used in order to accomplish such transfer of fixed assets. This form will allow releasing the responsibility of the current custodian of the asset and transferring the responsibility to the new user or custodian. This transfer
process also involve transactions such as the change of account fund where this asset will go to depending on whether the item is moved to a department with a different account for fixed assets. Once the asset has been moved, the fixed assets manager is responsible for updating the fixed assets management with the new information regarding the location and the new custodian of the asset (Brady, 2001).

**Lost, Missing or Stolen Fixed Assets**

"No matter how good the fixed assets management policies and procedures are, there will be lost assets", (Brady, 2001). A physical inventory will be the best instrument to notice such losses. These losses also result in transactions in the fixed assets records. In this case, the asset lost, missing or stolen will be taken out of the accounting records as well as the inventory management system. The best way to minimize losses can be through positive security measures, unannounced physical inventories and education (Brady, 2001).

**Disposition of Fixed Assets**

An asset may be disposed of once it has reached the end of its useful life. In this case, these assets are considered, in many occasions, as surplus for the business. Most property or fixed assets even thought they have reached or exceeded their useful life, may still have a value to the business operations. Assets that no longer contribute to the organization's operations need to be disposed and considered surplus. Institutions should have a central warehouse of surplus property, where all surplus assets can be store for further process. Brady (2001) states that the purposes of a disposal program are:
1. Elimination of costs related to the warehousing, insurance and accounting systems necessary to fulfil the business' surplus property responsibility.

2. Maximize the proceeds by disposing of assets as soon as possible after they become excess to an institution's needs.

3. Establishment of priorities in the disposal process that encourages keeping assets in use as long as possible.

4. Conversion of unneeded assets into available funds on a timely basis for offsetting the cost of new assets.

Many times, some assets may become more of a burden to dispose than the overall worth of it. For instance, the cost to dispose of 500 desks may exceed any value that can be realized from disposing of them. These kinds of problems are not uncommon but need to be dealt with appropriately. A fixed asset manager must have the necessary authority to determine the proper method of disposal, even if that means to donate the property to a worthy organization.

As stated before, surplus property that has reached its useful life can still have value. Because it has value, meaning monetary value in this case, management needs to ensure that its value is not lost. This is why it is necessary that property be adequately classified. The classifications will be of great importance determining what disposal method will be used. According to Brady (2001), "excess implies that the property can be further used within the organization while surplus means the property has no further value to the business and may be disposed of through proper channels (pg 83)."
After determining that a property is surplus to the institution, a disposal method needs to be determined. The best method will be one that maximizes the return to the business. Soroosh and Ciesielski (2002) recommend in their article When Good Assets go Bad that “Long-lived assets may be disposed of by abandonment, exchange for other productive long-lived assets, distribution to shareholders in a spin-off, or sale (pg 42)”. There are many disposal methods that can be used such as auctions, sealed bid, spot sale, trade-in, redistribution, discard and recycling.

Depreciation Considerations

Depreciation is an element of expense resulting from the use of long-lived assets or fixed assets. It is conventionally measured by allocating the expected net cost of using the asset (original cost less estimated salvage value) over its estimated useful life in a systematic and rational manner. The objective of depreciation is to charge each accounting period for the estimated loss in economic value of the depreciable assets used during the period (Peterson, 2002). This implies ability to:

- Estimate the economic useful life of each asset.
- Predict the probable salvage value.
- Estimate the rate at which the economic value of the asset will be consumed during its economic life.

Estimating Useful Life

The period of time that an asset is expected to help produce revenues is called its useful life (Heintz & Parry, 2002). According to Peterson (2001), determining the estimated useful live of an asset has a significant impact on the period expenses.
Shortening the life can increase expenses in the periods. In estimating the economic useful life of an asset, consideration has to be given to:

a. The physical environment in which the asset is to be used (hot, cold, caustic, dry, moist, etc.)

b. The physical characteristics of use (continuous, intermittent, fixed or portable, stable or alternating) as well as the operating conditions of weight, force and friction to be encountered.

c. Physical resilience or ability to sustain full utility and value with minor repetitive maintenance, as opposed to material progressive deterioration with use, irrespective of continuing maintenance.

d. Obsolescence potential- susceptibility to economic loss of value because of technological, fashion, or other changes that reduce an asset’s relative economic suitability for its intended purposes.

Salvage Value

Salvage value can be defined as the portion of an asset’s cost that is recoverable at the end of its service life less any disposal costs (Brady, 2001). To estimate the probable salvage value of a particular asset, judgements must be made as to:

- Potential for market appreciation in the second hand market. For example, certain models of business machines are attributed to have particular operating characteristics that are considered superior to those in later models, and thus they remain in demand at a high second hand value while other later models often depreciate in value quickly after the initial sale.
Potential for alternate uses through renovation and rebuilding.

Selection of a Depreciation Method

Theoretically, a depreciation method should be selected that achieves the most realistic reflection of the loss in economic value of the assets being used or, for cost accounting purposes, that allocates a reasonable portion of the cost of an asset to the revenue produced (Peterson, 2002).

There are two commonly used depreciation approaches:

1. **Uniform Rate of Straight-line Depreciation** Using the straight-line method of depreciation, the cost or other basis of the asset, less the estimated salvage value, is divided by the number of years of useful life to arrive at an annual depreciation charge. This method is simple to apply and will provide satisfactory results where the useful life and salvage value of an asset can be estimated with some degree of accuracy.

   According to Green, Grinyer and Michaelson, in their article *A Possible Economic Rationale for Straight-Line Depreciation*, “Straight-line depreciation appears to be a crude procedure that is unsupported by economic logic. Nevertheless, internationally, it is the most widely used method of allocating the costs of fixed assets to accounting periods by way of depreciation charges (pg 91).” He attributes its use to its simplicity. Many institutions such as Banco Popular advocate the use of this method of depreciation (Yolanda Nuñez, Personal Interview, June 9, 2003).

2. **Accelerated Depreciation**. This approach includes the *Declining Balance Method*, which produces a more rapid write-off in the early years of life, followed by smaller charges as an asset nears its termination. As with all depreciation methods, this method
requires an estimate of the useful life of the asset (Peterson, 2002). An accelerated method of depreciation is often applied in situations where there is a high rate of technological change and uncertainty that may render an asset obsolete long before its physically useful life is completed. Some assets are subject to rapid deterioration in the early years and thus become unusable as second hand units with only scrap value remaining. Nevertheless, such assets may continue to function for a considerable period with proper maintenance. This disparity between loss in market value and loss of utility value makes it desirable to pick up the major loss in value for these types of assets in the early years through an accelerated depreciation method.

**Fixed Assets Management**

As stated earlier, fixed assets represent a significant dollar investment for any organization. It is important that assets are accounted for in an institution. A fixed asset management program manages the organization's fixed assets by controlling, safeguarding and assigning accountability of this type of property. A fixed asset management program is important for many reasons such as the control of loss of assets due to pilferage, theft and neglect. A reliable fixed asset management program has an additional fundamental value in maximizing the use of assets within the organization by sharing these assets between departments.

Another interesting point is the importance of an accurate fixed asset management program to meet the growing demands for improved control and accountability over fixed assets. In addition, a good fixed asset management can prevent unnecessary expenses for buying unneeded assets for the organization.
According to Brady (2001), "A fixed asset management program is effective and efficient if it facilitates the attainment of the goals and objective of the organization (pg 16)." Furthermore, he recommends the use of certain fixed asset management principles. These principles will help in meeting the goals and objectives of the organization by building; effective and efficient operation of the fixed asset program, in making sound decisions, in reducing costs, and providing incentives for management improvements. These fixed asset management principles are:

a. **Make surplus assets the first source of supply**: Fixed assets managers must encourage and promote the usage of surplus assets. Policies and procedures must be in place so that surplus asset is used before purchasing any new asset.

b. **Maximize the reuse of fixed assets**: A sound policy to reuse assets is needed.

c. **Manage the fixed asset program effectively and efficiently**: Managers should use these two words collectively, producing the desired effect and being productive without waste.

d. **Trained fixed asset managers provide superior services**: Technology, administration, personnel, and management functions, are the day-to-day challenges encountered by a fixed asset manager. A manager must be adequately trained to meet these challenges.

**Ideal Fixed assets management process**

After an extensive literature review, an ideal fixed assets management process can be as follow:
Criteria:

- **Determine fixed assets needs (Planning)**

  Identify any institution strategies, goals and objectives that are directly or indirectly related to fixed asset management. For example, an indirect university strategy related to fixed assets might be a requirement, intended to provide employment opportunities to disabled, that the organization purchase certain types of assets for the blind. Link the entity’s fixed asset goals to these organization’s strategies, goals and objectives.

Furthermore, planning for fixed assets management should include a requirements determination, forecasting, budgeting and scheduling.

- **Establish centralized fixed asset management**

  Consider establishing a central fixed asset office responsible for policy-making and oversight. This central fixed asset office would be responsible for the management and direction of the full spectrum of fixed asset activities and functions.

  A central fixed asset management function should be located at a level that provides sufficient authority, independence, and safeguards to foster the goals and objectives of the fixed asset program. Define the accountability, responsibility, and authority of central fixed assets management.

- **Identify, document, and implement the policies, procedures, and controls needed**

  Policies, procedures, and controls should clearly define legislative intent while providing suitable administrative discretion in central fixed asset management. In cases where there is a central fixed asset authority, delegated activities should be controlled.
by rules, policies and procedures, and should be monitored for compliance. The central fixed asset office should be authorized to adopt any additional rules needed to carry out the job.

- **Purchase the asset (procurement)**

  Policies and procedures for purchasing fixed assets should be in place (i.e. approval limits).

- **Receive, inspect, inventory, store and distribute the assets**
  1. The receiving department should inspect all incoming materials, reconciling packaging sleep with material received. In addition, it should report any discrepancies in quantity ordered versus quantity received. Moreover, it should enter the asset as part of the inventory by labelling the asset and recording the information in the inventory system.
  2. Suggested policies and procedures for storing and distributing fixed assets should be in place.
  3. All fixed asset management offices should maintain the value of items in stock at the lowest practical levels at all times in order to economize in the use of working capital and to minimize storage costs. Inventory control procedures should adequately protect the fixed assets.

- **Repair and maintain the assets**

  Repairs and periodic maintenance should be in place.
- Dispose of damaged, obsolete, or unneeded fixed assets.

  1. The institution should clearly define what constitutes damaged, obsolete, or unneeded items.

  2. Those items, which have no further value, should be destroyed.

  3. The disposal of any surplus items must comply with the organization's surplus property rules.

- Record and report fixed asset transactions

  1. Maintenance of a General Fixed Assets Account for property, plant and equipment acquired by general, special revenue, capital project, or proprietary funds should be established.

  2. The entity must establish a value for all fixed assets and accurate records must be maintained by determining the acquired value of the asset, salvage value, useful life and depreciable basis.

- Monitor and evaluate the fixed asset management process

  The organization should periodically evaluate the various fixed asset management processes for effectiveness and efficiency. This information should be used to enhance or modify current processes. Managerial reports should identify trends for key performance measures. According to Brady, "fixed assets performance measurements are the collection of specific information regarding the results of the fixed assets management function. It includes the measurement of the job that is being accomplished and is considered the basis of managing by results"
(Pg. 114, 2001). Brady (2001) continues describing that the benefits of performance measurements are:

1. Strengthens accountability
2. Enhances decision-making
3. Improves customer service
4. Enables businesses to determine effective resource use
5. Supports strategic planning and goal setting

**Integrating Technology to the Process**

Today, many companies are managing their fixed assets through the use of a database, which was not regularly done in the past. The high costs, accountability and control of many fixed assets have made the use of IT software extremely valuable in organizations. Implementing a sound fixed asset management program involves the combination of people, processes and tools. Without appropriate processes in place, the reliability of the data that the tools provide will be questionable. Software tools facilitate a business' ability to automate a process, while providing valuable data about all of its managed assets. World-class companies almost universally turn to technology as a means of minimizing the workload and tying the fixed assets ledger into the general ledger. The burning issue in fixed asset management is, "How do I put in place an extended process that goes all the way from capital planning to retirement of the asset?" Kopp says. "More and more companies are either developing a homemade fixed asset system or using one of the
many fixed asset software packages out there”, he expresses. (Controller Magazine, Oct. 1997, pg. 2)

Indeed, a proliferation of fixed asset software has flooded the market in recent years as companies continue to look for a total asset management solution. One aspect that has become increasingly important to organizations is not only making sure the right asset is being used, but also ensuring that the asset in question is fulfilling its intended use. Many companies look for software that will make the organization more productive and efficient. Recent statistics show that companies lose billions of dollars annually in theft. But those losses have been reduced as much as 75% among companies implementing asset management programs with the aid of bar coding, which can provide companies with real-time information on the location, description, history and status of every fixed asset (Automatic I.D. News, 1996).

Integration of a general ledger and asset management system can provide many benefits according to Peterson (2002). These benefits can be:

1. Reconciliation of the financial asset register with the physical inventory
2. Improved accuracy of information
3. Elimination of duplicated records
4. Improved decision making
5. Easier auditability
6. Tighter control of capital investment
Institutions should keep in mind that fixed asset management tools are not a panacea. They will automate, but not replace, the processes that support a fixed assets management program. Furthermore, data alone are not useful. According to Peterson (2002), “data must be organized so as to provide information that is useful at the time needed” (Pg 167).

In conclusion, a fixed asset management process is a key element to any institution’s efficiency when carrying out its operations. In addition, an integrated fixed assets management system is a remarkable aid when improving processes efficiency. This important topic will be further examined in the following chapters. Procedures and methodology used for this research will be explained in a more exhaustive manner.
Chapter III

Methodology and Procedures

The methodology for this study is based on a cross-sectional study to assess fixed assets management processes in this and other well-established organizations. It is a descriptive study using qualitative data that describes how fixed assets are managed and controlled. Fixed assets management is a very meaningful activity in any organization; it oversees the proper control of fixed assets including inventory, use, and all transactions regarding fixed assets. Accurate information is imperative to any organization. The data sought covers all aspects of any fixed assets management process (es). The rationale, then, is to design a fixed assets management process for PUCMM, to provide accurate information for upper management when making decisions, and moreover, to have better control over the institutions fixed assets.

Many businesses, and even non-for-profit organizations, have managed to successfully integrate their fixed asset management processes to control their property. Examples of these institutions are the Rochester Institute of Technology, which is a non-profit organization, and Banco Popular Dominicano, a financial institution in the Dominican Republic. Interviews performed in each of these institutions regarding their fixed asset management practices currently in place granted the opportunity to discuss this topic on a wider scale. In addition, manuals regarding how other universities and businesses manage fixed assets, literature on best practices, as well as rules and regulations concerning the management of fixed assets, were also consulted for this study.
Primary and secondary sources were also used to gather information for this research project. The data collection instruments issued for this study were interviews, observations, Internet, books, journals and magazines. Interviews were a good way to gather information more thoroughly; moreover, it gives the interviewer the opportunity for more flexibility with the questions. A list of key questions (semi-structured questionnaire) was used as a guide to cover the main items of interest (Appendix A). These interviews provided the opportunity to talk about other important topics or subjects to expand the database and search out more details.

The interviews took place at institutions in the USA and in the Dominican Republic. These interviews also provided the option to get hands on information about the tools and processes in place for the management of fixed assets. The opportunity to collect information and validate this information at the same time was a superb experience. Senior executives, as well as middle managers, were involved in the interviews. The executives explained the rationale for regulations and processes in place, and managers explained how these rules and regulations were carried out in day-to-day operations.

**Data Consolidation**

During this study, a wide range of information on fixed assets management was collected and consolidated in order to gain enough knowledge towards the designing of a new process for managing PUCMM’s fixed assets.

The interviews took approximately nine (9) months. The process of interviewing, observations and reviewing literature regarding fixed assets management, served to help design a reliable fixed assets management process.
Based on the criteria presented in chapter II of this document, chapter four will analyze the data collected and compare the current process at PUCMM to the suggested fixed assets management process previously described.
Chapter IV

Findings, Conclusions and Recommendations

Introduction

Fixed assets, as stated before, are very important to the daily operations of any organization. Proper management of this type of property is a key element in any decision making process. Due to the high cost of fixed assets, it is also important to maintain accurate records and inventory controls to avoid hidden costs due to mismanagement or lack of precise information.

The rationale for this study is that PUCMM does not have a reliable management process for its fixed and controlled assets. In addition, PUCMM does not have a system that can provide accurate, fast and updated information about these assets. There is a need to design a new process for managing PUCMM's fixed assets, to provide accurate and reliable information on the status of the university's fixed and controlled assets.

This chapter will explain how the criteria from the ideal management processes described in chapter two have been applied in other organizations. Furthermore, it will describe the new management process for PUCMM's fixed and controlled assets. This new management process is based on literature review, best practices and the needs of the institution regarding the control of this type of property.

Data Analysis

After interviews were held with senior executives and middle managers of Banco Popular and RIT, and subsequent up to date reviews of the literature, important aspects on fixed assets management could be highlighted. Starting with the planning stage, it is
highly recommended to know what are the fixed assets that the organization has, in order to plan for the items that will need to be purchased to maintain the operations of the business. The companies interviewed displayed good examples of these practices. Both, Banco Popular and RIT, conveyed how important is planning of fixed assets needs for current and future operations, based on the information on hand about the quantity of assets the institution holds.

Another key aspect examined was the central management of fixed assets. Peterson (2001) and Brady (2000), agree on having centralized fixed assets management to provide more control over an institution’s property. Banco Popular was a great example of an organization that has a more centralized management of its fixed assets. It has a special unit that manages and controls all of Banco Popular’s fixed assets. Ordering, receiving, distributing and controlling the asset is done from one department, which is also in charge of tracking, registering, controlling and monitoring the use of the bank’s assets. This department is responsible for making all transactions regarding these items in the database. On the other hand, RIT has a more decentralized management of its fixed assets, although there is a department that registers all fixed assets transactions. In this institution, each school functions as an independent entity, in regards to the school’s budget, therefore, the school can order its fixed assets, such as computers, without having to go through other channels for approval. Once the asset is in the institution, the fixed assets department will send a tag to be affixed to the item for further control.
Both institutions are good examples of how important it is for a business to know what it owns and having proper accountability of those assets. Knowing what an organization owns, as well as the conditions and nature of the assets, strengthens both long term and short-term operations. Furthermore, the automated or computerized system used to manage this type of property, is a key element influencing the efficiency of a fixed assets management process. Today companies are trying to make process more efficient by using computerized systems that allow more control, speed and reliable information when needed. Banco Popular and RIT have adopted computerized systems to manage their organization’s fixed assets. Banco Popular has been using SmartStream as the software to make the management process of fixed assets more efficient. RIT utilizes ORACLE to manage and control its fixed assets in a more effective manner. Both programs have proven to be very helpful to these institutions, enabling management to have quick, accurate, and reliable information at the time of decision-making.

Findings

The findings of this study lead to the suggestion of a fixed asset management process for PUCMM, which takes into consideration best practices, literature review and the institution’s needs when managing and controlling fixed assets. The suggested fixed assets management process is established according to the main criteria presented in Chapter II.
• **Determine fixed assets needs (Planning)**

Planning is considered the most important function of any business. Determining fixed asset needs is the first planning stage in this fixed assets management process. PUCMM has been doing part of the planning for fixed assets needs but not entirely right. The institution currently determines the needs for fixed assets based on observations, not on precise and reliable information. Due to poor planning the institution has been purchasing assets that it already has or that it does not have an urgent need for. In many cases, PUCMM has bought duplicate items to do a job that could have been done with existing assets. Other cases have arisen as well, such as not buying necessary assets to support the institution’s goals and mission due to misinformation on the condition of existing assets. In conclusion, planning has not been done correctly. This is why this criteria has been included as part of the suggested management process model.

Having a planning process in place and completed correctly will bring many benefits to the organization. Among these benefits is the enhancement of decision making, costs reduction and making effective and efficient usage of the institution’s property. This can be accomplished by making surplus assets the first source of supply when assessing asset needs, and maximize the reuse of fixed assets.

• **Establish centralized fixed asset management**

In an environment of scarce resources and unstable economy, centralization of fixed asset management is vital to an organization. This is the current situation at PUCMM. The institution has appointed a centralized fixed asset management office but has not
delegated enough authority to enforce the rules and regulations needed to run this office. At this time the organization has very sound rules and regulations in place that are not being followed by the university’s departments. A good example regarding this situation is when purchasing, leasing, transferring and disposing fixed assets without any notification to the fixed assets management office. Moreover, when determining fixed assets needs for the institution there is no participation by the fixed assets management department. In conclusion, there is a fixed asset management office that has not being functioning as one. Centralization of fixed asset management is a great opportunity for PUCMM, in view of the fact that the institution is currently working under a restrained budget and an unstable economy.

A centralized office, if functioning, as it should, can offer many advantages to PUCMM. Some potential benefits of a centralized fixed asset management office are:

1. Volume discounts can be obtained by consolidating orders
2. Administrative staff can be minimized
3. Opportunities can be easily identified for filing assets needs in one part of the entity with surpluses.
4. Delivery of reliable and current information about the location, condition, cost and depreciation of the institution’s fixed assets.

- **Identify, document and implement the policies, procedures, and controls needed**

Internal control encompasses the policies and procedures that an organization establishes to ensure that it operates in accordance with management’s intentions and
that accountability is maintained for all transactions. This includes the methods by which the organization safeguards its assets, checks the accuracy and reliability of its accounting data, promotes operational efficiency, and encourages adherence to prescribed managerial policies. PUCMM has identified and documented the policies, procedures and controls needed for the institution, for instance, policies and procedures on how fixed assets transactions should be done as well as forms necessary for these transactions. However, it has not implemented or enforced them in regards to the management and accountability of its fixed assets. Furthermore, it has not delegated enough authority to the department in charge of the management of the institution's fixed assets to enforce these policies and procedures to improve the institution's controls over these items.

This model suggests the review of all policies and procedures in regards to the management of PUCMM's fixed assets, as well as the implementation of those reviewed and/or new policies and procedures. For this to be accomplished upper management needs to delegate the authority needed to the responsible entity for the safeguard and accountability of PUCMM's fixed and controlled assets. This new approach will allow management to monitor operations, identify business risks, and generate pertinent financial and non-financial information. To be more specific, it will provide reasonable assurance that:

1. Transactions are executed in accordance with management's authorization.

2. Transactions are recorded as necessary to permit the preparation of accurate financial statements and to maintain accountability of the organization's fixed assets.
3. Fixed assets are periodically compared with the accounting records, both to
determine the accuracy of the records and to account for these assets.

- **Purchase the assets (Procurement)**

Currently PUCMM has a purchasing office, which has policies and procedures in
place. In a fixed assets management process, this role does not affect the process if it is
done by another entity within the organization. It is suggested that this function
continue to be carry out by the purchasing department.

- **Receive, inspect, inventory, store and distribute the assets**

At this moment, PUCMM has been completing most of this phase of the process.
Currently PUCMM has a receiving area where items are inspected upon arrival, stored
and/or later distributed to the end-user. The reception, inspection and distribution of
assets have followed the suggested model. On the other hand, the inventory and
storage of fixed assets has been done poorly. PUCMM does not have a fixed assets
inventory system that can be used to collect and record the necessary information of
each item. Starting a year ago, an excel worksheet was the tool used to store information
regarding the institution’s asset. An excel worksheet cannot provide the necessary
reliability to maintain a correct inventory of fixed assets. Moreover, assets have not
being labeled in order to keep track of them in a more efficient manner.

In regards to the storage of fixed assets (new or surplus), this has been done poorly
as well. There is not an area with the necessary conditions to store new or surplus fixed
assets. At this point, these assets are being stored with other items that can potentially
damage PUCMM’s new fixed assets.
In this case, the suggested model will handle the inventory and storage of fixed assets with a more efficient approach. This model will use a fixed assets inventory management system to record all necessary information related to each fixed asset. In addition, it will require a better infrastructure and conditions for the storage of property. This can be accomplished with the financial support of upper management.

- **Repair and maintain the assets**

  PUCMM lacks complete and reliable information about which fixed assets need periodic maintenance, and which assets have a high risk for potential damages if neglected and/or not appropriately maintained. In the short term, repair expenses could increase due to the lack of expertise in the repair arena by potentially damaging the asset. Equally as important, if repairs are done poorly, additional and higher repair costs will be incurred. Furthermore, when maintenance is neglected, repair expenses will rise. Therefore, it is critical that purchase, maintenance, and lifecycle management information should be captured and managed; as well as to ensure that the maintenance staff are well trained and appropriate maintenance contracts are in place, where needed. In addition, a maintenance module is recommended in order to make the entire process more efficient. Financial support of upper management is needed to accomplish this phase.

- **Dispose of damaged, obsolete, or unneeded fixed assets**

  PUCMM has not clearly defined what constitute damaged, obsolete or unneeded fixed assets. Instead, the disposition of these assets has been done empirically.
unneeded fixed assets but they are not enforced. Many times the disposition is not done according to procedures in place; instead some departments will dispose of fixed assets without notifying the proper entity.

The new process will define and enforce clear procedures on how to dispose of damaged, obsolete or unneeded fixed assets.

- **Record and report fixed assets transactions**

Accounting records of PUCMM’s fixed assets have not been kept or maintained correctly. PUCMM’s accounting department does not have an accurate, reliable or current ledger that can account for all the university’s fixed assets. Moreover, total value, useful life and depreciation conditions of an asset are not clearly known. Fixed asset transactions have not been accomplished correctly either. For instance, when an asset is transferred from one department to another, proprietary funds should be updated. At this point, the update of proprietary funds is not being accomplished. One can say that PUCMM’s accounting reports and records of fixed assets are not a reliable source of information.

The new fixed assets management process will be able to provide accurate, reliable and updated information about all fixed assets. In addition, it will be able to provide necessary reports about all fixed assets transactions. This will be accomplished by maintaining a general fixed assets account in which all transactions automatically update fixed assets records.
Monitor and evaluate the fixed asset management process

This last stage of the process will be a new element to the organization as part of the new process. Periodically monitoring and evaluations for the various fixed assets management processes will be performed. The information gathered will be used to modify, enhance or create new processes.

Current Process Vs New Process

In chapter two an ideal fixed assets management process was described based on nine criteria as steps to follow for this new process. Chapter four presents what the current process at PUCMM for managing its assets is, and moreover, the benefits that the suggested process will provide if implemented. The following matrix explains the previous information in a more condensed manner and demonstrates how the new process will be of value to PUCMM.
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<td>Reduces risks for damaged assets</td>
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<td>Reliably and accurate reception of inventory, storage, and distribution of assets</td>
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<td>Generates non-financial information</td>
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<td>Ensures that processes are in place and followed</td>
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<td>Reduce administrative staff</td>
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<td>Process Criteria</td>
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Table 4.1: Current Process vs New Process
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<th>New processes or creation of</th>
<th>monitoring and evaluation of all fixed assets</th>
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<td>Recording and reporting fixed assets transactions</td>
<td>Assets uncleared and fixed assets transactions report</td>
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<td>Unnecessary fixed assets</td>
<td>Unnecessary fixed assets will be disposed of properly</td>
<td>Fixed assets will be disposed of properly</td>
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<td>Fixed assets</td>
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<tr>
<td>Disposal of fixed assets</td>
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<td>Fixed assets will be disposed of properly</td>
<td>Fixed assets will be disposed of properly</td>
</tr>
<tr>
<td>Maintenance</td>
<td>Maintenance module</td>
<td>Maintenance of fixed assets</td>
<td>None</td>
</tr>
<tr>
<td>Costs for repairs and distribution</td>
<td>Asset information</td>
<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>
Conclusions

As stated many times before along this document, fixed assets are the backbone of an institution’s day-to-day operations. In addition, these items are of high costs and require to be managed as efficiently as possible. Although this is a vital management area for businesses, in many cases it is done inefficiently. It is fair to say that PUCMM is, among this vast category of businesses that has poorly managed its fixed assets.

The present chapter provided vivid explanations about the inadequately fixed assets management PUCMM has carried out. PUCMM’s inefficient practices regarding fixed asset management are a direct result of poor planning and the absence of clear policies, procedures and/or controls. The inventory and storage, as well as the recording and reporting of fixed assets transactions, are some of PUCMM’s major weaknesses in regards to the management of its property, to the point that there is few to none information in this regard. Moreover, the lack of a maintenance and repair module, along with clear definitions and procedures of what constitute the disposition of damaged, obsolete or unneeded fixed assets, represents another area that needs major improvements and/or restructure.

In conclusion, all processes, procedures and controls regarding the management of fixed have been very inefficient. As a result, PUCMM does not have a fixed assets management process that can provide reliable, precise, up-to-date, and fast information about the institution’s property. Furthermore, PUCMM does not know what are its fixed assets, their current condition, or how well these items are maintained.
Recommendations

After findings provided in this research and the comparison matrix presented above, it is now useful to provide some recommendations for measures to put in place and activities to be carried out. These recommendations will allow PUCMM improve the management of its fixed assets and reduce hidden costs associated with the inefficient management that has been carried out up to this point.

The following recommendations are divided in two groups. The first group includes general recommendations based on literature review and best practices. The second group will include the most urgent (present-day) recommendations that should be put into practice in the near future, and for most of which financing is required as rapidly as possible.

General Recommendations

1. Redefine all policies, rules, procedures and controls related to fixed asset management, based on best practices, and the needs of the institution.

2. Planning should be based on reliable, up-to-date and concise information in order to enhance the decision-making process.

3. Create a fixed assets management manual with all information regarding the management of fixed assets.

4. Provide training about the different fixed asset management processes in which other departments are involved.

5. Implement a maintenance module to provide proper maintenance to the organization’s assets.
6. Outsource maintenance and/or repair for high-tech equipment in order to reduce operation costs and potential damages to assets.

7. Continuous monitoring and evaluation of all fixed assets management processes to be implemented, with the purpose of encouraging continuous improvement along all phases.

Specific Recommendations

1. Re-structure PUCMM's centralized fixed assets department with enough delegation of authority according to its responsibilities

2. Implementation of a new fixed assets management process based on the criteria discussed on chapter two (2).

3. Selection and implementation of an integrated fixed assets management system in order to make the entire process more efficient and provide reliable, up-to-date and fast information on fixed assets.

4. Once an integrated fixed assets management system is selected, a physical inventory of all PUCMM's fixed assets should be conducted, to create a new database with current information.

5. Build or designate an area specifically for the storage of new and/or surplus fixed assets.

Taking into consideration all findings and recommendations, it is suggested that the following process flow chart be implement as it covers the criteria from recommended fixed asset management process to be used at PUCMM. The chart gives a better idea of
how this new process will work and its interaction with other departments within the organization. (See Figure 4.1)

**Recommendations for Further Research**

After previous general and specific recommendations, further studies in areas considered as critical, are recommended. The analysis of PUCMM's fixed assets is highly recommended, since this institution lacks information of all aspects regarding its fixed assets. In addition, the collection of data from this study will provide the necessary information to be feed to a new integrated fixed assets management system.
Suggested Fixed Assets Management Process
References


[http://www.admin.cam.ac.uk/offices/finance/training/manuals/ft_fixed_assets.pdf](http://www.admin.cam.ac.uk/offices/finance/training/manuals/ft_fixed_assets.pdf)


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http://www.fin.ucar.edu/property/propmanual/propmanual_toc.html


Appendix A

Questions used for interviews

1. What fixed assets does the institution have?
2. Does the institution know the cost of all its fixed assets?
3. Does the institution know where its fixed assets are currently located?
4. How is the receiving and distribution of fixed assets being carried out?
5. Are fixed assets classified by category? What are the categories?
6. Is the institution reporting depreciation on its fixed assets? How is this being accomplished?
7. Are fixed assets being insured? How? What type of insurance policy?
8. Are fixed assets being tracked? How?
9. Are fixed assets being labeled and/or registered?
10. Who is accountable for the institution's fixed assets?
11. What is the acquisition process for fixed assets?
12. How often are fixed assets inventoried?
13. How are the transfer, deletion, and/or retirement being accomplished at this institution?
14. How are the loss, theft and/or destruction of fixed assets being managed?
15. How are donations being handled?
16. How fixed assets are being stored?