Accenture Management Consulting

Property Management & Accountability (PM&A)

A Modern Approach to Coordinating Operational & Financial Management Functions in a FIAR Environment

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What is FIAR?

DoD initiative to obtain and sustain auditability pursuant of the CFO Act of 1990

- While FIAR is a DoD endeavor, same concepts apply to other federal entities, state and local, and universities and/or research institutions (that use federal grants)
- State and local entities farther ahead based on requirements to maintain balanced budget
- Other federal entities have obtained audit opinions, but are still addressing control weakness and other deficiencies
- For logistician - key focus bridges Property Accountability (Wave 3 – Existence & Completeness) and Accounting (Wave 4 - Valuation)
- What FIAR is not:
  - Compliance Fire Drill
  - “Check-Mark” for the Bean Counter
## Auditability – Not Just a Compliance Exercise

Myriad of benefits, particularly using property metrics to benefit budgetary and other business decisions

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<th>Asset Lifecycle Management</th>
<th>Performance Management</th>
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A Fragmented Approach

Most agencies divide responsibilities for property management and property accountability, creating significant obstacles to visibility, compliance, and efficiency.

Inadequate Policies & Procedures
- Policies are often incompatible with FASAB and FAM standards
- Procedures do not reflect coherent, cradle-to-grave processes to support lifecycle management
- Responsibilities for asset stewardship, accountability, and financial reporting are fragmented

Stove-Piped Organizational Structure
- Logistics, acquisition, and financial departments interact with and track assets for different purposes
- Coordination between departments is ad hoc and reactive
- Those who purchase, inventory, maintain, and dispose of assets are not responsible for

Disconnected Systems & Data
- Property data is stored in multiple systems, obscuring enterprise visibility
- Systems that track lifecycle costs for asset management are not connected to systems that report asset values and totals
Property Accountability Today

As accountable property is managed throughout the asset lifecycle, financial records must be updated to reflect changes in ownership, value, and condition.

Property Management (Logistics & Acquisition)

- Procure
- Receive
- Install
- Repair/Upgrade
- Dispose

Financial Management

- Do I have the right mix of assets?
- Are my assets in the right place?
- What is the value of this asset?
- Are these assets being reported accurately?

Financial Positioning & Accountability

- Presentation & Disclosure
- Rights & Obligations
- Existence & Occurrence
- Compliance & Accuracy
- Valuation & Allocation
Enabling coordination between operational and financial management functions to provide enterprise visibility into lifecycle management activities and costs.

**PM&A Transformation Objectives**

**As-Is**

*Two separate functions operating with limited perspective*

- Manual Data Gathering
- Time Consuming
- Incomplete
- Ad Hoc Timing
- Error Prone

**PM&A Approach**

*Holistic, integrated focus on logistics and accounting as a core business function*

- Automated
- Real-Time
- Accurate
- Auditable
- Traceable
How Do We Get There?

Results from an as-is assessment recommend strategic action across financial and logistical domains to achieve targeted outcomes.

- Centralize data and systems of record
- Integrate systems and capabilities
- Tone-at-the-top
- Clarify policies, roles, and responsibilities
- Standardize processes and workflows
- Review and revise training content
- Develop process leaders and champions

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<tr>
<th>Technology</th>
<th>Process</th>
<th>People</th>
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<td>Enterprise Visibility</td>
<td>Targeted Outcomes</td>
<td>Total Cost of Ownership</td>
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<td>Inventory Accuracy</td>
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FIAR Utopia

Requisite fundamentals for PM&A High-Performing Organization

- ISO 55000 compliance
- Tone-at-the-Top
- Detailed procedures
- Risk management
- Mature acquisition cycle and contract structures
- Developed workforce
  - Robust training in place that focuses on development across enterprise
    - Cross-Training
  - Significant experience
  - Fund appropriate Property-related professional certifications
- Robust EAM(s) with cost accounting ties to financial system(s)
- Analytics to support life-cycle management and decision making
Where do you fit into the organization?

Daily logistical operations have direct bearing on fiscal accountability

- Non-Government Operated Facilities – GOCO (Government Owned, Contractor Operated) & COCO (Contractor Owned, Contractor Operated)

- Government Operated Facilities – GOGO (Government Owned, Government Operated)
  - Do you manage GFP / CAP at a contractor-run warehouse or university?
  - Possible duties include:
    - Acquisition
    - Contract Management
    - Asset Record Management
    - Warehouse Management
    - Inventory Management
    - Asset Lifecycle Management
    - Disposal
    - Contract Closeout/Plant Clearance
Reporting Challenges

Warehouse Stock and/or Repairables (contractor or government industrial facility)

• Assets transferred by other owning organizations for retrofit, maintenance, modernization, or disassembly
• Retaining ownership (unless item is an exchange)
• Reporting back to owners on status
• Alignment with contract CLINs and SLINs
• Accounting treatment (purchase v. consumption method)
• Financial manager v. logistician responsibilities
Reporting Challenges

RDT&E Asset Life Cycle Management

• Matrixed Financial Manager and Logistician Responsibilities
  – How to track assets continuously in development?
  – Specialized accounting treatments for scenarios and asset types
    • Construction-in-Progress (CIP)
    • Buildings and Structures
    • Equipment
    • Consumables
    • Internal Use Software (IUS)
    • GFP
• Construction-in-Progress (CIP) reporting (full book value, no depreciation) completed by EVM, cost accounting, or other project estimating methods
  – CIP reported as EVM, project-based reporting, or other methods
• Capitalized for amortization when accepted by government and activated for us
  – Select portions of asset development are expensed instead of capitalized
• Multiple contracts and/or other acquisition methods tracked through configuration management
  – Raw materials and labor tracked through manufacturing process per WBS format
  – Internal Use Software (IUS) components use different capitalization criteria where nearly everything outside of development costs and small enhancements are capitalized
  – Trading partner information must be tracked and reported to buyer and seller
• **Challenge**: How is Program Manager and/or Logistician tracking and reporting the configuration management to the asset’s record?
• Capital improvements may require special treatment
  – Improvements that enhance functionality but do not extend useful life are capitalized over duration of component or parent asset, whichever is less.
  – Improvements that extend useful life are capitalized over new (amortization schedule for parent asset is extended)
  – Same exceptions noted in previous slide still apply

• **Challenge**: How is Program Manager and/or Logistician tracking and reporting the configuration management to the asset’s record?
Reporting Challenges

RDT&E Asset Life Cycle Management – Decommission

- Asset is fully depreciated and/or written off
  - Salvage value reporting
  - Disassembly and/or sale of components and raw materials
- **Challenge:** How is Program Manager and/or Logistician tracking and reporting the configuration management to the asset’s record?
Where do we start?

Engage! Transparency is paramount.

• Financial managers and auditors rarely understand the complexities of property management
  – Voluntary, proactive engagement allows for more manageable outcomes vice forced compliance
  • Work to marry intended goals to delivery plan via transparent design

• Help the auditors understand!
  – Understand intent of ask and provide insight into processes, internal controls, systems, data, documentation, et cetera
  – Document organization’s appetite for risk
  – Validate whether alternatives will suffice requests
  – Capture lean activities of compliance requirements against workflow efficiency

• Assist in the review of auditors’ findings and development of sound corrective action plans