Federal Solutions for Asset Lifecycle Management
Assessing Internal Controls

32 Material Weaknesses: identified in FY12 with deficiencies noted in the management of nearly 75% of the Federal government’s property
US federal agencies rarely make asset lifecycle management a priority. Often, the only time it does become a priority is when auditors identify a material weakness or significant deficiency in this area and a Corrective Action Plan (CAP) is required to address it.

This mindset has serious consequences for agency operations. Each day, property managers contend with inefficient and decentralized systems and processes, redundant or inconsistent databases, few metrics, and little communication among departments. As a result, they are poorly equipped to meet federal mandates, deal with unpredictable budget priorities and respond to an unending flow of information requests. Property managers focus on tactical concerns and immediate issues, with little time for effective planning or long-term strategy.

Accenture believes that federal agencies can overcome these challenges by adopting a comprehensive, integrated approach to asset lifecycle management. This approach can allow property managers to be more responsive and improve their compliance with internal controls and other mandates. It can enable them to be more proactive and strategic. And, in an era of declining budgets and increasing pressure to get the most out of an agency’s assets, it can help them find innovative ways to reduce costs and improve asset performance overall.

The challenge for federal agencies

Our work with federal agencies and private sector clients has helped us pinpoint key factors that significantly hinder organizations’ ability to manage their assets effectively. Addressing and overcoming these obstacles is essential if agencies are going to successfully adopt more effective asset lifecycle management practices.

The root of the problem: decentralization

Decentralization is at the root of federal agencies’ struggle to manage their assets effectively. The people responsible for asset management, maintenance and usage are scattered throughout the agencies. They store asset information in their local databases, rarely sharing their own data or referencing others’ data. Not surprisingly, they concentrate on meeting local or regional day-to-day obligations and tracking metrics for their operations alone.

As a result, property managers operate without being able to see the big picture. They make decisions and take action in isolation, with limited perspective and an incomplete understanding of end-to-end processes. This leads to unclear or overlapping management responsibilities, needless duplication of effort, ineffective reporting, poor decision-making and diminished internal controls.

Inefficient procurement compounds the problem

Decentralized, disconnected processes and systems also lead to inaccurate asset reporting, which in turn leads to inefficient procurement.

Poor asset reporting and procurement can have a considerable impact on an agency’s assets and budget. If asset use is not well monitored or recorded, staff cannot properly plan for replacements or...
upgrades or take advantage of warranties, rebates or trade-in allowances. Insufficient information about asset readiness and useful life causes inaccurate forecasts, persistent surpluses and shortages, and incorrect asset lifecycle cost projections—compounding forecasting and budgeting errors. Over time, this situation can create a widening gap between an agency’s mission and its asset portfolio.

Lost opportunities for improvement

Worse still, these weaknesses in asset lifecycle management practices mean that federal agencies are unable to seize opportunities for improvement.

Agencies don’t have the data they need to develop performance metrics. As a result, they have no way to integrate metrics into their assessments—and little to no insight into existing problems. The lack of metrics also means that agencies have no way to identify, much less build on, areas of improvement or strong performance. This reality makes it challenging for agencies to demonstrate CAP progress to external auditors or to quantify the value of implemented changes.

It is little wonder that agencies do not make property management a priority. They have no way to understand or quantify asset management operations and thus no reason to see it as integral to their success. And without a way to measure progress or success, agencies have no incentives available to encourage asset managers to achieve compliance and meet high standards, let alone reach for industry best practices.

Real-world asset lifecycle management: case study I

Large defense agency

Accenture has worked closely with a large federal defense agency that has had persistent and recurring problems with asset acquisition and lifecycle management since World War II. Budget changes and events around the world alter the supply of and demand for assets at a moment’s notice, necessitating both flexibility and efficiency in a comprehensive asset management strategy. Accenture provided a Predictive Asset Maintenance platform to deliver significant value and enable the agency to realize a 15–30 percent reduction in total maintenance costs (a 10-times return on investment) while decreasing fleet-related breakdowns by up to 75 percent.
Managing Substantial Public Investments

$855 billion: Net Property, Plant and Equipment (PP&E) held by the US Government as of September 30, 2012
Uncovering Actionable Insights

20–30% Reduction: in property inventories can be realized through increased asset lifecycle visibility
Transforming asset lifecycle management: a recommendation

Accenture’s experience helping private and public sector clients implement asset management best practices has given us unique insights into how federal agencies can transform their asset management function. We believe that adopting a comprehensive, integrated approach to asset lifecycle management can enable federal agencies to achieve a higher level of performance. This will allow them to be more responsive to shifts in budgets and direction and more compliant with internal controls and other mandates. Moreover, it will allow them to better quantify and improve asset performance and develop proactive strategies based on comprehensive, accurate data.

Step one: identify weaknesses in current practices

To rehabilitate flawed or neglected asset management, agencies should first focus on identifying the underlying problems at each stage of the asset lifecycle. Evaluating each stage of the lifecycle will help agencies uncover which areas require critical attention and intervention. Each agency will face unique challenges; internal and external dynamics differ, and the evolving fiscal landscape and political environment affect agencies in different ways.

We recommend that agencies focus their evaluation efforts on the current processes and associated reporting requirements across a number of key areas, including:

• Asset receipt and creation for inbound or newly discovered assets.
• Integration of asset data from legacy or other source systems.
• Creation of asset groups or relationships among assets.
• Asset installation and issuance, including how assets are assigned or checked in or out.
• Asset processes and procedures for donated property and contractor-acquired or contractor-held property.
• Asset maintenance, including how preventive or corrective (accident-related) maintenance activity is scheduled, assigned and recorded.
• Asset inventory and reconciliation.
• Asset disposal.
• Asset performance monitoring and analytics.

Diagnostic tools can help identify agency-specific issues that help generate ideas for analysis and testing.

Key steps to transforming asset management

- Identify weaknesses in current practices
- Implement best-practice tools and processes
- Conduct ongoing and long-term monitoring

How can we increase inventory accuracy?

- Improve our technology
- Improve our processes
- Improve our people

Hypothesis 1
Hypothesis 2
Hypothesis 3
Hypothesis 4
Hypothesis 5
Hypothesis 6
Hypothesis 7
From Compliance to High Performance

$30 million: saved annually by a federal agency through its centralized property management system

Real-world asset lifecycle management: case study II

Large civilian agency

Accenture helped a civilian agency integrate its multiple personal property systems into one centralized integrated supply chain system that allows users to track and report assets clearly, consistently and effectively. This solution also provides comprehensive fleet management capabilities, enabling the agency to apply best practices to drive down costs and increase fleet efficiency. With an emphasis on vehicle lifecycle management, Accenture provided an advanced Total Cost of Ownership (TCO) model and supported a rigorous process for evaluating vehicle utilization, resulting in a commitment to reduce its fleet by more than 15 percent. With a firm grasp on its asset portfolio worldwide, this agency is now pursuing other innovative cost-saving strategies, including an inventory optimization initiative to lower spending on warehouse maintenance and improve overall service levels.
Step two: implement best-practice tools and systems

Once agencies have identified the key weaknesses in their current asset management practices, they can then identify the tools or systems needed to remedy them. We encourage agencies to take advantage of leading commercial practices in asset management. The tools and practices developed over the years by the private sector can greatly accelerate agencies' efforts to centralize data storage, consolidate asset information and simplify data management.

In many cases, agencies will choose to address important deficiencies immediately and tackle lower-priority weaknesses at a later date. No matter the approach taken or the specific tools and systems selected, we believe there is great value in consolidating asset data into a unified system that integrates with existing financial and information technology systems and enables real-time status tracking. Taking steps to standardize asset management systems and processes agency-wide offers significant benefits:

- It makes it easier to store, access and report asset information. Changes in asset location, cost and condition can be updated easily, making asset inventory and reconciliation more accurate.
- It eliminates the costs of maintaining multiple systems, improving data integrity and greatly reducing the need for manual data entry.
- It improves visibility and transparency around asset management, asset processes and historical asset data.
- It enables agencies to more effectively enforce internal controls and meet financial reporting and other regulatory obligations.
- It helps agencies achieve cost savings by enabling more effective decision-making based on agency-wide data, preventing wasteful spending on new or expiring assets.

In implementing new asset management tools and processes, agencies should concentrate on optimizing activities that improve visibility, reduce costs, and maximize asset value. The featured strategies below can be compiled with others to create an agency's customized Asset Lifecycle Management Toolkit.

Asset Lifecycle Management Toolkit

**Procure Asset**

**Maintain Asset**

**Dispose Asset**

**Improve Compliance and Visibility**

1. Vendor Shipment and Receipt Tracking
2. Allocation Methodology
3. Asset Performance Tracking
4. Automated Inventory and Reconciliation
5. Intelligent Maintenance Scheduling
6. Inventory and Network Optimization
7. Disposal and Failure Tracking
8. Warranty Management
9. Reutilization of Excess Property

**Reduce Costs**

**Maximize Value**
Real-world asset lifecycle management: case study III

Commercial electronics company

Accenture leverages its experience working with commercial clients to bring best practices to the federal sector. Accenture collaborated with a large commercial electronics company to provide a wide-scale IT asset management solution. By developing integrated systems to manage the company’s hardware and software asset inventories, Accenture provided a value-based solution that delivered cost savings and strengthened compliance with software licensing practices. In addition, Accenture's solution provided in-depth, effective risk management tools to the company to ensure ongoing success.

Agencies should take a structured approach to continuous improvement.
A better, smarter approach to asset management

Implementing an integrated, organization-wide asset lifecycle management system is an investment that can have a significant and long-term positive effect on the operations of any federal agency. It can help agencies overcome the problems inherent in the decentralized, disconnected systems and processes that currently prevail, such as inaccurate data, little visibility and transparency, with operations driven by local perspectives alone. It can enable agencies to make better, smarter decisions based on comprehensive and accurate information, focus on long-term strategy and agency-wide planning and respond far more effectively to changes in budgets and mandates.

An integrated asset management system will also transform the day-to-day experience of those responsible for asset management. With complete visibility into their assets, they will know where each asset is and why and worry less about losing sensitive assets. They will know when maintenance is needed, when warranties are expiring, and when and how they should replace expiring assets. They will be able to make procurement decisions based on facts rather than on guesswork or prior practice, adopting a more modern and efficient just-in-time model instead of simply stockpiling.

Moreover, agencies and their property managers will be able to work together to identify and replicate best practices across the organization—a development that will help agencies achieve and sustain much higher levels of performance in the years to come.
About the authors

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