Ken Bannister Contributing Editor

Interested or not, most of us are becoming quite familiar with the concept that "accounting makes the world go around." In recessionary economic times like these, corporate fiscal restraint is inevitable. That makes it tough to push new initiatives to the starting gate and, more importantly, to defend spending on initiatives already in motion.

In both our business and personal lives, good accountancy is essential for well-being. It also provides early warning for any needed change to protect that state of well-being. When affairs are awash in red ink, it is difficult to approach any activity in a proactive manner.
Many business decisions are based on simple accountancy criteria requiring validated answers to such questions as:

- "What is the total cost?"
- "What is the return on investment (ROI)?"
- "Are we within budget?"
- "Can the budget be cut?"

As with every other corporate department billing to a cost center or project, the maintenance department must provide answers to the accounting department—the holder of the corporate purse. These answers are what justify each application for capital expenditure, budget expansion or simple budget retention!

**Defining roles**
For most maintenance practitioners, the perception of a maintenance/accounting relationship does not exceed recording and passing along time and material expenses against a G/L (General Ledger) account code number, from which an annual maintenance budget may be formulated. Often, the accounting department's perception of maintenance is equally vague.

That's because accounting may perceive maintenance purely as a statement of debit against the corporate ledger — which is a legacy of historically having been viewed as a cost center and rarely as a profit center.

If maintenance is to be judged fairly and have any chance of receiving reasonable access to scarce funds, it must define a proactive role in the maintenance/accounting departmental relationship through exploration within the following areas:

- Work with the accounting department to determine any relevant financial information and data useful to facilitating accounting activities, currently collected as part of the CMMS data, and deliver weekly or monthly reports from the CMMS. Such financial information can include monies spent on parts, internal labor, external labor, by project, account code, contractor, etc.

- Determine how maintenance can support accounting in its preparation of budget planning. This can include forecasting PdM and PM contracts with third party contractors, investigation of preferred supplier contracts and Vendor Managed Inventories (VMI) arrangements.
- Work with accounting to determine ROI parameters required to ensure successful submissions of cost/benefit analysis reports for special funding or budget extensions.
- Include the accounting department in all relevant maintenance communications.

While it is the maintenance department's role to furnish budget plans to the accounting department, it is the role of the accounting department to assist and provide the maintenance department with quality feedback. Both parties must work together to establish guidelines for budget submissions to ensure submission consistency.

Submission guidelines need to be published and circulated to all accounting and maintenance personnel for future reference.

As with all departmental relationships, it is incumbent upon the maintenance department to learn how the accounting department likes to receive information. The maintenance department may be successful in attracting the favor of upper level management with an improvement proposal, but unless the accounting figures are complete, and fall within the corporate funding guidelines, the new program or purchase could continue to be nothing more than a proposal.

**Past performance**

During the infamous 1990s downsizing era, the majority of maintenance departments were subjected to deep budget cuts. At that time, most were not ready to defend their programs.

Consequently, these departments suffered huge losses in capital expenditure budgets and major losses to maintenance operating funds—for what should have constituted acceptable maintenance expenses.

In the early 1990s, maintenance departments that could articulate in "bottom-line" terms the economic consequence of deferred maintenance as a direct result of the budget slashing didn't merely save their existing budgets. They also were able to capture additional funding for cost-saving initiatives. The tool these successful organizations used was the "Cost/Benefit Analysis" report. This is a report prepared by maintenance to show the impact of maintenance budget cuts.

Any report prepared for the accounting department should allude directly to profit and loss and ROI. By preparing a statement of record and using terms such as "return and investment," the maintenance department does not only reflect good business practices, it also demonstrates a desire to contribute to the corporation's bottom line. Clearly, this type of statement requires upfront research and planning. The effort, though, is worthwhile if your submission receives serious consideration from management and accounting alike.

**The real ROI**

To invest in something is to dedicate funds and/ or time to a project expected to yield a profit or income—profit or income only commencing once the initial funding or capital has been paid for. The time period between the release of funds and the payback of the funds through the profit or generated incomes is the "Return On Investment" period. It could range from minutes to years and varies enormously depending upon the application or project. Generally speaking, the faster the ROI period, the better chance the program or purchase has.

If a maintenance department is to survive recessive times, it must understand ROI and work intensively to understand the fundamentals of a partnership between itself and the accounting department. **MT**

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