



SoloTruth Asset Relationship Management (ARM)
INDUSTRY REPORT

The Asset Truth Gap

Ghost assets, audit exposure, and the cost of physical-to-financial drift in warehousing and distribution.

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What this report covers

The gap between what your fixed asset register says you own and what physically sits on your floor. Why it exists by design. What it costs on the balance sheet and in the audit. And the standard that closes it: continuous verification, run by the operators who already work the assets every day.

The register is a static snapshot. The floor changes every shift.

Every warehouse and distribution operator runs its fixed asset register inside an ERP. That register records what the company believes it owns: forklifts, racking, conveyor systems, refrigeration units, dock equipment, handheld scanners. It is updated by accountants, on a schedule. The assets move, break, get cannibalized, and get replaced every day. **That is the gap.**

Kroll Advisory, the firm that runs more than 8,000 fixed asset engagements a year across 36 countries, reports that 10% to 30% of assets on the average fixed asset register are ghost assets. These are assets the company still depreciates, insures, and pays property tax on that no longer physically exist. Kroll also finds that up to 65% of asset records contain errors, missing data, or outdated information that makes them unreliable for financial reporting.

For a logistics operator, that gap is not a rounding error. It inflates depreciation, distorts insurance, corrupts capital planning, and turns audit season into a scramble. And it is getting more expensive to ignore. In 2024 long-lived assets became the number one internal-control audit deficiency area in the PCAOB's inspections, even as overall audit quality improved. Regulators are escalating scrutiny on fixed assets specifically.

This report makes three arguments. First, the accuracy gap is structural, built into how ERP systems are designed, not a discipline problem you can fix with better data entry. Second, the cost is larger and more diversified than the single line most finance teams measure. Third, there is now a better standard than the annual physical count: **continuous verification**, performed by the people who already operate the assets, reconciled directly into the system of record.

10% to 30%

of assets on the average fixed asset register are ghost assets that no longer physically exist. Source: Kroll Advisory, December 2025.

PART ONE

The Gap: Why Your Register Drifts From Reality

It is a design constraint, not a data-entry failure

The instinct is to treat asset drift as sloppiness: someone forgot to file the paperwork. The real cause sits deeper. In SAP, Oracle, and Microsoft Dynamics, the physical tracking modules and the financial fixed asset subledger are not natively connected. That is a design constraint, not a configuration problem. ERP fixed asset modules were built to record the financial lifecycle of an asset. They were not built to verify that the asset physically exists.

So when a physical change happens, a reach truck is retired, a conveyor motor is swapped, a chiller is moved between sites, someone has to file a journal entry to reflect it. In most operations, that entry never arrives. In SAP specifically, the Plant Maintenance module does not write back to the Financial Accounting Fixed Assets subledger by default. Asset retirement transactions apply to whole assets, not components, so partial retirements require manual journal entries that rarely get made.

The result is two failure modes, not one. **Ghost assets** are on the books but gone from the floor. **Zombie assets** are the inverse: real equipment in active service that never made it onto the register, often because it was bought below the capital-review threshold on a purchase order or P-card. Both distort the balance sheet. Kroll names both in the same research.

Why warehousing and distribution feel it hardest

Asset drift is driven by asset mobility, not by how capital-intensive a company is. Warehousing and distribution is a high-mobility environment: assets move between aisles, sites, and client contracts constantly. Three patterns make the gap acute for logistics operators.

- **Constant physical movement.** Forklifts, reach trucks, scanners, and mobile racking relocate daily. The register assumes a fixed home the asset no longer has.
- **Commingled ownership in third-party logistics.** Customer-owned, 3PL-owned, and leased assets sit side by side across client contracts and sites. Telling them apart on the ledger is a finance problem specific to contract logistics, and a hard one.
- **Field and floor procurement.** Operations staff buy replacement equipment and components below the threshold that triggers formal capital procurement. If those purchases meet capitalization criteria, leaving them off the register is a completeness failure, not a grey area.

These operators are not short on sensors. Omdia's 2025 IoT Enterprise Survey found logistics has the highest asset-monitoring adoption of any vertical, above manufacturing. The monitoring layer exists. It just does not reach the financial subledger. The data is captured. The reconciliation is not.

Stationary asset monitoring adoption, by vertical



Logistics leads every vertical. Source: Omdia IoT Enterprise Survey 2025 (n=603).

Logistics already leads every vertical on asset monitoring. None of it reaches the fixed asset subledger.

PART TWO

What Asset Drift Actually Costs

Most organizations measure exactly one cost of asset drift: phantom depreciation on ghost assets. That is less than one-third of the real exposure. A complete view spans eight cost categories, most of which never appear on a single line anyone reviews.

The eight costs of asset drift

Most finance teams measure only the first. It is less than a third of the exposure.

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|--|--|
| 1 Phantom depreciation, tax, and insurance on ghost assets | 5 Capital over-investment (duplicate CapEx) |
| 2 Depreciation schedule errors | 6 Useful-life and replacement-timing errors |
| 3 Asset valuation errors and false impairment | 7 Maintenance on assets that no longer exist |
| 4 Audit and compliance labor | 8 Regulatory and compliance risk |

Modeled exposure: **\$1.45M to \$4.05M a year**

At \$100M gross fixed assets, 15% ghost rate. Modeled estimate, not a customer result.

How to read the exposure

SoloTruth's ROI model, built on category inputs validated against Kroll, Manufacturers Alliance, and PCAOB data, puts modeled gross annual exposure at **\$1.45M to \$4.05M** for an organization with \$100M in gross fixed assets and a conservative 15% ghost rate. These are modeled estimates, not customer results. The point is not the headline number. It is the shape of it: audit labor alone, just one of the eight categories, is modeled at roughly \$237,000 a year for a typical mid-market operation, which on its own often covers the cost of a verification platform. Everything else is upside.

The right way to read exposure is payback, not absolute dollars. Across standard scenarios the modeled payback period lands **under six months**. For context, accepted customer-acquisition payback benchmarks run 18 months for a mid-market buyer. A sub-six-month payback on an internal control investment is a different order of decision.

Results illustrative only. Actual outcomes vary by implementation.

The audit is where drift becomes visible

A dirty register is a quiet problem until an auditor arrives. Then it is loud. PCAOB inspection data shows long-lived asset deficiencies at large firms doubled from 2 to 4 in 2024, even as overall deficiency rates improved from 46% in 2023 to 39% in 2024. Fixed assets are the one area moving the wrong direction while audit quality broadly improves. The PCAOB cited two specific failure types: substantive testing failures on impairment of long-lived assets, and failures to identify and test controls over long-lived assets and depreciation.



The regulatory ground is also shifting under technology-assisted work. The PCAOB's amendments to AS 1105 (Audit Evidence), effective for fiscal years beginning on or after December 15, 2025, sharpen the auditor's responsibility to evaluate the reliability of electronic information used as evidence, including data produced through technology-assisted analysis. The implication for operators is direct, though it is an implication and not a rule aimed at companies: an ungoverned, undocumented verification process makes evidence reliability harder for your auditor to establish under the heightened standard. A governed pipeline makes it straightforward.

There is a valuation trap hiding in the same data. Under ASC 360, ghost assets inflate the carrying value of an asset group. That inflation can push a Step 1 recoverability test past the failure threshold when the real assets would have passed, triggering a mandatory and expensive Step 2 fair value measurement. In plain terms: **if your ledger says an asset is worth more than it is, you may be carrying an impairment event you do not know about yet.**

Two forcing functions worth watching

For operators running SAP ECC, the S/4HANA migration clock is a live trigger. Roughly 17,000 ECC holdouts are projected by 2027, when mainstream ECC maintenance ends. Fixed asset accuracy is one of the most common technical blockers in these migrations. Horvath Partners, in a study of 200 migrations, found 65% exceeded budget, with data quality failures the leading cited cause. You cannot migrate your way to a clean register. The dirty subledger has to be resolved before the project hits the wall.

For operators with significant EU exposure, CSRD and its ESRS E1 standard require reporting assets at material physical climate risk down to district-level geographic coordinates. ERP systems track assets at cost-center or plant level. They cannot satisfy that without a physical verification layer. This is an emerging analyst and compliance angle rather than a universal near-term trigger, but for multinational operators it is real.

PART THREE

Why Now: The Problem Went Mainstream

Physical asset verification has been an unsolved problem for as long as there have been balance sheets. What changed in 2026 is that the problem became visible, urgent, and technically addressable at the same time.

In April 2026 the Wall Street Journal ran a front-page feature confirming that auditors still physically verify assets by hand, climbing grain bins, counting inventory in freezers, walking floors, because no technology solution has replaced the manual count. Drones cannot count items under covers and are largely ineffective indoors. KPMG's US assurance leader, Christian Peo, is on record that AI-assisted physical verification is coming: as he put it, AI can count something faster than a human can. The largest accounting firms are anticipating the shift. Front-page placement in a mass-market publication signals the problem is now mainstream, not a niche accounting concern.

The reason auditors are still climbing grain bins is not that machines cannot count. It is that nobody built the layer between physical reality and the system of record: the layer that maintains continuous



verification so you do not have to send someone out once a year to find out what exists. **That layer is the whole opportunity.**

The capture layer already exists. The reconciliation does not.

Logistics already runs asset-monitoring sensors at the highest rate of any vertical (Omdia 2025). None of that data routes into the fixed asset subledger. The gap is not capture. It is control.

PART FOUR

The Standard: Continuous Verification

The annual physical count was never the standard finance teams actually wanted. It was the most practical approximation available given the tools of the time. It is sample-based, backward-looking, and leaves roughly eleven months of undetected drift per cycle. The register is accurate on exactly one day a year.

The standard the audit cycle was always trying to approximate is simpler to state: **a register that reflects physical reality every day, not just on audit day.** Continuous verification is that standard. It rests on four elements: evidence captured at the moment of physical change, an orchestrated workflow that routes it, governed human review at the decision points, and direct reconciliation into the subledger.

The operators are already there

The breakthrough for warehousing is who does the verifying. Traditional audit sends specialists out periodically, at high cost and low frequency. RFID and GPS capture location continuously but say nothing about condition. Continuous verification puts a mobile inspection workflow in the hands of the people who already operate the assets: the forklift drivers, reach-truck operators, and floor supervisors who touch this equipment every shift.

You already know where your forklifts are. Your depreciation schedule does not. The operators closest to the assets record condition during their normal work. Data quality improves with volume, not with cost. There is no incremental audit headcount. This is a different architecture, not a marginal improvement on the annual count.

Approach	Who inspects	Frequency	Condition data	Scales?
Traditional audit	External or internal auditors	Annual or periodic	Yes, but stale	Poorly
RFID / GPS only	Automated sensors	Continuous	None (location only)	Location only
Continuous verification (ARM)	The operators who run the assets	Ongoing, every shift	Location, condition, evidence	With the workforce



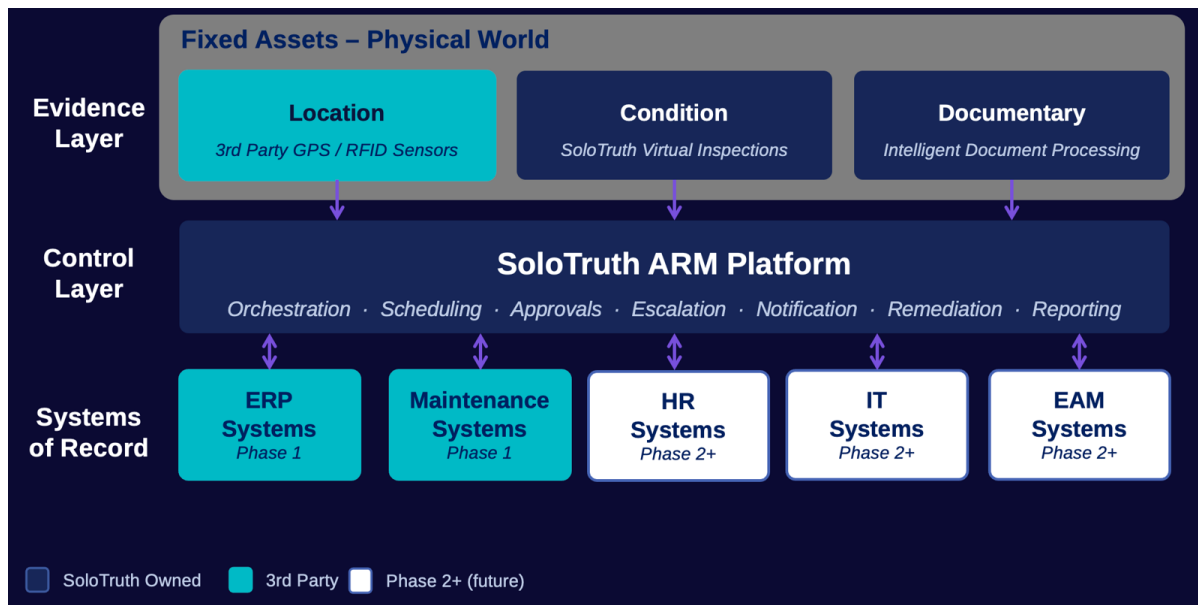
Three capture dimensions come together in one record: location (from GPS and RFID), condition (from field inspections by operators), and documentary evidence (photos, work orders, sensor data) captured at the point of inspection. No competing approach captures all three at scale. It is the fusion, delivered into the ledger, that is new.

Capture is not control

Continuous capture only matters if what happens next is governed. The highest-value asset events are exceptions, not routine reads: a missing asset, a failed inspection, a ledger discrepancy. Each is a decision with balance-sheet consequences. It needs a controlled process, not a dashboard.

SoloTruth ARM does not dump every location ping into the ERP. It decides when a change is material enough to warrant a write to the system of record, routes exceptions to a named human reviewer, records what evidence they saw and what they approved, and only then reconciles into the subledger. Automation proposes. Governance disposes. **The result is not more data. It is a verified, auditable result.**

SoloTruth ARM operates across three layers. The Evidence Layer captures physical reality. The Control Layer applies orchestration, human review, and policy. The Systems of Record layer receives verified updates into the ERP, financial systems, and compliance records. ARM sits above the ERP. It does not replace it.



Process software records history. Proof software verifies reality.

PART FIVE

A Five-Question Self-Assessment

Before evaluating any solution, finance and operations leaders can size their own exposure with five questions. Honest answers locate the gap.



- **Verification.** What percentage of assets on your register have been physically verified in the last 12 months?
- **Reconciliation.** When a forklift is retired or a component is replaced in the field, what mechanism updates the subledger, and how often does it actually fire?
- **Completeness.** How much field and floor equipment was bought below your capital-review threshold and never recorded?
- **Ownership.** In your third-party logistics sites, can you cleanly separate customer-owned, 3PL-owned, and leased assets on the ledger?
- **Defensibility.** If your auditor asks you to demonstrate that your asset evidence is governed and reliable under AS 1105, can you show the chain of custody?

If the answers are uncomfortable, that is the finding. The exposure is real, it is quantifiable, and there is a standard that closes it.

Model your own number, then let us walk through it

SoloTruth ARM is the continuous-verification platform for asset-intensive operations. It puts finance-grade field verification in the hands of the operators who run your assets, governs every financially material change through human review, and reconciles the result directly into your ERP. Your register reflects reality every day. Your audit prep stops being a scramble.

The most useful next step is a **30-minute strategy call**. We will walk through your asset base, your current verification cadence, and your specific exposure across the eight cost categories, and build the ROI case on your own numbers. Book directly at calendly.com/tim-harris-solotruth/30min.

About SoloTruth

SoloTruth, formerly VirtuSpect, is an evidence-based asset relationship management platform that helps enterprises reconcile asset truth across systems. Through AI-driven technology, SoloTruth orchestrates inspection evidence, smart tag location signals, and document-derived asset attributes to create a real-time control layer above ERP, compliance, and other enterprise platforms. The result is a verifiable system of truth for fixed assets, with an audit-ready evidence trail that scales across sites, teams, and third parties.

Learn more at solotruth.com.

Sources

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2. Cushman & Wakefield. Up to 30% of organizations lack an adequate structure to identify the assets they own (corroborating source).
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4. PCAOB, Amendments to AS 1105 (Audit Evidence), technology-assisted analysis. Effective for fiscal years beginning on or after December 15, 2025.



5. Omdia, "IoT Enterprise Survey: Summary Report, 2025," September 2025 (n=603). Logistics asset monitoring 71% stationary / 62% nonstationary; manufacturing 60% / 51%.
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7. Horvath Partners, study of 200 S/4HANA migrations. 65% exceeded budget, data quality failures the leading cited cause. Gartner projection of ~17,000 SAP ECC holdouts by 2027.
8. FASB ASC 360 (impairment of long-lived assets); IAS 16 (property, plant and equipment); ESRS E1 under CSRD. SAP Help Portal (PM-to-FI-AA integration).
9. SoloTruth ARM ROI model. Modeled gross annual exposure of \$1.45M to \$4.05M at \$100M gross fixed assets and a 15% ghost rate; category inputs validated against Kroll, Manufacturers Alliance, and PCAOB. Modeled estimates, not customer results.