



UNIVERSITY OF  
**TEXAS**  
ARLINGTON

**UNIVERSITY-OWNED iPad/TABLET COMPUTERS AUDIT**

**MARCH 1, 2013**

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**MEMORANDUM**

**TO:** James D. Spaniolo  
President

**FROM:** Ken Schroeder   
Director of Internal Audit

**DATE:** March 12, 2013

**SUBJECT:** University-Owned iPad/Tablet Computers Audit Report  
Dated March 1, 2013

***Executive Summary***

As part of FY 2013 Audit Plan, we have completed the audit of the University-owned iPad/Tablet computers. This audit was included in the audit plan at the request of management. The objectives of the audit were to determine the number of iPad/Tablet computers purchased with University funds and how they are being used. Additionally, reviews were conducted to determine whether University policies and procedures were being observed relative to these purchases.

The audit focused on transactions for the period April 1, 2010, which was the first month the iPad was sold, through May 21, 2012. As of May 21, the University had purchased 278 iPads and 120 Tablets for a combined total of 398 units. Our audit procedures validated this inventory; however, the inventory initially provided by Asset Management of 322 total units represented an accuracy factor of 81% of the combined total of 398 units.

These computers are used for educational and business purposes with only incidental personal use based upon a survey of 37 departments (31 academic and 6 administrative). Opportunities for improvement were noted in the following areas:

- Conducting spot checks on the department's inventory listing for accuracy during the year;
- Tracking and following up on all purchases made with Procurement Cards (ProCards) in a proactive and timely fashion;
- Tagging computers and adding assets to inventory in a timely manner;
- Providing training for departments.

We appreciate the assistance we received from the Asset Management staff throughout this audit. If you have any questions, please contact me at extension 2-2018.

**MEMORANDUM:** March 12, 2013

**SUBJECT:** University-Owned iPad/Tablet Computers Audit Report

Dated March 1, 2013

cc: Dr. Ronald L. Elsenbaumer, UT Arlington, Provost and Vice President for Academic Affairs  
Ms. Kelly Davis, UT Arlington, Vice President for Business Affairs and Controller  
Mr. John Hall, UT Arlington, Vice President for Administration and Campus Operations  
Mr. Ehren Wixson, UT Arlington, Executive Director, Business Services  
Ms. Julia Cornwell, UT Arlington, Director of Procurement Services  
Ms. Mary Burdette, UT Arlington, Assistant Director, Asset Management  
Mr. Brian Williams, UT Arlington, Asset Management Associate  
Dr. Pedro Reyes, UT System, Executive Vice Chancellor for Academic Affairs  
Mr. Alan Marks, UT System, Attorney – General Law Section  
Mr. J. Michael Peppers, UT System, Chief Audit Executive  
Ms. Moshmee Kalamkar, UT System, Audit Manager  
Mr. Ed Osner, Legislative Budget Board  
Mr. Jonathan Hurst, Governor’s Office of Budget, Planning and Policy  
Internal Audit Coordinator, State Auditor’s Office  
Mr. Ken Levine, Sunset Advisory Commission  
Report File

## ***Background Information***

The President of the University of Texas at Arlington (UT Arlington) is ultimately responsible for property in possession of the University. The Vice President for Business Affairs and Controller has been designated as the Property Manager. Responsibility for the day-to-day care and accountability of property has been delegated to the department heads. They are responsible for maintaining appropriate records, for completing an annual physical inventory of university property assigned to their departments and for ensuring that university property is used for official purposes only. The Asset Management Office (hereafter referred to as Asset Management) at UT Arlington is responsible for assuring that the state requirements and university procedures are followed.

As property items are acquired, they are tagged with a uniquely-numbered property tag and entered into DEFINE (the University's accounting system). This tag will include the statement "Property of UT Arlington." It is the University's procedure to affix a property tag to the property after it has been received and inspected by Central Receiving. For property that is delivered to the department without an inventory tag, Asset Management must be notified. Asset Management will assign an inventory number and tag the equipment in the department. If an item cannot be tagged due to its nature (i.e. size, use, material, etc.), the inventory tag will be affixed to a 5x7 card and the card will be retained in the department's inventory file for verification. The university has several procedures relating to asset management, which covers the following: Procedure 4-11: *Purchasing (ProCard) Program*; Procedure 2-43: *Responsibilities, Inventories, Reporting, and Tracking of University Property*; and Procedure 2-46: *Removal of Equipment from University Premises*.

The iPad is a line of Tablet computers designed and marketed by Apple Inc., primarily as a platform for audio-visual media including books, periodicals, movies, music, games, applications and web content. Its size and weight fall between those of contemporary smartphones and laptop computers. Additionally, several other manufacturers market Tablet computers under varying brand names, with features and functionality similar to that of the iPads. Both categories of computers are included in the scope of this audit. The possible risks of iPads/Tablets are that they are not being used for business purposes, not tagged and tracked in the asset inventory, not categorized as a controlled asset, and have the potential to get lost or stolen.

## ***Objectives***

The objectives of the audit were to determine the number of iPad/Tablet computers purchased with University funds and how they are being used. Additionally, reviews were conducted to determine whether University policies and procedures were being observed relative to these purchases.

## ***Scope and Methodology***

Our examination was conducted in accordance with guidelines set forth in the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System Policy - UTS 129 titled "*Internal Audit Activities*" requires that we adhere to the *Standards*. The scope of the audit covered transactions for the period April 1, 2010 through May 21, 2012.

Audit procedures consisted of testing the accuracy of the inventory of iPad/Tablet computers provided by Asset Management. Since the iPad computers were first sold beginning April 1, 2010, the approach to verifying the inventory was 1) to review purchases of iPad/Tablets from April 1, 2010 through May 21, 2012 (the start of this audit); 2) to compare the purchase transactions with the iPad/Tablet inventory listing of Asset Management, and 3) to determine if there were purchases of iPad/Tablets that were not included in the inventory of Asset Management. Internal Audit accomplished this through use of data analysis software. Additionally, a survey was taken of iPad/Tablet users (faculty and staff) to determine how they are using the computers. Interviews with Asset Management personnel were also conducted to obtain information on the processes, procedures and inventory of iPads/Tablets.

## ***Audit Results***

### **Inventory Comparison and Analytical Review of Inventory**

The initial inventory provided to Internal Audit by Asset Management reflected 264 iPads and 58 Tablets for a total of 322 units. Our analytical review of the DEFINE inventory download reflected that Asset Management's inventory was short by 3 iPads and 60 Tablets. Through additional analytical reviews and testing of computer purchases as documented below, Internal Audit identified an inventory of 278 iPads and 120 Tablets for a total of 398 units.

### **Analytical Review of Purchasing Transactions**

In order to validate the number of iPad/Tablet units, computer related purchasing transactions for the period of April 1, 2010 through May 21, 2012 were obtained via DEFINE downloads. Using the download file, a comparison was made of this file to the DEFINE inventory files using the document identification (Doc ID) field as the primary key. Any unmatched records were then reviewed to determine if there were any iPad/Tablet purchases that did not get set-up in DEFINE inventory files. The transactions in the purchasing download file were sorted and reviewed by transaction types such as VP1, VP2, etc. The results of these reviews are presented below:

VP1 - Small Purchase Order Payments

From the analytical review, there were 77 VP1 transaction records of which 111 computers were identified for further review. Out of the 111 computers, 12 had already been set up in inventory, 1 was stolen and 98 were in line to be set up in inventory. Within the 98, there were no iPad or Tablet computers that should have been set-up in inventory. Asset Management has added all but three of the 98 computers to the asset inventory -- as they are awaiting supporting documentation from the departments for these three. These computers were purchased over a six-month period ranging from December 2011 through May 2012.

As a best practice, when assets are purchased, they should be timely included in the inventory and tagged with a property tag. Asset Management attributed the delay in adding the computers to the asset inventory to the following reasons:

- Delay in receiving supporting documentation from the departments;
- Incorrect object code on transactions requiring supporting documentation from the departments for verification;
- Learning curve for new staff.

VP2 - Payment Voucher Service Requests

Using the same methodology above, we reviewed 82 VP2 transaction records of which 23 computer purchases were identified for further review. Out of the 23 computer purchases, 12 had already been set-up in inventory, and 11 were in line to be set up. Within the 11, there were 2 iPads and 2 Tablets that should have been set-up in inventory. These computers were purchased over a period from October 2010 through May 2012. These items have now been included in the DEFINE inventory.

VT5- IDT Original Charges

No issues surfaced in our review of these interdepartmental transactions (IDT).

VT6 - Documents (Accounting Corrections)

The review of the six VT6 transaction records indicated that two computer purchases were not set-up in the asset inventory. There were no iPads/Tablets in these purchases. One of the computers had an asset number even though it was not set-up in the asset inventory. Best practice dictates that when assets are purchased, they should be timely placed in inventory and tagged with a property tag. Procedure 4 -11: *Purchasing (ProCard) Program* states that “the Office of Asset Management must be notified within forty-eight (48) hours of the purchase of any equipment that is deemed a controlled asset to insure proper coding, tagging and reporting.”

Administrative processes such as the time period for processing and reconciling ProCard transactions is a factor that can contribute to delays in setting up the assets in the inventory if departments are remiss in completing their reconciliations timely.

*VJ1- Journal Vouchers, VJR - Post Closing Vouchers, & VC2 - Cash Receipts Vouchers*

We reviewed 18 transactions and noted that the computers purchased were all set-up in the asset inventory. There were no iPads/Tablets purchased and no errors were noted.

*VP7 Procurement Card Transactions*

An estimated 95% of all iPads and Tablet computers were purchased by use of ProCards. We approached our review of these transactions as having a greater degree of risk since the purchase of these items can be made without pre-approval and without following the prescribed ProCard procedures as discussed above in the *VT6 Documents (Accounting Corrections)*. In order to test the accuracy of the inventory of iPads and Tablets purchased by use of the ProCard, we obtained a list of purchases made via ProCards that were coded to object code 1847, class code 294 for iPads and class code 284 for Tablets. We were able to match the iPad and Tablet purchases made via ProCard to the DEFINE inventory with the exception of 3 iPads. These items have now been included in the DEFINE inventory.

*Departmental Inventory Listings*

As part of our review process, we asked the various departments tested to provide a list of their iPads and Tablets and their tag numbers. If a tag number was not available on an item, we asked for a serial number to be given, to see if it could be matched to the inventory number via that method. We received a list of 27 iPads that were not identified with an inventory tag number.

The list was provided to Asset Management for follow-up as to why the according computers were not set-up in inventory. Asset Management completed their follow-up on 17 of the items - 6 of which needed to be added to the inventory since they were iPads purchased prior to the inventory cut-off of May 21, 2012. The remaining 11 were purchased after the May 21, 2012 cut-off date. All but one was purchased through use of the ProCard. A primary reason given for these items not being part of the inventory is that several departments were remiss in sending supporting documentation to Asset Management on a timely basis, and, in some cases, the wrong object code was used for the transaction. The remaining 10 iPads of the 27 will continue to be followed-up by Asset Management to determine the appropriate disposition.

*Inventory Summary*

All of the necessary inventory adjustments identified in the above sections are summarized in the table as follows:

	<b>iPad</b>	<b>Tablet</b>	<b>Total</b>	<b>%</b>
<u>Initial Inventory Provided by Asset Management</u>	264	58	322	81
<u>Adjustments Resulting from Audit Analytics of:</u>				
DEFINE Inventory Download	3	60	63	
VP1 Transactions	0	0	0	
VP2 Transactions	2	2	4	
VP7 Transactions	3	0	3	
Departmental Inventory	6	0	6	
	14	62	76	19
<b>Total Inventory at May 21, 2012</b>	<b>278</b>	<b>120</b>	<b>398</b>	<b>100</b>

### **Overall Observations**

Asset Management does not review and work on all transactions in the same month they are included in the DEFINE NU1 screen. The NU1 screen lists accounting transactions that pertain to inventory for purposes of adding, correcting or inactivating official inventory records. As a consequence, transactions to be reviewed and accounted for in the inventory get carried forward to later months. By not adequately and timely dealing with transactions in the NU1 screen, there is a greater likelihood that the inventory of iPads and Tablets will not be accurate. This could also have a bearing on departments not being as responsive as they should be in submitting supporting documents with regard to the procedure's specified time-frame. Additionally, assets not tagged and added to the inventory timely, or at all, could result in theft and fraud. The loss of accountability and protection of sensitive information stored on these computers is also a possibility if the assets are not timely included in inventory.

#### **1. Recommendation:**

A process should be established to timely obtain the documentation for assets purchased (controlled and capitalized assets) in order to record the inventory and be more proactive in getting the documentation needed for the NU1 screen items. As an additional tool, the DEFINE command IF2 report writer could be used as a method to obtain a monthly download of all computer-related purchases using the according object codes and class codes. With the monthly download, computer purchases can be identified, the supporting documentation can be requested from the department, and the asset can be timely added to inventory. This process will assist the department in ensuring that all assets are properly tracked, tagged and reported in the asset inventory.

***Management Response:** A process is in place for clearing the NU1 screen and adding assets but it could use some refinement. Internal Audit recommended that we also use the IF2 screen in DEFINE. Currently, our authorization is inadequate to access command IF2.*

*We will contact the DEFINE office and request access. Once access is granted, we will determine if this report is helpful to assist us in identifying assets purchased.*

**Target Implementation Date:** March 31, 2013

**Responsible Party:** Mary Burdette (Assistant Director, Asset Management)

## **2. Recommendation:**

Asset Management should be very proactive in reviewing ProCard transactions. If Asset Management does not receive the needed supporting documents within the 48-hour window as required by ProCard procedures, we recommend that emails be sent to the administrative person handling the ProCard reconciliation, copying the department head, and/or their Vice President, Chair, or Dean. This email should state the procedure required by Procedure 4 - 11: *Purchasing (ProCard) Program*. Additionally, a representative of Asset Management should schedule a visit to the department to obtain the needed documents if this initial email is not responded to within a reasonable amount of time.

**Management Response:** *Asset Management will revise their current procedure for reviewing ProCard Transactions. A standard email will be generated that will request appropriate documentation of the purchase and will reference Procedure 4-11: Purchasing (ProCard) Program. This email will be sent to the individual who's name appears on the ProCard along with the department head, and or their Vice President, Chair, or Dean.*

**Target Implementation Date:** March 31, 2013

**Responsible Party:** Mary Burdette (Assistant Director, Asset Management)

Another factor in properly accounting for the assets is whether the departments have been trained or educated on the proper object codes to use when processing the ProCard reconciliations. If an incorrect object code is used, it is very likely that Asset Management would not have the means to review and enter the item in inventory. Due to turnover in Asset Management and the staff size, the department has not engaged in greater training for the various departments. Asset Management's web site contains valuable information pertaining to the departmental handling and recording of controlled and capital assets; however, it is not communicated to administrators on a regular basis through appropriate mediums.

## **3. Recommendation:**

We recommend that training material pertaining to departmental handling and recording of controlled and capital assets be developed and training sessions held with departments on a rotational basis that would result in better communication and improved accuracy. We further recommend that Asset Management become more visible in the departments by

conducting the training and performing periodic spot checks of the department's inventory throughout the year.

**Management Response:** Within the next six months the University will be transitioning from DEFINE to PeopleSoft, making any training materials developed at this time ineffective. During the next six months, our staff will work with departments on an as needed basis. We will also send informative updates on a monthly basis which will provide relevant information as we complete the fiscal year 2012-2013 inventory count and prepare for the transition to PeopleSoft. This communication will be done via list serve and the UTShare PeopleSoft website. We will also begin developing training materials in late fall of 2013 with projected training sessions to be offered beginning in spring 2014. We will be conducting the training and performing periodic spot checks of the department's inventory throughout the year.

**Target Implementation Date:** January 31, 2014

**Responsible Party:** Ehren Wixson (Assistant Vice President, Business Services) or designee as Mary Burdette (Assistant Director, Asset Management) will be retired.

## **Conclusion**

The audit focused on transactions for the period April 1, 2010, which was the first month the iPad was sold, through May 21, 2012. As of May 21, the University had purchased 278 iPads and 120 Tablets for a combined total of 398 units. Our audit procedures validated this inventory; however, the inventory initially provided by Asset Management of 322 total units represented an accuracy factor of 81% of the combined total of 398 units.

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We appreciate the assistance we received from the Asset Management staff throughout this audit.