



Property Administration

Internal Audit Report No. R2104
December 2, 2020



Executive Summary

Audit Objective: To ensure that property is adequately safeguarded and that the process for handling and accounting for property is effective to ensure compliance with applicable regulations and the accuracy of financial information.

Conclusion: Based on the results of the audit work performed, controls should be strengthened over the Property Administration process.

Observations by Risk Level: Management has reviewed the observations and has provided responses and anticipated implementation dates.

Observation	Risk Level	Management's Implementation Date
1. Strengthen Controls over the Missing or Stolen Asset Report Process	High	April 30, 2021
2. Strengthen Controls over Inventory by Developing an Electronic Workflow Process and Updating Policies	Medium	April 30, 2021
3. Strengthen Controls over the Surplus Process	Medium	October 31, 2020
4. Develop Stronger Controls over the Purchase of Assets	Medium	March 30, 2021
5. Develop Stronger Controls over Records Retention	Medium	January 31, 2021
6. Review and Update Property Administration's Risk Management Plan	Medium	April 30, 2021
7. Update the Business Continuity Plan	Low	April 30, 2021

For details, engagement methodology, and explanation of risk levels, please see the attached report.



Observation #1: *Strengthen Controls over the Missing or Stolen Asset Report Process*

High Risk: Without strong controls that outline custodial and departmental accountability, the risks of assets being lost or stolen and not being recovered is increased.

The University of Texas at Dallas Business Policy 3066 (UTDBP3066), *Property Administration*¹, outlines the purpose and procedures for property administration, including the missing or stolen asset report process. In general, the policy requires that the departmental property manager contact the Property Administration Office and complete a missing property report. The University’s records are supposed to be updated by the Inventory Team noting the assets are missing, and then after three years, if the property remains missing, the assets are deleted

from the University’s records.

Over 282 assets, totaling \$3,311,262, have been reported as missing or stolen during the past three fiscal years. Numerous opportunities to strengthen controls over the missing or stolen asset report process exist, which include the following:

- **Accountability over Assets.** University procedures do not exist that require custodians to be accountable for assets in their possession, including both mobile and stationary assets. Although per policy they are accountable for the assets, department heads are not required to certify as to the custody and safekeeping of their assets, although some departments have such a process in place. As a result, there are also no consequences for employees that are negligent in their responsibility for the custody of university property. No custodians are designated on stationary assets, including computer equipment. 60% of assets do not have a custodian designated in the PeopleSoft system.
- **Missing and Stolen Assets Report Form.** The missing and stolen asset form requires certification by the custodian or the custodial contact that an investigation was performed. These investigation certification options are not always checked, which may indicate confusion as to who is required to complete them as the Assistant Director of Logistics and Distribution’s signature is right below the two options.
- **Documentation.** The employee filling out the form may select an option which states, “The circumstances surrounding the loss are not included in the options listed above. Please find attached an explanation of the events

One department reported 92 missing assets, valued at \$1,788,026.74, in 2018. Although the department head signed off on the Missing or Stolen Asset Report, there was not documented attempt to locate the assets, no reason documented why they were missing, and the report was not formally elevated to the Dean or the Provost.

Investigation Certification Options

✓ “Our investigation of the circumstances surrounding the disappearance of the state property listed herein indicates reasonable cause to believe that the loss, destruction, or damage to this property was through the **negligence** of the person(s) charged with the care and custody of this property and is, therefore, being reported as required by Texas Government Code Ann.sec.403.276(a) and (b).”

✓ “Our investigation of the circumstances surrounding the disappearance of the state property listed herein indicates that the person(s) charged with the care and custody of this property was (were) **not negligent** to the extent indicated in Texas Government Code Ann.sec.403.276(a) and (b).”

¹ <http://policy.utdallas.edu/utdbp3066>



pertaining to this asset”; however, the attachment is not always included in the documentation. Specifically, the department noted above that reported 92 missing assets, valued at \$1,788,026.74 did not have any additional information attached explaining the reason for the loss, even though the report indicated it was included.

- **Approvals.** Missing and stolen asset forms are required to be approved by a department head but are not submitted to a dean/vice president. Department heads are not required to have their dean/vice president approve their missing or stolen asset report in the event their own assets are lost or stolen. A year-end report is sent to the Provost and/or VP over each specific area, however; the report is a summary and does not indicate which assets were lost or stolen and who was responsible for the asset.

We noted instances of department heads approving missing/stolen asset forms for assets for which they were responsible.
- **Escalation to Executive Leadership.** Though Property Administration sends an informational annual report to deans and vice presidents listing missing or stolen assets, the report is only informational and does not include a dollar amount of the loss.

Recommendation: Because the strength of this program must be driven by accountability and consequences of those entrusted with the University’s property, consider developing a University-wide task force to determine ways to strengthen controls over property and processes for reporting missing or stolen assets to department management, establishing an escalation process so that the appropriate Vice President/Dean is aware of significant losses to the University, and ensuring proper accountability over assets.

Management’s Action Plan: Develop a Task Force Committee that includes the AVP of Auxiliary Operations, the Director of Logistics, the Inventory Supervisor and at least 3 additional department head members from Faculty and Administration. This committee will meet once per semester to review best practices, actionable escalation processes and any other relevant asset control issues or concerns.

Person Responsible for Implementation: Chris Rench, Director of Print, Copy, and Logistics

Estimated Date of Implementation: 4/30/21



Observation #2: Strengthen Controls over Inventory by Developing an Electronic Workflow Process and Updating Policies

Medium Risk: Without proper controls in place, there is an increased risk of assets being lost, stolen or misused.

We conducted interviews with various campus personnel responsible for property administration and observed and tested inventory processes throughout campus. Opportunities to strengthen controls over the inventory process include the following:

- The annual inventory process is described in the policy; however, the process described in the policy is not what is being actually being performed.



- Email sent to Area ID property contacts with list of mobile assets.
- Mobile assets have a custodian and a location assigned.
- Property contact reviews, updates, and returns to Inventory team.

- Department heads do not review or certify the annual inventory, though per policy they are accountable for the assets.



- Email sent to Area ID property contacts.
- Stationary assets do not list a custodian - only a location.
- Property contact reviews and updates asset list and can either send a picture of the asset/asset tag via email to Inventory team or can request an appointment to have a student worker scan the stationary assets.

- Training is not conducted by the Inventory team to make department heads, custodians, and other responsible parties aware of their responsibilities surrounding the inventory process. In addition, the website² for Inventory only details surplus and move and events procedures and does not cover the inventory process and transfer process, including assets transferred to and from the University. A link to an outdated training module is included on the Auxiliary Services website at <https://www.utdallas.edu/services/training/>.
- Property contacts may submit photos to the Inventory team rather than independently verifying the asset existence. In some departments, the Inventory team stated that custodians are responsible for too many assets.
- For mobile assets, custodians are not required to show proof of the asset’s existence as only an email verification is required. Spot checks are not being performed by the Inventory team.
- Assets aren’t always updated correctly and in a timely manner by custodians and/or property contacts after moving to a new location.
- Because both stationary and mobile computer assets are not always tracked by the user, and because the locations are not always accurate, IT Security and the Office of Information Technology may not be able to locate a compromised IT asset in a timely manner. This can increase the risk to

² <https://www.utdallas.edu/services/inventory/>



the UTD network, including research data.

- This can also increase the risk of loss during the checkout process when an employee leaves the University. Since stationary and mobile computer assets are not always tracked by the user, departments may not be aware of the assets required to be turned in during the checkout process.

In reviewing the missing and stolen asset forms, we found instances of terminated employees whose assets were not recovered upon termination.

Recommendation: Update policies to reflect the current processes in place. Include the issues noted in this observation in the task force charge recommended in observation (1) and consider including representatives from the Offices of Information Technology and Information Security on the task force to develop an electronic workflow process that enhances the overall accountability of assets within the University and addresses the above noted issues.

Management's Action Plan: Review and update policies and procedures and develop a revised automated workflow process to enhance overall asset control relating to departing employees and the return of University equipment. This revised workflow will be developed along with support from the Information Technology and Human Resource departments.

Person Responsible for Implementation: Chris Rench, Director of Print, Copy, and Logistics

Estimated Date of Implementation: 4/30/21



Observation #3: *Strengthen Controls over the Surplus Process*

When assets are obsolete or no longer needed, departments must notify the Inventory team to ensure timely removal from the accounting records. We reviewed and evaluated the surplus process through observation and interviews and noted the following:

Medium Risk: Without proper controls in place and a lack of segregation of duties and management oversight within this process, this results in an increased risk of fraud.

- The process currently in place to send assets to surplus is manual and requires an employee to email the Chief Clerk in charge of Surplus. The requests are stored via email, and the Chief Clerk is the only employee who is involved in this part of the process. When the asset is picked up, either by Surplus or by Facilities Management for larger items, the Chief Clerk will email the employee who initiated the request to let them know that the items have been picked up by Surplus, but the main departmental custodial contact for the area is not always notified or copied on the email. If a custodial contact is the one making the surplus request, the department head or vice president is not always notified of the request. As a result, assets could be removed by an employee without the knowledge of the department custodian and/or the department head or vice president. Property Administration also does not provide an annual disposal report to the appropriate department head and vice president for assets surplusized that year.
- We noted that University tag numbers are removed upon arrival at the surplus warehouse. As a result, for all controlled assets disposed, we were unable to reconcile surplus inventory with disposal sales. The auction company also provides a sales report of all assets sold, but they do not include the University's unique asset tag numbers to identify the assets, making reconciliation difficult.
- The Chief Clerk, in charge of Surplus, stated that he does not provide any reporting to management on the number of assets that are disposed of and sold annually. Additionally, the administrative assistant stated that she receives and deposits the check from the auction company for disposed assets that are sold, but does not provide any type of reporting to management on these numbers. A reconciliation of items disposed compared to items sold by the auction company is not occurring. Without segregation of duties, reconciliation, and management oversight, this results in an increased risk of fraud.
- An intake process for lost and found items does not exist. The Police Department and the Library are the only two departments on campus that send lost and found items to be surplusized after items have been unclaimed for 60 days. The lack of segregation of duties and lack of an intake process for these items increases the risk for fraud, as these items are not closely tracked once they reach Surplus.
- The process outlined in the [Property Administration](#) policy for surplus items is outdated and does not match the current procedures.



Recommendation: Assess the risks of surplus property and lost and found items and consider developing stronger controls over the surplus process by establishing segregation of duties, developing a lost and found intake process, reconciling of disposals to assets sold, and enhancing management oversight and reporting.

Management's Action Plan: The Police department now includes the Supervisor of Surplus on all emails concerning lost and found assets. This will allow the Inventory department to create and monitor a list of lost and found assets that can be audited on a monthly basis. In addition, the Surplus department will submit inventory asset number reports to the Director of Logistics. This list will also include a reconciliation of all checks received from completed auctions.

Person Responsible for Implementation: Chris Rench, Director of Print, Copy, and Logistics

Estimated Date of Implementation: 10/31/2020



Observation #4: *Develop Stronger Controls over the Purchase of Assets*

University procedures require capital and controlled assets be purchased via the University's eProcurement system; however, the following was noted:

- The [One Card Guide](#) precludes purchases of controlled assets (including laptops, iPads, and other computer equipment) using a purchasing card; however, there are no controls in place to prevent this from occurring. Purchases of controlled assets have also been made by employees purchasing such assets using personal funds but later request reimbursement from the University. In both cases, the inventory team may not be aware of the purchase, and the controlled asset may not be properly tagged, inventoried or if an IT asset, appropriately configured.
- Some departmental personnel have the ability to mark items as received in PeopleSoft to allow Payment Services to be able to promptly pay the vendor, even when an asset has not actually been received. This can result in incorrect information in the inventory system and paying for items not yet received.

Medium Risk: Without proper controls over purchasing in place, accounting records may not be accurate, and computing equipment may not be configured with the appropriate security.

Recommendation: The Office of Budget and Finance should assess the risks associated with purchases made using One Cards and consider ways to prevent purchases of assets outside of the eProcurement system and ensure that assets are marked as received only when actually received.

Management's Action Plan: The Procurement team will provide training to campus departments and use additional compliance monitoring procedures to help prevent the purchase of controlled assets using the One Card and ensure only received assets are marked as received in eProcurement.

Person Responsible for Implementation: Brian Bernoussi, AVP for Operations

Estimated Date of Implementation: 3/30/2021



Observation #5: *Develop Stronger Controls over Records Retention*

Medium Risk: Without proper controls in place, records are kept longer than the approved retention schedule allows which could increase the legal risks for the University, cause a constraint to current resources, and is not compliant with state laws.

The State of Texas requires capital asset records, including purchase order documentation, to be retained for the life of the asset plus three years³. UT Dallas does not have a solution to maintain and/or purge purchase order data from the eProcurement system. All purchase order information for capital and controlled assets has been stored in eProcurement since its inception in approximately 2011. We noted instances where purchasing documentation for assets that were purchased prior to 2011 has been destroyed. As a result, it is difficult to

determine if the University has maintained all capital asset records in accordance with State law.

Recommendation: The Office of Budget and Finance should consider the risks associated with retention and consider developing a process to ensure asset records, including purchase order documentation, be maintained and also disposed of in a timely manner in accordance with the approved records retention schedule.

Management's Action Plan: eProcurement (JAGGAER) only deletes documents older than X years or older than X months. OBF will submit a feature request to JAGGAER to provide more criteria in order to maintain and dispose of asset records in accordance with records retention schedule.

Person Responsible for Implementation: Brian Bernoussi, AVP for Operations

Estimated Date of Implementation: 1/31/2021

³ <https://www.tsl.texas.gov/sites/default/files/public/tslac/slrn/state/schedules/738.pdf>



Observation #6: *Review and Update Property Administration's Risk Management Plan*

Medium Risk: Without an effective risk management plan, compliance with policies and procedures may not be properly monitored and risks may not be properly mitigated.

Risk management plans document the risks, policies, compliance monitoring, training, and reporting requirements for compliance areas considered as high-risk to University operations. Property Administration was designated as a high-risk area at UT Dallas until FY18; however, Institutional Compliance deemed the area to not be a high-risk and monitoring procedures were discontinued. Due to the materiality and the number of assets on campus, the growth of the campus, the decentralized environment, and the need for improved

internal controls and procedures, a risk management plan may be beneficial to help ensure risks of theft and loss are mitigated.

Recommendation: Property Administration should work closely with the Office of Institutional Compliance, Equity, and Title IX Initiatives to update their previous risk management plan to reflect current risks, policies, procedures, monitoring, training, and reporting processes.

Management's Action Plan: Will look into risk management plan with task force assembled

Person Responsible for Implementation: Chris Rench, Director of Print, Copy, and Logistics

Estimated Date of Implementation: 4/30/21



Observation #7: *Ensure Business Continuity Plan Is Up-to-Date*

Low Risk: If an adequate business continuity plan is not in place, it could lead to an increased risk of loss and inaccurate asset information which may not comply with applicable laws, policies, and regulations.

Property Administration does not have an updated business continuity plan in place. As outlined in the Office of Emergency Management and Continuity Planning website, continuity planning “ensures that the services we deliver are addressed during an emergency and that we have the least amount of disruption to the lives and schedules of students, faculty, and staff. ... By developing a continuity plan, departments on campus will be better prepared to provide expected services and carry out functions critical to the mission of the University in the event of an interruption to normal

operations.”⁴ Although business continuity was tested during the recent pandemic, a formal and documented plan should be in place.

Recommendation: Property Administration should consider working with the Office of Emergency Management to create a business continuity plan, which will help to minimize loss and will assist in continuing administrative operations in the event of a disaster.

Management’s Action Plan: Develop a continuity plan.

Person Responsible for Implementation: Chris Rench, Director of Print, Copy, and Logistics

Estimated Date of Implementation: 4/30/21

⁴ <https://www.utdallas.edu/ehs/programs/continuity/#unexpected>



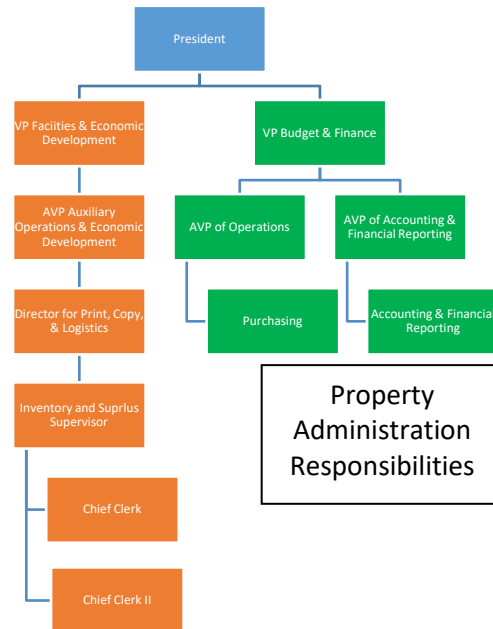
Appendix A: Methodology

Background

The Vice President for Facilities and Economic Development (VPFED) has been designated as the UT Dallas Property Administrator; however, each department head is responsible for the proper custody, maintenance and safekeeping of UTD property assigned to his/her department.

The inventory team is responsible for tracking the acquisition, movement, and disposal of the 28,050 assets across the University, currently valued at \$240,549,410⁵, and manages and administers the annual inventory process.

Though not a true auxiliary service, the inventory team reports to the VPFED through the AVP for Auxiliary Operations and Economic Development and the Director for Print, Copy, and Logistics. The team consists of three employees who are responsible for tagging all of the University’s controlled assets with a unique asset identifier and maintaining this asset data within the PeopleSoft accounting system. The Inventory team shares administrative duties related to accounting for asset costs and depreciation with the Office of Budget and Finance.



Property Administration Responsibilities

Scope and Procedures

The scope of this audit was FY18-FY20 to date, and our fieldwork concluded on August 31, 2020. To satisfy our objectives, we performed the following:

- Gained an understanding of the inventory process by interviewing personnel responsible for each process.
- Reviewed applicable state laws and UT Dallas/UT System policies, procedures, and guidelines relating to property administration.
- Gained an understanding of applications and data used by the Inventory team.
- Reviewed the inventory process to evaluate effectiveness and efficiencies.
- Reviewed the surplus process to identify any gaps and analyzed the disposal process to evaluate effectiveness and efficiencies.
- Reviewed the Missing, Stolen, and Damaged Asset process to identify any gaps and analyzed the process to evaluate effectiveness and efficiencies.

⁵ Information obtained from the Inventory Team Chief Clerk



We conducted our examination in conformance with the Texas Internal Auditing Act in conformance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.

Thank You

We appreciate the courtesies and considerations extended to us from the management and staff in Auxiliaries, especially the Inventory team. Please let me know if you have any questions or comments regarding this audit.

A handwritten signature in blue ink that reads "Toni Stephens".

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Appendix B: Report Distribution

<p style="text-align: center; color: #4F81BD;">Members of the UT Dallas Institutional Audit Committee</p> <p><i>External Members</i></p> <ul style="list-style-type: none"> • Ms. Lisa Choate, Chair • Mr. Gurshaman Baweja • Mr. John Cullins • Mr. Bill Keffler • Ms. Julie Knecht <p><i>UT Dallas Members</i></p> <ul style="list-style-type: none"> • Dr. Richard Benson, President • Dr. Rafael Martin, Vice President and Chief of Staff • Dr. Kyle Edgington, Vice President for Development and Alumni Relations • Mr. Frank Feagans, Vice President and Chief Information Officer • Dr. Gene Fitch, Vice President for Student Affairs • Dr. Calvin Jamison, Vice President for Facilities and Economic Development • Dr. Inga Musselman, Provost and Vice President for Academic Affairs • Ms. Sanaz Okhovat, Chief Compliance Officer • Dr. Joseph Pancrazio, Vice President for Research • Mr. Terry Pankratz, Vice President for Budget and Finance • Mr. Timothy Shaw, University Attorney, ex-officio 	<p style="text-align: center; color: #4F81BD;">UT Dallas Responsible Parties</p> <p><i>Responsible Vice Presidents (VP)</i></p> <ul style="list-style-type: none"> • Dr. Calvin Jamison, Vice President for Facilities and Economic Development • Mr. Terry Pankratz, Vice President for Budget and Finance <p><i>Persons Responsible for Implementing Recommendations</i></p> <ul style="list-style-type: none"> • Mr. Chris Rench, Director of Print, Copy, and Logistics (#1-3; 6-7) • Dr. Brian Bernoussi, Assistant Vice President of Operations (#4-5) <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> • Mr. Bob Fishbein, Associate Vice President for Auxiliary Operations & Economic Development <p style="text-align: center; color: #4F81BD;">External Agencies</p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> • System Audit Office <p><i>State of Texas Agencies⁶</i></p> <ul style="list-style-type: none"> • Legislative Budget Board • Governor’s Office • State Auditor’s Office
<p style="color: #4F81BD;"><i>Engagement Team</i></p> <p>Project Leader: Rob Hopkins, CFE, Audit Manager</p>	

⁶ Per Texas Internal Auditing Act Requirements



Appendix C: Definition of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Risk Management Committee (ACRMC). Priority findings reported to the ACRMC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
High	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.