October 2, 2024

Dr. Julie Philley
President
The University of Texas at Tyler
3900 University Blvd.
Tyler, TX 75799

Dr. Philley,

We have completed the Controlled Property Audit as part of our Fiscal Year (FY) 2024 Audit Plan. The objective of the audit was to verify the existence and location of State controlled equipment and property, with a focus on IT hardware, and to evaluate the completeness and accuracy of property records. The scope of the audit was limited to the current inventory records, purchases of controlled IT equipment made from September 1, 2023 through May 31, 2024 and the associated policies and processes for the University of Texas at Tyler (UT Tyler) campuses.

This audit 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. We appreciate the assistance provided by management and other personnel and hope the information presented in our report is helpful.

Sincerely,

Stephen Ford
Vice President, Chief Audit Executive

Enclosure
cc:
Mr. Daniel Deslatte, Chief Business Officer
Dr. Amir Mirmiran, Provost
Mr. Dwain Morris, Chief Financial Officer
Mr. Isai Ramirez, Vice President, Information Technology, Chief Information Officer
Ms. Natalie Harms, Vice President, Finance
Mr. John Sprenkle, Controller
Dr. Archie L Holmes, Jr., UT System Executive Vice Chancellor for Academic Affairs
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Controlled Property Audit

October 2, 2024

INTERNAL AUDIT DEPARTMENT
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799

AUDIT OBJECTIVE
The objective of the audit was to verify the existence and location of State controlled equipment and property, with a focus on information technology (IT) hardware, and to evaluate the completeness and accuracy of property records. This audit included testing on UT Tyler's campuses.

CONCLUSION
The audit revealed opportunities to strengthen both its policies and procedures, and the associated controls that are in place to ensure these policies and procedures are followed.

Management should review current policies and procedures to ensure they adhere to state requirements, institutional policies, and best practices. These include primary and secondary internal controls as follows:

➢ **Perform an annual inventory** requiring departments to verify the accuracy and completeness of its inventory records and the existence of the items.

➢ **Train campus** to report missing or disposed devices, to verify IT purchases are tagged and added to inventory, submit changes in room numbers and/or custodians, and how to conduct an annual inventory.

➢ **Reconcile purchases** of controlled property to inventory and work with the specific departments if purchases have not been added to the inventory list.

➢ **Conduct spot verifications** of departmental inventory periodically throughout the year.

➢ **Develop and communicate** policies and procedures for each of the above items.

OBSERVATIONS
A total of 50 devices were selected from UT Tyler inventory records to determine existence. Testing revealed 24 exceptions; 10 that could not be located by Management and 14 that had an incorrect custodian listed. Purchases were also tested, with 50 IT purchases selected to determine if each device was tagged for inventory and accurately reflected in the inventory records. Testing revealed four (4) exceptions, where the device was confirmed to be tagged for inventory but was not recorded in inventory.

The following is a summary of testing results:

Devices	Description
Existence and Location Testing - Exceptions	
10	Items not located.
14	Devices had incorrect custodian listed on inventory record.
Complete and Accurate Inventory Testing - Exceptions	
4	Equipment purchased through approved purchase process, had inventory tags, but were not found on the inventory records.

This audit identified the following opportunities for improvement		
1	High	Perform inventory annually as required by the state
2	High	Train employees on inventory procedures
3	High	Reconcile IT equipment purchases to inventory records
4	High	Process, confirm, and record disposals
5	Medium	Update Policies and Procedures

#1: Perform inventory annually as required by the state

High: If a state agency fails to keep the records or fails to take the annual physical inventory, the state Comptroller may refuse to draw warrants or initiate electronic fund transfers on behalf of the state agency.

The State of Texas Administrative Code and UT Tyler Handbook of Operating Procedures (HOP) require performing an annual inventory for controlled property. Per State Property Accounting System (SPA) the inventory should be completed by August 31st. Inventory was completed in FY2023 and has not yet been completed for FY2024.

Opportunity for Improvement: Management should perform an annual inventory for UT Tyler controlled property as required by the state.

Management Response: The annual inventory was completed by August 31, 2024.

Responsible Persons: Dwain Morris and Isai Ramirez

Anticipated Implementation Date: Implemented – August 31, 2024

#2: Train Employees on Inventory Procedures

High: Missing devices may not be identified timely if inventory records are incorrect.

According to SPA Chapter 2 "Certification of Physical Inventory", records for controlled property, including location and responsible party (custodian), should be maintained at the institution. Our testing revealed 10 of the 50 selected devices could not be located. Additional details for the items unable to be located are captured in the table below. Also, IAD notes that there were 4 of 50 selected IT purchases that were tagged but not located in the inventory records. Lastly, testing identified 14 of 50 instances where the custodian on the inventory records was incorrect, due to departmental transfer or the employee no longer being employed by the institution.

Devices	Description
Remaining on inventory records	
1 of 10	Received police report that device was missing in July 2023.
4 of 10	Department indicated these were sent to IT for disposal.
1 of 10	Device noted in PeopleSoft comments as missing since 2019.
4 of 10	Devices could not be located.

Opportunity for Improvement: Management should consider providing training to all departments to ensure IT purchases are included in inventory, that inventory records are properly updated for custodian and location changes, that disposed and missing items are accurately reported, and that the annual inventory review is complete and accurate. The annual inventory review process should include Management performing a spot check review of selected inventory items from selected departments periodically throughout the year.

Management Response: The following process improvements will be made, in addition to others if necessary:
1. Information Technology staff will be given access and training to submit asset inventory information changes, including location and custodian, for approval in PeopleSoft.
2. An Asset Transfer form found in a Health Science Center system called Passport does not automatically update the PeopleSoft Asset module and required additional steps to be performed by staff. This form has been migrated to ServiceNow and will include instructions to the departmental users on submitting Asset Transfer requests directly into the system of record, which is PeopleSoft. The ServiceNow Asset Transfer form is still required for IT staff to take appropriate action to retrieve and work on devices, but IT staff will also be trained to submit Asset Transfer requests in PeopleSoft once IT reassigns a device to a new user.

Regarding the 10 devices that were not located, 4 that were tagged but not located on the inventory records, and the 14 incorrect custodians, staff members will search the Passport Asset Transfer form to see if any transfer records exist that could indicate an accurate location or custodian, whether an asset was disposed of, or if a transfer request was made but not updated in PeopleSoft.

Responsible Persons: Dwain Morris and/or Natalie Harms will approve the access and John Yoder will provide training to IT staff on the Asset Transfer/Change process in PeopleSoft.

Erik Freeman will implement a process by which IT Help Desk staff transfer computers via PeopleSoft's Asset Management module when they have been assigned to an end user.

Adam Kolk will assist with searching Passport to see if asset transfer records can be found that may reveal further information.

Anticipated Implementation Date: January 1, 2025

#3: Reconcile IT Equipment Purchases to Inventory Records

High: Purchases not properly included in inventory results in incomplete inventory records.

Texas Government Code Sec. 403.2715 states, at all times, the property records of a university system or institution of higher education must accurately reflect the controlled property possessed by the system or institution. Testing revealed 4 of 50 selected IT equipment purchases were not recorded on the inventory records. To ensure complete and accurate inventory records, a reconciliation between purchases and inventory records should be performed to ensure all purchases are properly recorded in inventory records.

Opportunity for Improvement: Management should develop reconciliation procedures of controlled property purchases to inventory records to ensure inventory records are complete and accurate.

Management Response: Existing processes and reports will be assessed to identify the root cause of not recording or accurately reflecting purchased computers on our inventory records.

Responsible Persons: IT, led by Isai Ramirez, and the Finance Asset Management Team, led by Dwain Morris, will work to identify why these 4 assets were not recorded in the inventory records. Possibilities include analyzing processes as well as ensuring that inventory reports are accurate.

Anticipated Implementation Date: January 1, 2025

#4: Process, Confirm, and Record Disposals

High: Disposed equipment not processed through the IT Department or deleted from inventory records could place data at risk.

As noted in observation #3, Texas Government Code Sec. 403.2715, states that the inventory records should accurately reflect the controlled property possessed by the system or institution. For testing of 4 of the 50 devices selected, the custodians listed on the inventory records informed IAD that their computer had been previously disposed. However, upon investigation IAD noted that there was no documentation that these devices had been processed through the IT Department for data removal or reported to the Inventory Department for deletion from the inventory records.

Opportunity for Improvement: Management should consider requiring specific procedures for the disposal of IT electronic devices. The procedures should consider including processing through the IT Department to ensure all data, especially protected health information (PHI), has been removed from IT electronic devices. The IT department should maintain records of devices that are submitted for disposal. Each item should be classified as disposed in inventory records after confirmation is provided that data has been removed.

Management Response: All computers that campus users need to dispose of should be submitted to IT through the [Computer Disposal Request](#) form found in the HelpNow portal. Communication to the campus community should be strategically coordinated to ensure all colleges, departments, units and offices on all campuses use this form.

In addition, IT Personnel will verify that computers that are disposed of are documented through a ticket in the Help Now Portal.

Responsible Persons: Erik Freeman will work with University marketing and Communications to identify a communication strategy and also update our procedures to reflect the above process

Also, the UT Tyler Finance Team, led by Dwain Morris, will consider including a link to the IT Computer Disposal Request form as part of their asset inventory process communications and training to the campus community.

Anticipated Implementation Date: January 1, 2025

#5: Update Policies and Procedures

Medium: By not having a combined written policy and procedures, controlled property inventory could be incomplete or inaccurate.

Per the Capital and Controlled Assets Inventories policy in HOP 5.03, the Property Management or Accounting Office is responsible for establishing procedures for requesting changes in inventory, transfers of property, and adding new items to inventory. There is currently an Asset Management and Inventory Control Procedures Manual found on the UT Tyler website; however, this was last updated in July 2022, and procedures only address Main campus.

Opportunity for Improvement: Management should consider updating policies and procedures to ensure a consistent process across the UT Tyler campus.

Management Response: Management will review policies and procedures for both campuses and ensure they are properly updated to reflect the most current workflows.

Responsible Persons: Dwain Morris and Isai Ramirez

Anticipated Implementation Date: January 1, 2025

BACKGROUND

This Controlled Property Audit was part of the UT Tyler Fiscal Year (FY) 2024 Audit Plan as a risk-based audit. Securing and protecting University IT equipment mitigates the risk of data loss. Several State, UT System, and UT Tyler policies exist related to maintaining correct inventory records of equipment inclusive of department, location, and assigned custodian. IT controlled property equipment purchases should be identified and added to the inventory records.

STANDARDS

The audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.

SCOPE and PROCEDURES

The scope of the audit will be limited to the current inventory records, purchases of controlled IT equipment made from September 1, 2023 through May 31, 2024 and the associated policies and processes for UT Tyler. Procedures included, but were not limited to:

- ✓ Gaining an understanding of policies and procedures related to IT inventory;
- ✓ Testing purchases to verify they were recorded on inventory; and
- ✓ Observing a sample of items on inventory records.

The Internal Audit Department will work with Management to verify the implementation status of management responses and target implementation dates for each opportunity for improvement noted above. The goal of this process is to help ensure that timely action is taken to address each observation.

OBSERVATION RANKINGS

Internal audit across the UT System uses a consistent process to evaluate audit results based on risk factors and the probability of a negative outcome.

Legend	
Priority	*A finding is defined as an issue that if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Tyler.*
High	*A finding that is considered to have a <u>medium to high probability</u> of adverse effects to UT Tyler as a whole or to a significant college or department.*
Medium	*A finding that is considered to have a <u>low to medium probability</u> of adverse effects to UT Tyler as a whole or to a college or department.*
Low	*A finding that is considered to have a <u>minimal probability</u> of adverse effects to UT Tyler as a whole or to a college or department. These findings are communicated separately to management.*