

The University of Texas
Rio Grande Valley

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Brownsville • Edinburg • Harlingen

Assets Management Audit

Report No. 17-05

May 2017

Office of Audits & Consulting Services

May 26, 2017

Dr. Guy Bailey, President
The University of Texas Rio Grande Valley
2102 Treasure Hills Blvd., Suite 3.115
Harlingen, TX 78550

Dear Dr. Bailey,

As part of our Audit Plan for fiscal year 2016, Audit & Consulting Services has completed the Asset Management Audit at The University of Texas Rio Grande Valley (UTRGV). The objective of this audit was to assess the adequacy and effectiveness of the internal controls over assets management. This includes those items that are below \$5,000 in value and are not classified as capital assets.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal 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 internal auditing department. UTS 129 requires that we adhere to the *Standards*.

The recommendations in this report represent, in our judgment, those most likely to provide a greater likelihood that management's objectives are achieved. Implementation of the recommendations will strengthen internal controls over property administration, ensure the safeguarding of assets, increase effectiveness and efficiency of operations and provide reasonable assurance that the University is operating in compliance with applicable laws, policies, procedures, rules and regulations.

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We appreciate the assistance provided by UTRGV's management and other personnel. We hope the information and analyses presented in our report are helpful.

Sincerely,



Eloy R. Alaniz, Jr., CPA, CIA, CISA
Chief Audit Executive

cc: Mr. Rick Anderson, Executive Vice President for Finance and Administration
Mrs. Karla Loya, Interim Associate VP for Finance
UTRGV Internal Audit Committee
UT System Audit Office
Governor's Office of Budget, Planning and Policy
Sunset Advisory Commission
State Auditor's Office
Legislative Budget Board

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Table of Contents

<i>EXECUTIVE SUMMARY</i>	<i>1</i>
<i>BACKGROUND</i>	<i>2</i>
<i>AUDIT OBJECTIVE</i>	<i>3</i>
<i>SCOPE OF WORK</i>	<i>3</i>
<i>AUDIT RESULTS</i>	<i>4</i>
<i>CONCLUSION</i>	<i>16</i>

EXECUTIVE SUMMARY

As part of the approved audit plan included in FY2016, we completed the Assets Management Audit at the University of Texas Rio Grande Valley (UTRGV).

The objective of the audit was to assess the adequacy and effectiveness of internal controls over assets management focusing on strengthening the overall internal control environment. This included items below \$5,000 in value and that were not classified as capital assets.

Based on the procedures performed, areas of weaknesses were identified within Assets Management resulting in inefficient and ineffective operations. Specifically, audit work found:

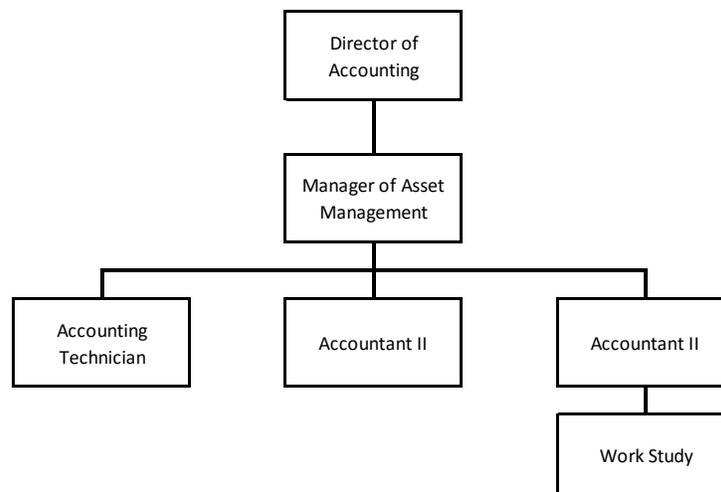
- Lack of documented policies & procedures
- Control processes not adequately established and/or communicated
- Inefficient fixed asset recording processes
- Ineffective oversight of assets
- Lack of sufficient training and guidance

Overall, we found that processes and controls over assets management do not provide reasonable assurance that operations are performed effectively and efficiently and in compliance with applicable laws, policies, procedures, rules and regulations. In addition, the fixed assets records in the UTRGV's Assets Management system are inaccurate and incomplete. Implementation of the recommendations in this report will strengthen internal controls over property administration, ensure the safeguarding of assets, increase effectiveness and efficiency of operations and provide reasonable assurance that the University is operating in compliance with applicable laws, policies, procedures, rules and regulations.

BACKGROUND

The University of Texas Rio Grande Valley (UTRGV) was created by the Texas Legislature on December 7, 2012, and it combined the resources and assets of The University of Texas-Pan American (UTPA) and the University of Texas-Brownsville (UTB) effective September 1, 2015. UTRGV has locations in Brownsville, Edinburg and Harlingen and it continues its transitional phase working through various strategic, operational and logistical challenges.

The Department of Assets Management reports directly to the Office of Accounting and Reporting which falls under the Office of Finance & Public Policy within the Division of Finance & Administration. The Department of Assets Management is housed at the Academic Support Facility in the Edinburg campus and has the following structure:



The Department of Assets Management is dedicated to support the Divisional and University mission in identifying and accounting for all capital assets of the Institution according to the rules and regulations of The University of Texas System, State Property Accounting guidelines, and the Texas State Comptroller, as well as University Policies and Procedures. Additionally, providing support to the Facilities Planning and Operations Division with everything related to their accounts, including funding requests, account reconciliations, reports, various analysis, assistance identifying funds and/or accounts, etc. It is the goal of Assets Management to comply with state law, to exercise good inventory control practices, and to emphasize accountability of University Property. Assets Management oversees the following functions:

- Coordinate the Annual Physical Inventory as mandated by the State of Texas Comptroller's Office
- Prepare annual financial reports for Unexpended Plant and Investment in Plant, and monitor these fund groups on a monthly basis, as well as provide projections for the Monthly Financial Report (MFR)
- Submit necessary reports to UT System and State of Texas Comptroller's Office including:
 - Annual Financial Report

- Property Value Update
- Oversee the Fixed Assets Oracle module, and provide appropriate training for end-users
- Monitor and maintain all controlled and capital assets as per State Property Accounting (SPA) guidelines
- Obtain and verify funding for construction and/or renovation projects
- Oversee the billing for the B-RAHC facility owned by UT Houston
- Reconcile all accounts under the Facilities Management department (Construction and M&O)
- Reconcile other applicable accounts under the Office of Finance & Public Policy
- Assist the Director of FP&C, M&O, and the Comptroller with other annual projects, including the budget cycle, merit cycle, Action Plans, Assessment Reports, etc.

As of August 31, 2016, UTRGV had the following personal property:

Personal Property	# of Assets	Total Cost
Controlled	20,540	23,087,625.97
Capitalized	3,176	78,080,219.90
Total	23,716	101,167,845.87

AUDIT OBJECTIVE

The objective of the audit was to assess the adequacy and effectiveness of internal controls over assets management focusing on strengthening the overall internal control environment. This included items below \$5,000 in value and that were not classified as capital assets.

SCOPE OF WORK

The scope of our testing included the Department of Assets Management and consisted of FY2016, September 1, 2015 through August 31, 2016, and included UTRGV transactions conducted through June 30, 2016. See audit results for the detailed audit steps that were performed.

Our examination was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal 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 internal auditing department. UTS 129 requires that we adhere to those *Standards*.

AUDIT RESULTS

Assets Management Operations

Based on interviews conducted with the manager for Assets Management, we determined that, currently, there are weak controls and lack of operational guidance over Assets Management. The following observations were identified:

Policies & Procedures

There are no formal UTRGV policies and procedures to provide uniform guidance for managing operations, define the responsibilities for property management, establish written criteria requiring the Institution to physically inventory, account for, and safeguard each fixed asset under their control, and identify the escalation process for instances of non-compliance. Informal procedures for the department are deferred to SPA guidelines, which as per Government Code, Chapter 403, Subchapter L, Section 403.2715, institutions of higher education (institutions) are exempt from reporting to the State Property Accounting System, but must still comply with Comptroller state property accounting policies and procedures. Without policies and procedures, employees are not aware of the proper procedures to follow in managing the University’s assets creating inefficiencies in operations and increasing the risk of loss of property or noncompliance with rules, laws & regulations. #

SPA Users Guide
In accordance with State Comptroller’s policy, the responsibility for the custody and care of state agency property lies with the agency head. Each agency head must designate a property manager and the agency head should ensure that the agency maintains adequate internal control procedures. The agency head must ensure that the procedures for accountability and safeguarding of the agency’s property are distributed. All agency procedures must comply with Comptroller’s office rules and requirements.

Training

As a newly created institution, training becomes very important to employees. The training offered for assets management is ineffective and insufficient. The current training provided is not comprehensive and excludes an overview of assets management, roles & responsibilities of inventory custodians, inventory definitions (capitalized, controlled and expensed), expense types available and the life cycle of an asset (acquisition, tagging, transfers and disposals).

UTRGV offered seven training sessions and training focused on the annual certification process only. The training is presented by the Training Coordinator from the Business Information Systems Office, and although an individual from the Department of Assets Management is present, the training is agenda driven by the Training Coordinator. As of August 23, 2016, UTRGV listed 355 account managers responsible for inventory, of which only three (1%) account managers attended the training.

Training Data		
Number of Account Managers in Oracle	355	
Total # of Account Managers which attended training	3	1%
Total # of Attendees	54	

We determined that account managers, inventory custodians and/or administrative staff assigned to assist with the inventory process lack sufficient training and guidance for fixed asset management. For most, fixed asset duties are not their primary job responsibilities, and guidance is needed for those assigned to assist as well as occasional refresher training and a clear method for submitting and receiving responses to asset management questions.

Website

At the time of the engagement, the Assets Management's departmental website was under construction and unavailable. Benefits of a website include providing employees with information regarding definitions, roles & responsibilities, processes, annual certifications, training dates, due dates, additional references and links to training guides and rules & regulations pertaining to assets management such as Texas State Government Code, State Property Accounting (SPA) System, Federal Acquisition Regulations (FAR) System, & UT Systems Requirements.

The absence of formal policies & procedures, documented processes, a departmental website and inadequate training creates inefficiencies in operations and increases the risk of noncompliance with regards to assets management.

Recommendation #1:

Policies & Procedures over Assets Management should be formalized to ensure adequate controls are in place, processes are identified and roles and responsibilities are clearly communicated.

The manager of Assets Management should provide initial training or guidance for all UTRGV employees, including Assets Management personnel. Training should be driven by the Department of Assets Management and should provide an overview of assets management, roles & responsibilities, definitions of inventory, expense types available and the life cycle of an asset. The training should provide tools and tips for account managers and assigned administrative staff to complete their inventory transactions successfully. Training should also include consequences for non-compliance and be strongly encouraged for each departmental inventory contact. Additionally, management should provide updated information or annual training to all account managers and/or administrative staff assigned to assist with the inventory process as needed, to ensure that custodians understand and follow policies and procedures related to assets management. An annual certification training could be conducted prior to the annual physical inventory to help as a refresher course to enhance the accuracy and reliability of the information submitted.

In addition, the manager of Assets Management should also update the departmental website to include policies and procedures, training information, references and links to rules and regulations and additional tools necessary to keep the departments informed regarding assets management.

Management's Response:

The manager of Assets Management will develop formal UTRGV policies and procedures to provide uniform guidance for managing operations, define the responsibilities for property management, establish written criteria requiring the Institution to physically inventory, account for, and safeguard each fixed asset under their control, and identify the escalation process for instances of non-compliance. Policies and procedures will be published on the Assets Management website for easy accessibility by the entire University community. Policies and procedures will be ready for campus use by May 2017.

The manager of Assets Management, along with the staff, will provide mandatory comprehensive training to all asset custodians/Project Managers on a periodic basis. Topics covered will include all tools necessary for custodians to ensure accurate accounting for assets throughout the year, such as an overview of assets management, roles & responsibilities of custodians, definitions of inventory & assets, appropriate expense types, workflows to transfer custodianship or location of an asset, disposal of an asset, and consequences for non-compliance. In addition to the comprehensive training, sessions will be offered prior to the annual inventory certification to address specific questions and enhance accuracy of the annual inventory submitted. Initial trainings for Project Managers/custodians will begin in May 2017 and will continue until all custodians are trained.

The manager of Assets Management will ensure the Assets Management staff complete, on an annual basis, the online State Property Accounting (SPA) trainings provided by the State Comptroller's Office. Staff will complete training for the 2017 fiscal year by January 31, 2017.

The manager of Assets Management will continue to update the departmental website to add resources for users to include definitions, roles & responsibilities, policies & procedures, references & links to rules & regulations, and any other available resources. Website development will be complete with the completion of policies and procedures in May 2017.

Implementation Date:

UTRGV Policies & Procedures: May 2017

Mandatory Trainings: May 2017 and will continue until all custodians are trained

Assets Management Training: January 31, 2017

Assets Management Website Updates: May 2017

Tracking & Monitoring of Assets

One of the elements of a good asset management process is the maintenance of accurate records of the physical location of assets, their custodian and periodic and systematic physical verification of the existence and condition of assets. Audit work identified several causes that inhibit the UTRGV's ability to maintain an accurate fixed asset inventory records.

***Texas Government Code § 403.272.
Responsibility for Property
Accounting***

(b) All personal property owned by the state shall be accounted for by the agency that possesses the property.

Annual Physical Inventory

Since inventory from UTB was not transferred to UTRGV until June 2016, the Office of Assets Management conducted two annual inventory certifications for the initial UTRGV year. The 1st certification was UTPA assets which were already recorded in the Oracle Fixed Assets System and UT Health Science Center San Antonio (UTHSCSA) transfer assets. An email was sent out to account managers from the accounting technician in the Department of Assets Management on June 29, 2016, indicating that certifications were due July 27, 2016. The 2nd annual inventory was for the UTB transfers. That email was sent to account managers on August 15, 2016, indicating that the certifications were due August 26, 2016.

Although we did not test the detail of the annual certifications submitted, we noted the following weaknesses in the process:

- The annual certification process and methodology is yet to be formally documented. To ensure that physical verification of fixed assets is performed consistently in accordance with an approved process, the process needs to be formally documented as an organizational policy and formally communicated to account managers, inventory custodians, assigned administrative staff and departments. (Refer to Policies & Procedures Section)
- Training provided is inadequate and insufficient. (Refer to Training Section)
- There is no periodic review by the Department of Assets Management of the certifications submitted to verify accuracy. A periodic review would provide assurance that account managers are submitting information regarding changes to their asset inventories. Equipment can potentially get lost or be susceptible to theft if not properly and timely accounted.
- Informal verification process for assets reported as missing. Missing items noted on the annual certifications should be promptly followed up by management to find out whether the items are indeed missing or whether they may have been misplaced in an alternate location. During the FY 2016 Annual Financial Audit, we noted that UTRGV listed over \$11 million in missing assets.
- Asset responsibility is assigned at a high level or is inconsistent. Overall, responsibility is mostly assigned at the level of funding for the asset. (Refer to Additions Section)

In addition, although we did not test the off-boarding process, we did review the action taken by the Department of Assets Management when notice is received for off-boarding an

employee. During our engagement, we noted an employee listed as an account manager left the institution on June 30, 2016, and the Department of Assets Management was notified on August 31, 2016. While Assets Management communicated with the department to provide an alternate account manager, the non-employee continued to be listed as the inventory custodian as of October 27, 2016.

Recommendation #2:

The manager of Assets Management should strengthen its oversight practices of the annual physical inventory by providing adequate training, reviewing the process for assigning responsibility and spot checking account manager's fixed asset inventories and related records on a periodic, sample basis. The spot checks would provide some level of assurance that account managers are submitting information regarding changes to their asset inventories. The asset responsibility process should be reviewed and responsibility should lie with someone who is able to verify the asset on a predetermined basis. When assets are reported as missing, the Department of Assets Management needs to promptly follow up with the departments to ensure assets are appropriately marked as missing and to verify UTRGV does not over/under state their assets. In addition, interim measures to identify and update account managers during off boarding need to be evaluated to timely designate new inventory custodians.

Management's Response:

The manager of Assets Management will strengthen the oversight practices of the annual physical inventory by providing adequate training as described on response 1. The emphasis will be on proactive monitoring and oversight of assets, so that the annual physical inventory is less cumbersome or intimidating. Initial trainings for Project Managers/custodians will begin in May 2017 and will continue until all custodians are trained.

The manager of Assets Management will review the asset responsibility process with upper management, so that existing or new assets are recorded to the appropriate custodian, which is someone who is able to verify the asset on a predetermined basis. The manager of Assets Management will contact other institutions to identify best practices for determining custodianship. Discussions will be held with management to determine the feasibility of obtaining an outside inventory specialist to conduct a one-time complete inventory of current assets for the transition to UTRGV and identify proper custodians for each asset.

The manager of Assets Management will perform random inspections of departmental inventories to confirm validity of the custodian and location of assets. Assets Management staff will continue to follow up with departments regarding missing assets as soon as they are identified. Random inspections will begin in June 2018 following the initial inventory certification responses. For FY 17, AssetWorks was hired to conduct a

physical inventory of all University personal property starting on April 17, 2017. Inspections are expected to occur next fiscal year following the inventory certification process.

The manager of Assets Management will work to improve communication with Human Resources (HR) regarding the off boarding process for University employees listed as asset custodians, at the time of their departure, in order to ensure assets are accounted for or returned, and reassigned to a valid custodian while the employee is still on campus. The manager of Assets Management will contact HR by February 2017.

Implementation Date:

Adequate Trainings: May 2017 and will continue until all custodians are trained

Random Inspections: June 2018

Improve Off Boarding Process: February 2017

Additions

Testing for newly acquired assets consisted of tracing a sample of 10 new assets from the Oracle Fixed Assets System to the physical asset location. The objective of our testing was to ascertain the physical existence of newly acquired assets and verify the accuracy of the information recorded in the asset management database.

We identified the following control weaknesses and inefficiencies over asset purchases:

- Lack of training or accessibility of information, which should be readily available for those individuals entering the expenditure types to reduce errors in not capturing all inventoried assets. During our review of this process, we noted individuals who enter the information into iShop are not adequately trained regarding expenditure types, which is the driver for those predetermined rules set for required approvals and inventorying or expensing a purchase. (Refer to Training Section)
- Asset responsibility assignment process for newly acquired assets is ineffective. Minimal effort is made to identify the correct account manager from purchase to avoid an additional burden on the departments of transferring the asset to the correct account manager within the first month of date placed in service. In addition, the location entered into Oracle is obtained from iShop rather than contacting the department.
- For those departments that contact the Department of Assets Management to tag an asset, the Department of Assets Management mails the asset tag to the department.
- There is no central receiving for all assets purchased.

Based on our additions testing, we identified the following instances of non-compliance:

Testing Exceptions	# of Exceptions	% of Exceptions
Additions Tested: 10		
Incorrect asset location in Oracle	4	40%
Incorrect Account Manager in Oracle	3	30%
Purchase requisition had the incorrect E type & commodity code in iShop	2	20%
Incorrect serial number in Oracle	2	20%
Purchase requisition not approved by Assets Management	1	10%
No invoice attached in iShop	1	10%
Receiving did not get completed in iShop	1	10%
Unable to validate asset; Account Manager could not meet with Auditor	1	10%

Transfers

Transfers testing was limited to those assets transferred from legacy institutions – UTB, UTPA, & UTHSCSA and a total of 16 transfer assets were selected for testing. The focus of our testing was to determine whether the transfers from the legacy institutions were accurate.

Audit work identified transfer data was brought in as additions and important historical information was not transferred in from UTB and UTHSCSA, such as the original date placed in service and useful life remaining. This data is of great importance in knowing the age of the asset. Without information about the original purchase date, records will indicate that the asset is newer than it actually is.

Because of UTB’s separation from Texas Southmost College (TSC) as well as the timing and complexity of the transition to UTRGV, these transfers were not effectively validated, asset responsibility was not adequately assigned and account managers were not aware of their responsibility. Transfers for UTB & UTHSCSA were completed as a mass load to the Oracle Fixed Assets System without proper validation of data, which included assets transferred to TSC, previously reported as lost or stolen, and under the incorrect Account Manager. Therefore, running the risk of overstating UTRGV’s financial statements and running the risk of the Account Manager indicating the asset as ‘Missing’ during annual inventory certification.

Based on our transfers testing, we identified the following instances of non-compliance:

Testing Exceptions	# of Exceptions	% of Exceptions
Legacy Transfers Tested: 16		
Incorrect Account Manager in Oracle	6	38%
Incorect asset location in Oracle	6	38%
Asset not located	4	25%
Asset reported as Missing at Legacy Institution	2	13%
TSC asset	1	6%

Inclusions

Inclusions testing consisted of selecting 16 assets located in each area previously identified sample and tracing these assets back to the Oracle records. Items were randomly chosen at the location(s) where auditors conducted the Additions and Transfers Testing. The objective of our testing was to validate the asset’s existence in Oracle Fixed Assets System and verify the accuracy of the information recorded.

Based on our inclusions testing, we identified the following:

Testing Exceptions	# of Exceptions	% of Exceptions
Inclusions Tested: 16		
Incorrect asset location in Oracle	10	63%
Incorrect Account Manager in Oracle	8	50%
Asset not in Oracle	2	13%

Overall, audit work indicated that the fixed asset records in the UTRGV’s Oracle Fixed Assets System are inaccurate and incomplete.

Specifically, we found instances where the fixed assets located at the institution were not recorded in Oracle. Additionally, we noted instances where asset location information in Oracle was incorrect, asset responsibility in Oracle was inaccurate, and asset serial numbers as recorded in Oracle did not agree with those of the asset.

(Texas Government Code § 403.273. Property Manager; Property Inventory g) At all times, the property records of a state agency must accurately reflect the property possessed by the agency. Property may be deleted from the agency's records only in accordance with rules adopted by the comptroller.

Adequate controls are crucial to maintaining the accuracy of UTRGV’s fixed assets records in Oracle. An inaccurate fixed asset inventory could have several negative impacts, including over

or understating the University's overall assets in the financial statements, and an increased risk of asset misappropriation and theft.

Recommendation #3:

The manager of Assets Management should improve controls over property administration and accountability of University assets. The reliability and integrity of records and financial information, and compliance with applicable policies and laws should be strengthened by the following:

- Coordinating with Departments to obtain missing information, and correct the asset tag numbers and serial numbers, and ensure that these are updated in Oracle.
- Implementing procedures to accurately capture identifying data entered into Oracle.
- Reviewing the process for assigning asset responsibility.
- Providing training and making information readily available for those individuals entering the expenditure types to reduce errors in not capturing all inventoried assets.
- A reconciliation of legacy transfers to UTRGV should be conducted.

In addition, consideration should be given to collaborate with Central Receiving and Purchasing Departments to more efficiently identify responsibility and accurately capture identifying data (location, serial number, tag numbers, description).

Management's Response:

The manager of Assets Management will improve controls over property administration and accountability of University assets in the following ways:

- The development of policies & procedures, trainings, and additional resources posted to the Assets Management website will emphasize the importance of providing accurate information and minimize the missing and incorrect information on assets. Policies & procedures, trainings, and updates to the website will be ready by May 2017.
- Assets Management will review and evaluate processes to come with a better solution on assigning the asset responsibility to the correct individuals from the start instead of relying on the departments to do the transfers. Asset Custodian will be a full-time employee who is responsible for the care, maintenance, safe-keeping, and assurance that the property is used only for official business. The manager of Assets Management will contact other institutions to identify best practices for determining custodianship and will be shared with management. The changing of the asset custodians will be complete by July 2017.
- Assets Management has begun updating their website to include a quick access to resources for users. Documents posted include a Frequently Asked Questions

page and a listing of e-types that should be used for the purchase of assets. The developed policies and procedures will also be posted to the website once complete and approved. Updates to the website will be made by March 2017.

- The reconciliation of legacy inventories transferred to UTRGV has begun with a reconciliation of assets currently listed as missing.

In addition, discussions have been initiated with upper management regarding augmenting Central Receiving staff to obtain assistance in identifying and tagging assets upon receipt in order to improve the accuracy of asset locations. This would help improve the efficiency in the tagging process and would minimize Assets Management having to identify potential assets in Oracle and then track down the asset at the department. The improved process will allow for more detailed review of assets throughout the year and increase the accuracy of asset locations and custodians in Oracle.

Implementation Date:

Policies & Procedures, Website Updates, Mandatory Trainings: May 2017

Changing Asset Custodians: July 2017

Website Updates: March 2017

Disposals

Testing for disposals consisted of selecting 6 assets that were disposed of during FY 2016. The purpose was to verify that assets were timely and correctly removed from UTRGV’s inventory records and adequate supporting documentation was obtained and maintained by the Department of Assets Management.

Based on our disposals testing, we identified the following:

Testing Exceptions	# of Exceptions	% of Exceptions
<i>Disposals Tested: 6</i>		
Insufficient/inadequate support documentation for disposal	2	33%
Disposal code incorrect or not entered	2	33%
Not removed from inventory in a timely manner	2	33%

In addition, as supporting documentation was requested from the Department of Assets Management, it was noted that information was not centrally maintained. Maintaining adequate disposal support documentation in a central location is important to ensure appropriate information is obtained for disposal of assets.

Recommendation #4:

Controls over disposals can be strengthened by documenting policies & procedures, recording accurate disposal codes, obtaining and maintaining adequate and sufficient supporting documentation for assets being removed from the institutions records. In addition, Assets Management should provide adequate training & communication of the complete processes for reporting and removing assets from inventory records to all asset custodians.

Management's Response:

The Manager of Assets Management will strengthen the controls over disposals by updating the documentation and procedures to include any updates to SPA disposal codes. Documented policies and procedures will be finalized by May 2017. Though a disposal code is not a requirement of the system, we have adopted this as an internal requirement as of January 2017.

In addition, the Manager of Assets Management will develop comprehensive training for University staff to include information on the proper and timely disposal of assets including the requirements and process. Initial mandatory trainings will begin in May 2017.

Implementation Date:

Policies & Procedures: May 2017
Disposal Code internal requirement: January 2017
Mandatory Trainings: May 2017

Reconciliations

At UTRGV, responsibility for identifying assets requiring to be tagged lies with the departments and is initially determined during the purchasing process in iShop. Although reconciliations are conducted monthly to ensure that the asset details in the Oracle Fixed Assets System are periodically reviewed and verified with the General Ledger, the Department of Assets Management does not conduct periodic reviews or reconciliations of iShop purchases to verify that all newly acquired non-computer related controlled assets have been captured and accounted for.

In addition, a review of central receiving logs for the Brownsville Campus identified a purchase of a computer paid with a procurement card. Although UTRGV has policies in place at the Procurement Office concerning allowable procurement card purchases, the Department of Assets Management is not communicating instances of non-compliance of the procurement card program with the Procurement Office to assure that appropriate disciplinary action is taken as per the Procurement Card guidelines.

Recommendation #5:

Controls over asset management accounting can be strengthened by

- Enhancing the training provided to also include:
 - a review of the process for purchasing assets,
 - a review of expense types available and
 - a reminder that assets cannot be purchased with a credit card
- Conducting a periodic review of the purchases in iShop to ensure asset purchases are accurately captured. Since responsibility for identifying assets requiring to be tagged lies with the departments, Assets Management should provide some level of assurance all assets are being captured.

Management's Response:

The Manager of Assets Management will strengthen controls over asset management accounting by:

- Comprehensive training will be developed to ensure UTRGV employees are aware of all processes and policies as relate to Assets Management including the process for purchasing assets and the allowable purchasing methods. Trainings will begin in May 2017 and will continue until all custodians are trained.
- Documentation and resources including a listing of available expense types and Frequently Asked Questions are being added to the Assets Management website, as well as to the iShop home page. Updates to websites will be made by February 2017.
- Restrictions on purchases of assets with Pro-Cards is included in Procurement's trainings and documentation. Assets Management will continue to work closely with the Chief Procurement Officer to monitor and discourage violations of this policy.
- The Manager of Assets Management will periodically extract a listing of purchases made in iShop using some of the most frequently used expense types and review for any miscoded assets. Periodic reviews will begin May 2017.

Implementation Date:

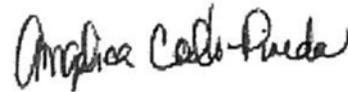
Mandatory Trainings: May 2017 and will continue until all custodians are trained
Website updates on Asset Expense Types and FAQ: February 2017
Periodic Reviews in iShop: May 2017

CONCLUSION

Overall, we found that processes and controls over assets management do not provide reasonable assurance that operations are performed effectively and efficiently and in compliance with applicable laws, policies, procedures, rules and regulations. In addition, the fixed assets records in the UTRGV's Assets Management system are inaccurate and incomplete. Implementation of the recommendations in this report will strengthen internal controls over property administration, ensure the safeguarding of assets, increase effectiveness and efficiency of operations and provide reasonable assurance that the University is operating in compliance with applicable policies, laws, and procedures, rules and regulations.



Norma Ramos, CIA, CGAP
Director



Angelica Coello-Pineda
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