



An Audit Report on

Property and Surplus Management at Texas Tech University

- The University’s property records for the 61 active assets tested contained sufficient information, and it had adequate controls over Banner Fixed Asset System (BFAS), its system of record for managing its property.
- The University should strengthen its process to ensure that it reconciles its surplus property information with BFAS and maintains required documentation for missing assets.
- The University should implement a process to periodically monitor the completeness and accuracy of its reported fleet vehicle data.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

Texas Tech University (University) has established processes and related controls over its property assets to help ensure compliance with state laws and other applicable requirements. However, the University should strengthen controls over surplus property, improve its process to follow-up on property reported as missing, and reconcile its vehicle data to help ensure the accuracy of its reporting of fleet vehicles to the Office of the Comptroller of Public Accounts.

• *Audit Objective* | p.11

This audit was conducted in accordance with Texas Government Code, Sections 321.0131 and 321.0132.

LOW

PROPERTY MANAGEMENT AND DISPOSAL

The University had processes and related controls over its active property assets to help ensure compliance with state laws and other applicable requirements.

The University maintained accurate records for property that was disposed outside of its surplus process.

[Chapter 1-A | p. 3](#)

MEDIUM

SURPLUS AND MISSING PROPERTY

The University had processes and controls over surplus and missing property. However, it should strengthen its processes to ensure that it accounts for all surplus property and maintains required documentation for missing property.

[Chapter 1-B | p. 6](#)

MEDIUM

FLEET REPORTING

The University located all vehicles tested and generally reported accurate vehicle data to Texas Fleet Management System (TxFS). However, it should implement a process for reconciling the vehicle data in BFAS with the information reported to TxFS to identify all additions and disposals.

[Chapter 2 | p. 9](#)

For more information about this audit, contact Audit Manager Michael Simon or State Auditor Lisa Collier at 512-936-9500.

December 2022 | Report No. 23-014

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of certain chapters in this report. The University agreed with the recommendations in this report.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

PRIORITY: Issues identified present risks or effects that if not addressed could ***critically affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could ***substantially affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could ***moderately affect*** the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks ***or*** effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.



LOW

Chapter 1-A Property Management and Disposal

Texas Tech University (University) manages its property through its Accounting Services department, which coordinates with all University departments to monitor and track property, review inventory, and dispose of property assets. From September 1, 2020, through April 30, 2022, the University had approximately \$1.2 billion in active property assets (less accumulated depreciation). The majority of that amount (approximately \$912 million) was buildings, construction, and land (see Figure 1).

Figure 1

The University's Active Property Assets September 1, 2020, through April 30, 2022

Property/Asset Type	Book Value (less accumulated depreciation)	Unique Count of Assets
Buildings, Construction in Progress, Facilities/Improvements, Infrastructure, Land	\$912.1 million	270
Capital Equipment, Controlled Assets, Vehicles	\$120.1 million	42,742
Museum and Art Exhibits	\$104.6 million	406
Other	\$68.5 million	141

Source: Texas Tech University.

The University had processes and related controls over its active property assets to help ensure compliance with state laws and other applicable requirements.

The information in the University's property records for the 61 active assets tested was sufficient to allow the assets to be located and verified. For example, of those 61 assets:

- All were located and verified by auditors.
- Forty six had accurate data in all fields tested. Fifteen had minor inaccuracies that were mainly typos (one letter off on serial numbers) or missing information that didn't affect the identification of the asset.

The University also had adequate controls over its Banner Fixed Asset System (BFAS), which is the University's system of record for managing its property. Specifically, BFAS facilitates the tracking of the asset, its value, and its status of active, missing, or disposed. The University's logical access controls were configured correctly to prevent improper use. It also had automated controls over depreciation to (1) prevent double booking of depreciation, (2) prevent depreciation for a future period, and (3) automatically calculate the depreciation expense. Key asset reports were also configured correctly to identify capital and controlled assets purchased for entry into BFAS. All controls tested were operating effectively. In addition, after an asset is purchased and entered into BFAS, the University has various processes in place to help ensure that the asset is safeguarded and the record is accurate, such as:

- Annual property certification, during which the University requires all departments to annually review and certify their assets.
- Annual inventory review, during which the University annually reviews all assets within a selected department. According to University policy, all departments should be reviewed once every five years.

The University maintained accurate records for property that was disposed outside of its surplus process.

The University disposes of some property assets outside the surplus process (see Chapter 1-B for information about the surplus process). Those include some assets that are lost, unaccounted, transferred, tagged in error, converted from “construction in progress,” and error corrections.

Of the 30 disposals outside the surplus process tested, 29 (97 percent) were properly supported and disposed according to University policy. One asset was incorrectly disposed. After auditors notified the University of the error, it located the asset, verified the asset was active, and added it back to its active assets.

MEDIUM

Chapter 1-B Surplus and Missing Property

Not including buildings, construction in progress, facilities/improvements, infrastructure and land, the University had 43,289 active assets with a total value of \$293.2 million from September 1, 2020, through April 30, 2022. Of that amount, 3,768 assets valued at \$5.9 million, or about 2 percent of the total value, were classified as surplus.

The University had processes for property classified as surplus; however, it should ensure that it accurately accounts for surplus property in BFAS.

The Surplus Division at the University disposes of property that becomes surplus, obsolete, or uneconomically repairable. According to the University's documented policies and procedures, the Surplus Division collects the property from other departments, adds it to the Surplus Division's inventory, and notifies Accounting Services once it is disposed.

However, the communication between the Surplus Division and Accounting Services was not sufficient to ensure that the status of the surplus assets was accurate in BFAS. Texas Government Code, Section 403.2715(c), requires a university's property records to accurately reflect its assets. Specifically:

- Fourteen (56 percent) of 25 surplus assets tested either had the wrong status or didn't have any support for their status in BFAS. Of those 14 surplus assets:
 - Eleven were recorded as active, but those assets could not be located for verification. The University asserted that those 11 assets were disposed, but it could not provide records to support that assertion or to show that the disposed status was communicated to Accounting Services.
 - Three were recorded as active, but should have been recorded as disposed. This occurred because either the Surplus Division did not

communicate the disposed status to Accounting Services or Accounting Services did not update the status in BFAS as required.

- The other 11 (44 percent) of the 25 surplus assets tested had appropriate support for their status of either active or disposed.

The University did not identify the errors discussed above because it did not reconcile the Surplus Division's information to BFAS to verify accuracy.

The University has processes to identify and accurately track assets reported as missing; however, it should ensure that required documentation is maintained.

Under the University's process, departments report property that is missing to Accounting Services. Unless it is located, the asset remains on that department's inventory as reported missing for two years. After the second year, the asset is disposed of as missing.

However, the University did not ensure that its departments completed or maintained required documentation for missing assets. Specifically, 5 (17 percent) of 30 missing assets tested did not have the required Missing Property Form, which required the reporting department to (1) certify that the property was not missing due to negligence, and (2) include the asset identification number, the employee responsible for the asset, and other descriptive information about the missing property.

Recommendations

The University should:

- Strengthen its processes to accurately account for surplus property in BFAS by:
 - Strengthening the communication between its Surplus Division and Accounting Services.
 - Conducting periodic reconciliations to identify errors in BFAS.
- Retain all appropriate missing asset documents for the life of the asset, plus 3 years, in line with the University's retention policy.

Management's Response

Property Surplus and Accounting Services will work together to implement and document a reconciliation process of surplus inventory to BFAS records. Additionally, Property Surplus will implement an onsite quality control process at the time of pickup to validate that equipment and computing devices with inventory tags are included on the requestor's surplus inventory transfer in efforts to reduce undocumented exchanges.

Accounting Services has updated procedures to address timely uploads of missing asset forms and revised document management folder organization to implement an edit check that will identify if a missing asset document exists for an asset designated with a certain missing asset attribute code.

Expected implementation date: 3/31/2023

MEDIUM

Chapter 2 Fleet Reporting

Agencies and institutions of higher education are required by Texas Government Code, Chapter 2171, to collect and enter vehicle data into the Texas Fleet Management System (TxFS) each quarter (see text box for more information about TxFS). The Office of the Comptroller of Public Accounts (Comptroller's Office) uses TxFS data for its State of the Fleet reports to the Legislature. According to the *State of the Fleet 2021 Report on the Status and Operation of Vehicles Within the State of Texas*, Texas Tech University was among the top 10 agencies/universities by fleet size.

Texas Fleet Management System

To assist agencies in managing their vehicle fleets, the Comptroller's Office is charged with the establishment and management of the Texas Fleet Management System (TxFS). TxFS is the State's vehicle reporting system and official record of vehicle data.

Source: Comptroller's Office.

The University was able to locate all vehicles tested and generally reported accurate vehicle data to TxFS.

According to the University's Fleet Management policy, the fleet vehicle manager is responsible for entering vehicle information into TxFS. Departments are responsible for submitting monthly vehicle use reports, which include mileage, fuel use, maintenance, and repair information, as well as notifying the manager if there are any additions or disposals to the fleet.

This process ensured that the correct information was entered into TxFS for most active vehicles in the University's fleet. The vehicle information for the 30 vehicles tested was accurate, except for some minor data errors.

However, the University did not consistently reconcile the vehicle data in TxFS to BFAS to identify additions and disposals.

The University should implement a process to reconcile fleet vehicle data in TxFS to the information in BFAS, the University's system of record, to periodically monitor completeness and accuracy of the reported data and resolve any discrepancies. The University asserted that reconciliations should be performed each year. However, it does not have a documented policy that requires or includes procedures for those reconciliations, and the University had not performed a reconciliation since 2019.

Auditors reconciled the University's fleet vehicle data reported to TxFS to BFAS for 494 fleet vehicles and identified 20 disposed vehicles that the University had reported as active and 28 active fleet vehicles that the University did not include in its report to TxFS.

Not ensuring the completeness and accuracy of the reported fleet vehicle data could lead to the Comptroller's Office reporting inaccurate data to the Legislature.

Recommendation

The University should implement and document a process to consistently reconcile fleet vehicle data in BFAS and TxFS to periodically monitor completeness and accuracy of the reported data and resolve any discrepancies.

Management's Response

Fleet Management will work to implement and document a regular reconciliation process of fleet inventory reported in TxFS to BFAS records to ensure complete fleet vehicle data is documented accurately.

Expected implementation date: 3/31/2023



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether Texas Tech University (University) has established processes and related controls over property and surplus property to help ensure compliance with state laws and other applicable requirements.

Scope

The scope of this audit covered the University's property and surplus property and its related processes from September 1, 2020, to April 30, 2022.

The scope also included a review of significant internal control components related to the University's capital and controlled asset processes.

The following members of the State Auditor's staff performed the audit:



- Jerod Heine, MBA, CISA (Project Manager)
- Arnton W. Gray, CPA, CIA (Assistant Project Manager)
- Steven Arnold, CFE
- Kevin Mack
- Susana Preciado
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Michael A. Simon, MBA, CGAP (Audit Manager)

Methodology

We conducted this performance audit from March 2022 through November 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to University management for consideration.

Addressing the Audit Objectives

During the audit, we performed the following:

- Interviewed University management and staff to identify how property is recorded and tracked, including internal controls and the information that supports those processes.
- Identified the relevant criteria:
 - Texas Government Code, Chapters 403 and 2171.
 - *Texas State Vehicle Fleet Management Plan*, March 2020.
 - University policies and procedures.
- Reviewed and analyzed University property data to determine its reliability for population identification and sample selection.
- Tested the nonstatistical samples described in Figure 2 on the next page.

Figure 2

Methodologies, Populations, and Samples Selected^a

Data Set	Methodology ^b	Population	Sample Size
Active Assets	Directed Random and Risk-based	43,549 unique assets and \$1.1 billion in value	25 directed random and 9 risk-based items
Disposed Assets	Random and Risk-based	1,981 unique assets and \$6.7 million in value	25 directed random and 5 risk-based items
Surplus Assets	Directed Random	1,658 and \$2 million in value	25
Missing Assets	Directed Random and Risk-based	768 unique assets and \$1.7 million in value	25 directed random and 5 risk based items
Fleet Vehicles	Random and Risk-based	494 unique assets and \$1.7 million in value	25 random and 5 risk-based items

^a The samples listed in this figure were not necessarily representative of the populations; therefore, it would not be appropriate to project the test results to the populations.

^b **Directed random sample** methodology was chosen to ensure that the active asset sample included coverage of the University's asset categories, the surplus asset sample included both active assets and disposed assets, and the missing asset sample included coverage of assets missing for one year and assets missing for two years.

Random sample methodology was chosen to ensure that the disposed sample included a cross section of disposal methods and the fleet sample included a cross section of active vehicles.

Risk-based items were chosen to address specific risk factors identified in the population; items were selected because they had a high potential of error.

Source: Banner Fixed Asset System.

Data Reliability and Completeness

Auditors determined the reliability of data by (1) interviewing University management about the data, (2) reviewing data for validity and completeness, and (3) performing data analysis on all data sets. Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- Banner Fixed Asset System for University assets, including active asset data, disposed asset data, missing asset data, asset transfer data from September 1, 2020, to April 30, 2022.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Appendix 2

Related State Auditor's Office Reports

Figure 3

Report Number	Report Name	Release Date
19-041	<i>An Audit Report on Contracting at the Texas Tech University System</i>	July 2019
19-006	<i>An Audit Report on Vehicle Fleet Management at Selected State Agencies</i>	October 2018



Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dade Phelan, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Texas Tech University

Members of Board of Regents, Texas Tech University System

Dr. Tedd L. Mitchell, Chancellor, Texas Tech University System

Dr. Lawrence Schovanec, President



This document is not copyrighted. Readers may make additional copies of this report as needed. In addition, most State Auditor's Office reports may be downloaded from our website: <https://sao.texas.gov>.

In compliance with the Americans with Disabilities Act, this document may also be requested in alternative formats. To do so, contact our report request line at (512) 936-9500 (Voice), (512) 936-9400 (FAX), 1-800-RELAY-TX (TDD), or visit the Robert E. Johnson Building, 1501 North Congress Avenue, Suite 4.224, Austin, Texas 78701.

The State Auditor's Office is an equal opportunity employer and does not discriminate on the basis of race, color, religion, sex, national origin, age, or disability in employment or in the provision of services, programs, or activities.

To report waste, fraud, or abuse in state government, visit <https://sao.fraud.texas.gov/>.