

Miner Mall:
Capital and Controlled Assets

Audit Report # 24-104
March 18, 2024



The University of Texas at El Paso
Office of Auditing and Consulting

" Committed to Service, Independence, and Quality"



The University of Texas at El Paso
Office of Auditing and Consulting Services

500 West University Ave
El Paso, Texas 79968
915-747-6191
www.utep.edu

March 18, 2024

Dr. Heather Wilson
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited-scope audit of *Miner Mall: Capital and Controlled Assets*. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals, and objectives are achieved.

We appreciate the cooperation and assistance provided by the Purchasing and General Services and Disbursement Services staff during our audit.

Sincerely,

A handwritten signature in cursive script that reads 'Courtney H. Rios'.

Courtney Rios
Interim Chief Audit Executive

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	4
Background.....	4
Audit Objective.....	4
Scope.....	4
Strengths.....	4
Summary of Audit Results.....	4
BACKGROUND	5
AUDIT RESULTS.....	6
1. Capital and controlled assets are not properly classified in Miner Mall.	6
2. Assets are shipped to alternate locations without proper authorization.	8
3. Receiving documentation is missing for assets not delivered to Central Receiving.	9
RANKING CRITERIA	11

EXECUTIVE SUMMARY

Background

Miner Mall is the University's web-based e-procurement system for the issuance, approval, and payment processing of all purchase orders, including capital and controlled asset purchases. The University must account for all purchases of controlled and capital assets to satisfy federal and state requirements for financial reporting.

Audit Objective

The objective of this audit is to evaluate the effectiveness of controls in Miner Mall to ensure accurate financial reporting of capital and controlled assets.

Scope

The scope of the audit includes Miner Mall transactions from Fiscal Year 2023. Procurement methods, bidding, and domestic and foreign contracts will be addressed in a future audit.

Strengths

Miner Mall provides a comprehensive system to report and track the University's procurement of capital and controlled assets. The Purchasing Department and the Disbursement Services Department are service-oriented, flexible, and responsive to departments' needs.

Summary of Audit Results

Issue	Risk Ranking
1. Capital and controlled assets are not properly classified in Miner Mall.	Medium
2. Assets are shipped to alternate locations without proper authorization.	Medium
3. Receiving documentation is missing for assets not delivered to Central Receiving.	Medium

Conclusion

Based on the audit procedures performed, we conclude that departments collaborate well throughout the University's procurement process. However, improvements should be made to ensure the accurate reporting of capital and controlled assets per established University policies and procedures.

BACKGROUND

Miner Mall is a web-based e-procurement system for the issuance, approval, and payment processing of all purchase orders, including capital and controlled asset purchases. The University must account for all purchases of controlled and capital assets to satisfy federal and state requirements for financial reporting.

Definitions for capital and controlled assets, along with policies and procedures for managing state property, are found on the Texas Comptroller of Public Accounts [website](#).

Capital Assets: Capital assets are real or personal property that have an estimated useful life of greater than one year and a value equal to or greater than the capitalization threshold established for that asset type (usually \$5,000). These assets are reported in an agency's annual financial report.

Controlled Assets: A controlled asset's value is below the capitalization threshold and is not depreciated or reported on the balance sheet. However, due to its high-risk nature, the Comptroller's office requires their tracking in the SPA system.

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

AUDIT RESULTS

1. Capital and controlled assets are not properly classified in Miner Mall.	Medium Risk
--	--------------------

Capital and controlled assets are classified in Miner Mall in two ways:

1. Expense Account: Five-digit number to identify the nature of the transaction for proper accounting/financial reporting purposes.
2. Asset Profile ID: An alphanumeric identifier assigned by the Texas Comptroller to be used statewide to standardize personal and real property reporting descriptions.

OACS tested 56 capital and controlled assets. We found 45 assets with classifications that did not appropriately identify the transaction per the Texas Comptroller State Property Accounting (SPA) System reporting requirements.

The department initiating the requisition must select the proper asset classification when making Miner Mall purchases. Online guidance covers the creation and processing of requisitions but provides limited information on proper asset classification. Inappropriate classification of assets can lead to:

- noncompliance with state and federal policies,
- inaccurate financial reporting, and
- absence of identification (tags) on the University's capital/controlled assets.

There is no preventive control to detect and correct misclassified purchases when a requisition is submitted, and time-consuming manual corrections must be performed after the fact by several departments to ensure accurate financial reporting.

Recommendation:

Training resources related to the definition and classification of capital/controlled assets should be disseminated to Miner Mall users. Additionally, controls should be implemented to review and correct capital/controlled asset classification at the point of requisition.

Management Response:

Purchasing has updated the content in both the Miner Mall training and Refresher training to emphasize the importance of using the correct asset control IDs. Purchasing will update the website to include additional verbiage around classification of capital/controlled assets and work on a Miner Mall e-mail blast to disseminate to users.

Purchasing staff who identify an asset on a requisition without an Asset ID, will return the requisition to the end-user for correction. A link to the Asset ID training will also be provided to the end-user at that time.

Responsible Party:

Dr. Diane N. De Hoyos, Associate Vice President. Purchasing and General Services

Implementation Date:

April 1, 2024

2. Assets are shipped to alternate locations without proper authorization.	Medium Risk
---	--------------------

University procurement processes require departments to complete an Alternate Ship-To Form to request approval for any orders that will not ship to Central Receiving. The authorization ensures the purchase order is updated to reflect the correct shipping address and appropriate departments are notified.

From a sample of 63 capital/controlled assets selected for review, six were tangible assets shipped to alternate locations. Five out of the six capital/controlled assets did not have an Alternate Ship-To Form completed. The authorization process is being bypassed by departments arranging alternate shipping locations directly with the supplier.

As UTEP continues to grow as an R1 research institution, more opportunities become available for students and faculty to conduct research and other activities at off-campus facilities. The approval and tracking of equipment to alternate shipping locations is critical to the success of our research goals.

Recommendation:

Shipments to alternate locations should be properly authorized to ensure assets are tagged and tracked in our inventory records. Training should be updated to increase awareness of the alternate shipping requirements.

Management Response:

All Alternate Ship-to form requests will continue to route to Purchasing for review and approval. Purchasing has updated the content in both the Miner Mall training and Refresher training to emphasize the importance of using the form when shipping items to alternate locations.

Responsible Party:

Dr. Diane N. De Hoyos, Associate Vice President. Purchasing and General Services

Implementation Date:

April 1, 2024

3. Receiving documentation is missing for assets not delivered to Central Receiving.

Medium Risk

Disbursement Services performs a 3-way match as an internal control to compare purchase orders, vendor invoices, and receiving reports to mitigate the risk of errors, fraudulent transactions, overpayments, and incomplete inventory.

A true 3-way match does not exist for six out of 63 capital and controlled assets reviewed due to the lack of receiving documentation. The six assets without receiving reports were shipped to alternate locations. When items are shipped to alternate locations, departments are only required to acknowledge receipt of an asset without providing support documentation. The acknowledgment itself does not provide details to match the purchase order or invoice.

Receiving reports are essential to ensure the shipment is complete and accurate; they include item descriptions, quantities, prices, and delivery dates. Without a delivery date, the University is unable to accurately calculate the payment date to comply with the Texas Prompt Payment Act, which requires payment within 30 days of receipt of the invoice or receipt of material or service, whichever is later.

Recommendation:

Implement a process to ensure receiving documentation includes item descriptions, quantities, prices, and delivery dates.

Management Response:

Response #1:

Purchasing to update the Alternate Ship-to Request form to include the following.

All capital and controlled asset purchases must be recorded and/or tagged by the Inventory Department. Once your capital or controlled asset purchase has been delivered, please notify inventorydept@utep.edu for next steps.

A copy of your packing slip must be uploaded to your Miner Mall Purchase Order via the Comments function. The comment will need to confirm delivery date and receipt of items.

Buyers approving Alternate Ship-to Request forms will communicate this same message to the end-user and cc inventory.

Response #2:

Disbursement Services will collaborate with Purchasing to inform requisition creators that a packing slip or other proof of delivery document is required when goods are shipped to alternate locations. Once the new requirement is communicated, Disbursement Services will ensure that requisition creators provide a shipping document including item descriptions, quantities, prices, and delivery dates with their receipt acknowledgment before processing vouchers for payment.

Responsible Party:

Response #1:

Dr. Diane N. De Hoyos, Associate Vice President, Purchasing and General Services

Response #2:

Ms. Danielle Martinez, Director, Disbursement Services

Implementation Date:

Response #1:

April 1, 2024

Response #2:

August 31, 2024

RANKING CRITERIA

Priority	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.
High	A finding identified by internal audit considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.
Medium	A finding identified by internal audit considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.
Low	A finding identified by internal audit considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Report Distribution:

University of Texas at El Paso:

Ms. Andrea Cortinas, Vice President and Chief of Staff
Mr. Mark McGurk, Vice President for Business Affairs
Dr. Diane De Hoyos, Associate Vice President, Purchasing and General Services
Ms. Erika D. Rosales, Director, Purchasing and General Services
Mr. Benjamin Alvarez, Director, Purchasing and General Services
Dr. Daniel Dominguez, Director, Accounting and Financial Reporting
Ms. Danielle Martinez, Director, Disbursement and Travel Services
Ms. Mary Solis, Director/Chief Compliance and Ethics Officer, Office of Institutional Compliance (OIC)

University of Texas System (UT System):

System Audit Office

External:

Governor's Office of Budget, Planning and Policy
Legislative Budget Board
Internal Audit Coordinator, State Auditor's Office

Audit Committee Members:

Mr. J. Stephen DeGroat, Audit Committee Chair
Mr. Fernando Ortega, External Member
Dr. John Wiebe, Provost, Vice President for Academic Affairs
Mr. Daniel Garcia, Associate Athletic Director, Business, Finance & Facilities
Ms. Guadalupe Gomez, Assistant Vice President for Research Administration

Auditors Assigned to the Audit:

Narahay Buendia, Sr. Auditor II
Joanna Tapia, Sr. Auditor I
Jannell Ballin, Sr. Auditor I