DATE: September 18, 2015

TO: Mr. Gregory McNicol, Associate Vice President – Facilities Management
   Ms. Jenny Fraire-Varela, Director, Facilities Management Business Services

FROM: Lori N. Wertz, Chief Audit Executive, Office of Auditing and Consulting Services

SUBJECT: Surplus Inventory Business Process Maps Review

Background:
The current surplus procedures are being updated and enhanced by Facilities Services Management. The Office of Auditing and Consulting Services (OACS) was asked to review updated business process maps generated to document surplus inventory procedures by the Surplus Department.

Objective:
The purpose of our review was to:

   • identify and enhance risk controls, and
   • provide recommendations for management consideration.

Methodology:
Our methodology included a review of current university surplus policies and procedures, Board of Regents Rule 80201 and the State Property Accounting Manual for the State of Texas. In addition, we met with the Director of Facility Management Business Services to obtain information on the proposed procedure changes.
OBSERVATIONS AND RECOMMENDATIONS

Enhancement of Controls for Surplus Risk Areas

1. Transfer to Surplus – (Appendix A)
   - The TMA-work order e-mail notification sent to customers should include the surplus website address and a checklist which outlines the surplus pickup procedures to be followed. The Surplus Property Transfer Form (SPTF) should also include the website address and reference the checklist to inform the customer of surplus procedures.
   - When tagged inventory items on the SPTF are identified as not assigned to that department’s inventory records, the customer should be directed to contact the inventory department and have the items recorded correctly.
   - The surplus inventory labels attached to items sent to surplus should be monitored. The reason for any missing labels should be documented in order to maintain accountability and help in reconciling to the surplus inventory database.
   - The off-campus surplus warehouse should also be secured to prevent unauthorized access.
   - The checklist should also indicate that the customer review their inventory records, after transferring inventory to Surplus, to ensure that all items have been removed from their records.

2. Transfer to Texas Department of Criminal Justice (TDCJ) – (Appendix B)
   - Documented certification should be provided to the Surplus Department for all computer equipment transferred indicating that sensitive and/or confidential information has been removed. Surplus should then confirm that the documentation has been received and is on file before any equipment is sent to TDCJ. A method of documenting the certification should be developed with the help of the Information Security Office and Help Desk.

3. Surplus Auction – (Appendix C)
   - The auctioneer should sign off on the list of the surplus items to be auctioned.
   - After the auction is completed, the items should be reconciled to the total auction surplus items list by the auctioneer.
The reconciliation should be signed by the auctioneer and kept on file by the Surplus Department.

4. Transfer from Surplus – (Appendix D)
   - Copies of the original SPTFs for controlled items should be kept on file to support the reconciliation between the surplus inventory database and inventory department records.
   - The Surplus database should be reconciled with inventory records, reviewed quarterly and signed by a senior manager to document the review.

**Other Recommendations:**

Written procedures for the following areas should be added to the UTEP Handbook of Operating Procedures or the Business Process Guidelines:

- Responsibility for the determination of final disposition of unusable and unserviceable property, to include documentation and approval procedures.
- Responsibility for the certification and documentation of the removal and/or destruction of sensitive and confidential information from IT devices.

**Conclusion:**

This review did not encompass an audit of surplus operations, but was intended to provide recommendations that may enhance controls to minimize the risk of lost, stolen or missing surplus items.

We wish to thank the senior management of Facilities Services and specifically the Director of Facilities Management Business Services in their efforts to enhance university surplus operations.

cc: Richard Adauto III, Executive Vice President
    Jesus Ramirez, Supervisor, Surplus Services
APPENDIX B
Surplus - Computers transferred to Texas Dept. of Criminal Justice (TDCJ)

Surplus
- Verifies computer/laptop was transferred from Dept. code to Surplus Dept. code
- Removes UTEP tag numbers and keeps them on file
- Ensures computer/laptop hard drivers are destroyed
- Creates pallets with computers and laptops
- Shrink-wraps pallets
- Stores pallets in warehouse pallet racks
- Adds pallet numbers and warehouse location to computer/laptop record in surplus database

IT
- Ensures computer/laptop hard drivers are destroyed

Labor Crew

Dept. Admin
- Prior to TDCJ arrival check items in pallet against pallet list
APPENDIX B
Surplus - Computers transferred to Texas Dept. of Criminal Justice (TDCJ)

1. Missing Items?
   - Yes: Notify Director of Business Operations immediately
   - No: TDCJ signs transfer form

2. Pick-up information inserted to surplus database for each item

3. Copy of paper work provided to inventory Dept.
APPENDIX C
Surplus - Surplus Auction

Prints all items on surplus database
Performs inventory audit of all items on database

Missing items?

Yes
Immediately notify Director of Business Operations

No
Police report is created

End

List of items going to be auctioned provided to auctioneer

Verifies items not sold

Auction takes place

Provides list of items sold at auction

List will include price along with Surplus label number

Verifies all items on list

Provides list of items going to be auctioned

Fills out contract, sends to purchasing

Immediately notify Director of Business Operations

Yes

Verifies items not sold

List of items going to be auctioned provided to auctioneer

End

Appendix C Page 1 of 2
Immediately notify Director of Business Operations

Yes

Police report is created

Auctioneer is notified and held accountable for missing items

End

Missing items?

Surplus removes sold items from active status in database

Surplus keeps items that are not sold in database

End

Surplus - Surplus Auction

APPENDIX C

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APPENDIX D
Surplus – Transfer from Surplus

Customer
- Schedule viewing with Surplus Dept.
- Select Item(s)?
- End
- Yes
  - Fills out surplus property transfer form (SPTF) with items selected by customer

Surplus Office
- Obtains appropriate signatures
- Schedule delivery with customer
- Notify customer prior delivery
  - Arrives with item(s)
  - With customer present, verifies item(s) on SPTF
  - Delivers item(s) and removes surplus label(s)
  - Signs "personnel transporting equipment" on SPTF

Labor Crew
- Signs "Receiving Department" On SPTF

Appendix D Page 1 of 2
Surplus - Transfer from Surplus

**Surplus Office**
- Controlled items?
  - Yes: Verifies with Inventory Dept. that transfer took place
  - No: Original SPTF is kept at Surplus; End

**Labor Crew**
- Returns SPTF to Surplus office

**Dept. Admin**
- Transfers items from Surplus Dept. code to new Dept. Code
- Inactivates item(s) from surplus database
- End

**Inventory Dept.**
- Keeps copy of SPTF and sends original to Inventory Dept.