Keck Center Inventory Audit

Audit Report # 26-AS0027

August 31, 2026

THE UNIVERSITY OF TEXAS
AT EL PASO

Office of Auditing and Consulting Services

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

500 West University Ave
El Paso, Texas 79968
915-747-5191
WWW.UTEP.EDU

August 31, 2026

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 *Keck Center Inventory.* 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 Keck Center and the Inventory Department staff during our audit.

Sincerely,

Courtney H. Rios

Courtney H. Rios, CPA, CIA, CFE
Chief Audit Executive

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EXECUTIVE SUMMARY

Background
Inventory at UTEP includes assets acquired for teaching, research, public service, and administrative operations. Title 2 of the Code of Federal Regulations, Part 200, Section 200.313 (2 CFR §200.313) requires universities receiving federal awards to maintain detailed property records, conduct physical inventories of federally funded equipment, and ensure such equipment is used solely for its authorized purpose for the duration of its useful life.

Audit Objectives
The objective of this audit was to determine if the inventory records of Keck Center are complete and accurate.

Scope
The audit scope includes Keck Center assets, related inventory records selected for testing, and inventory asset purchases and transfers from FY 2024 to FY 2026, specifically:

- Keck Center capital and controlled asset inventory purchased through Miner Mall,
- Departmental inventory records,
- University inventory records, and
- Related documentation regarding the transfer and disposal of assets.

Strengths
Keck Center has implemented positive asset-tracking controls at the Advanced Manufacturing and Aerospace Center, including posted equipment listings and asset tag information that help improve asset visibility and accountability.

Summary of Audit Results

Issue	Risk Ranking
1. Federally Funded Assets Were Not Recorded in Inventory	High
2. Missing Assets	High
3. Discrepancies Exist Between Physical Inventory and PeopleSoft	Medium
4. Assets are Incorrectly Classified in PeopleSoft	Medium
5. Inventory Query Discrepancies	Medium

Conclusion

The Keck Center maintains accountability for most physical assets and has implemented several inventory management practices, including maintaining an internal inventory listing and utilizing informal asset-tracking controls.

Inventory governance and control processes are not formalized. Although most assets tested were located, improvements are needed to strengthen inventory controls, enhance documentation, and standardize processes. Clear and consistent inventory procedures and records management facilitate accountability and reduce the potential for fraud and errors.

BACKGROUND

Inventory at UTEP includes assets acquired for teaching, research, public service, and administrative operations. This audit focused on two types of assets:

- **Capital Assets:** Real or personal property that have an estimated life of greater than one year and a unit cost of $10,000 or more.
- **Controlled Assets:** Certain high-risk items below the capitalization threshold which must be inventoried even if not capitalized. These include computers, cameras, televisions, stereo systems, scanners, printers, and other assets which cost $500 or more; firearms and drones are recorded in inventory records at any cost.

Although the University follows the Comptroller's instructions for asset capitalization, for grants, a $5,000 capitalization threshold is used when calculating Facilities & Administrative (F&A) costs. The reason for the lower threshold on grants is tied to the previous F&A Agreement approved by the federal government. A new agreement to align with the Comptroller's $10,000 threshold is pending review and approval by the U.S. Department of Health and Human Services (HHS).

Inventory is dispersed across colleges, laboratories, auxiliaries, warehouses, and off-campus locations. Also, it may be funded by multiple sources (state appropriations, federal grants, gifts, and auxiliary revenue), which adds complexity to tracking and stewardship.

Title 2 of the Code of Federal Regulations, Part 200, Section 200.313 (2 CFR §200.313) requires universities receiving federal awards to maintain detailed property records, conduct physical inventories of federally funded equipment, and ensure such equipment is used solely for its authorized purpose for the duration of its useful life.

The UTEP Inventory Department performs a comprehensive annual inventory of all assets on campus. Any items identified as missing during this process are documented and communicated to the respective department. Each department is responsible for conducting a subsequent follow-up inventory to account for these items.

For a summary of audit criteria refer to Appendix A.

The audit was conducted in accordance with the Institute of Internal Auditors' *Global Internal Audit Standards*.

AUDIT RESULTS

1. Federally Funded Assets Were Not Recorded in Inventory	**High Risk**

Testing of Miner Mall vouchers from the Keck Center found that 20 laptops ($21,681) and one drone ($1,467) were tagged but were not recorded in PeopleSoft inventory. Although the asset tag numbers are now recorded in PeopleSoft inventory, these assets had been physically tagged but were absent from inventory records months after acquisition.

Inventory personnel rely on purchasers and departments to provide information necessary for asset record creation. When information is not provided, there is no formal escalation process to ensure inventory records are completed. Assets may remain unrecorded in official inventory records despite being purchased and physically tagged, increasing the risk of inventory omissions, inaccurate property records, noncompliance with state requirements, and fraud.

Uniform Guidance §200.302(b)(4), Texas Government Code §403.273 and §403.275, and UTEP policy require property records to be complete, accurate, and maintained timely following asset acquisition.

Recommendation:

Keck Center asset custodians should continuously monitor inventory records to identify assets that have been purchased but not yet recorded in the inventory system. Any outstanding items should be documented, researched, and resolved through a formal process to ensure inventory records are complete, accurate, and up to date.

The Inventory Department should implement an escalation process requiring unresolved requests to be elevated to department management after defined response periods.

Management Response:

Keck Center:

Management agrees with the recommendation. To address the condition in which federally funded assets were physically tagged but not timely recorded in PeopleSoft inventory records, the Keck Center will develop a process where the equipment inventory in Peoplesoft will be updated on a monthly basis as part of our procurement reconciliation. This will ensure any newly acquired equipment is entered into the *inventory and will allow for assessment of existing equipment to include information on custodian, location and other pertinent information needed to comply with UTEP property management policies and applicable inventory requirements. Keck Center management will direct our business staff to review existing equipment records and ensure all Keck-managed equipment is added to the UTEP property inventory. Going forward, this process will enable update of disposition, transfer, or removal of old equipment, and unresolved inventory record issues will be documented, researched, and elevated as needed to ensure property records are complete, accurate, and maintained timely.*

Inventory Department:
The Inventory Department will implement a formal escalation process with defined response timeframes and escalation paths for unresolved requests. Escalations will progress through departmental leadership as needed with final escalation directed to the respective Vice President.

Responsible Party:

Keck Center:
James P. Carney, PhD

Inventory Department:
Charlie Martinez, Assistant VP/Comptroller
Daniel R. Dominguez, Director>

Implementation Date:

Keck Center: March 1, 2027
Inventory Department: December 31, 2026

2. Missing Assets	**High Risk**

The Keck Center identified three missing assets, which included two laptops and one camera valued at a total of over $3,700. Inventory personnel instructed the department to submit Notification of Missing/Stolen Property Forms if the assets could not be located; however, no completed forms had been submitted as of July 6, 2026.

Assets not located during physical inventory may indicate loss, theft, or unauthorized disposal of University property. In addition, the loss or improper handling of certain assets, such as computers or other electronic devices, could potentially lead to unauthorized access to University data, affecting the confidentiality and integrity of institutional records. The challenges in locating the assets stem from gaps in asset-tracking practices and delays in updating property records when assets are relocated, transferred, or disposed.

Additionally, auditors requested the *Authorization to Remove Equipment Off Campus* forms for review but no forms were provided. Consequently, auditors could not verify compliance with off-campus equipment authorization requirements. The lack of off-campus authorization documentation limits management's ability to track University property and increases the risk of loss, misuse, or unauthorized removal of assets.

Texas Government Code § 403.275 and UTEP Handbook of Operating Procedures Policy 3.7.3 Missing or Stolen Property require agency heads, property managers, and employees entrusted with state property to exercise reasonable care to safeguard and maintain it, and imposes liability when property disappears, deteriorates, or is damaged/destroyed due to negligent or intentional acts.

Recommendation:

Investigate and resolve the disposition of the three missing assets, and notify Accounting and Financial Reporting and campus police using the appropriate forms. Update property records to accurately reflect asset custodian, status, location, or disposal. Enhance monitoring procedures to ensure timely reporting of asset relocations, transfers, and disposals.

Management Response:

The Keck Center has made an extensive search for these items and have been unable to locate them. Given that conclusion, we have provided Missing/Stolen Property Forms for each of these items to Property Management (Omar Carranza). We will work with

Property Management to complete this process in accordance with UTEP policies and procedures.

Responsible Party:

James P. Carney, PhD

Implementation Date:

September 30, 2026

3. Discrepancies Exist Between Physical Inventory and PeopleSoft	Medium Risk

Testing of 60 assets selected from PeopleSoft inventory records and 80 assets selected from department locations identified numerous discrepancies between physical inventory and inventory records. Specifically:

- 43 assets had locations that did not match PeopleSoft records.
- 46 assets had custodians that did not match PeopleSoft records.
- 2 assets had no assigned location.
- 4 assets had no assigned custodian.
- 4 assets appeared in PeopleSoft but were not included in the Keck Center inventory listing.
- 4 tagged assets were not found in PeopleSoft inventory records.
- 1 asset was marked disposed in PeopleSoft but remained in service.
- 1 desktop computer was not tagged and was not found in inventory records.

Inventory updates appear to rely on decentralized and manual reporting processes. Changes in asset location, custody, and disposition were not consistently communicated to or updated within inventory records. In addition, inventory exceptions identified by departments are not always corrected in PeopleSoft. The inaccuracies increase the risk of fraud, duplicate purchases, and unreliable financial and operational reporting.

Uniform Guidance §200.302(b)(4), Texas Government Code §403.273 and §403.275, and UTEP policy require property records to be complete, accurate, and maintained timely following asset acquisition.

Recommendation:

Keck Center management should:

1. *Perform a comprehensive reconciliation of Keck Center inventory records.*
2. *Update PeopleSoft records to reflect current custodians, locations, and assets.*
3. *Implement monitoring procedures to ensure inventory discrepancies identified during physical inventories are corrected timely.*

The Inventory department should implement additional monitoring procedures to improve asset tracking, detect these discrepancies, and assist departments in updating records.

Management Response:

Keck Center:

Management agrees with the recommendation. The Keck Center will use the same process highlighted in Finding 1, whereby the Keck Center will update the equipment inventory in Peoplesoft on a monthly basis as part of our procurement reconciliation. This will ensure any newly acquired equipment is entered into the inventory and will allow for assessment of existing equipment to include information on custodian, location and other pertinent information needed to comply with UTEP property management policies and applicable inventory requirements. Keck Center management will direct our business staff to review existing equipment records and ensure all Keck-managed equipment is added to the UTEP property inventory.

Based on this reconciliation, Keck Center management will assign responsible personnel to coordinate with the Inventory Department and other appropriate UTEP offices to update PeopleSoft records so they accurately reflect current custodians, locations, asset status, and all Keck-managed equipment. Discrepancies identified during physical inventories or monthly reviews will be documented, researched, tracked to resolution, and elevated as needed to ensure corrections are completed timely and official property records remain complete, accurate, and consistent with UTEP policy.

Inventory Department:
The Inventory Department has already initiated several improvement efforts to strengthen asset management across campus. These include implementing a new RFID-based inventory tracking and reporting system, developing escalation procedures for departments at risk of noncompliance with asset stewardship requirements, improving the timeliness of asset recording in PeopleSoft, and reviewing and updating related policies, procedures, and training materials. The department will also continue enhancing monitoring and oversight processes to support compliance and accountability across the institution.

Responsible Party:

Keck Center:
James P. Carney, PhD, Executive Director, W. M. Keck Center for 3D Innovation

Inventory Department:
Charlie Martinez, Asst AVP/Comptroller
Daniel Dominguez, Director

Implementation Date:

Keck Center: March 1, 2027
Inventory Department: For the business guidelines, 12/31/2026. For the RFID management system, 8/31/27.

4. Assets are Incorrectly Classified in PeopleSoft	**Medium Risk**

When purchasing an asset through the Miner Mall e-procurement system, departments submit a requisition and select a five-digit account code to classify the type of expense.

Account codes must be selected based on the nature of the financial transaction to ensure:

- proper capitalization,
- expense recognition,
- accurate financial reporting,
- the proper identification of allowable and unallowable costs, and
- compliance with established chart of accounts guidance in the UTEP Business Process Guidelines

In the sample of assets tested, 119 out of 195 (61%) assets were incorrectly classified as capital/controlled, had an incorrect account code and/or NACUBO classification. Per a review of Keck Center Miner Mall purchases: Seven sampled purchases contained incorrect GL expense account classifications, including multiple controlled computer assets recorded using expense accounts rather than controlled property accounts.

Refer to Appendix B for additional details.

Controls were not in place to detect the errors prior to the approval of the purchase requisition. For example, many laptops were classified under account code 63003 - Consumable Office/Computer Supplies instead of the appropriate account code 63163 Computer Equipment Controlled.

Misclassified transactions reduce the reliability of financial data used for reporting, analysis, and decision making. Errors at the account detail level can distort expense trends, budget comparisons, and other financial analyses.

Recommendation:

Management should review the Inventory Purchase Classification Guidelines and use them as the basis for all asset purchases. In addition, managers at Keck Center should monitor purchases to identify and correct misclassifications timely and ensure alignment with applicable account codes. Requisitions with incorrect expense accounts should be sent back for revision.

Management Response:

Management agrees with the recommendation. The Keck Center will integrate our response with the any responses that work to improve the UTEP procurement process. For current Keck equipment we will use the Keck-managed equipment inventory database described in response to Finding 1 as the primary internal control for addressing the tracking of purchase codes and mitigating discrepancies in account codes and NACUBO classification. This information will be integrated with current asset description, UTEP tag number, PeopleSoft inventory status, location, responsible custodian, acquisition information, funding source, condition, and disposition or transfer history.

Responsible Party:

James P. Carney, PhD, Executive Director, W. M. Keck Center for 3D Innovation

Implementation Date:

March 1, 2027

5. Inventory Query Discrepancies	**Medium Risk**

The Inventory Department uses a query created by UT Share to track inventory across the University. PeopleSoft training materials reference a different query to track departmental inventory. These two queries provide different information. Although inventory personnel indicated that certain asset costs had been updated, those updates were not consistently reflected in both queries.

Query logic, underlying data sources, or report design are inconsistent between inventory reporting tools. Inconsistent inventory reporting may result in inaccurate inventory information being used for operational decisions, inventory reconciliations, asset management activities, and financial reporting. Users may receive different information for the same asset depending on which query they use, reducing confidence in inventory reporting.

Texas Government Code §403.273 and §403.275, the Texas Comptroller's State Property Accounting requirements, and UTEP property management practices require inventory records to be complete, accurate, and reliable. Information systems and reports used to support inventory management and financial reporting should produce consistent and accurate data to facilitate effective decision-making and accountability.

Recommendation:

Accounting & Financial Reporting and Inventory personnel should review and validate the logic, data sources, and field mappings for key PeopleSoft inventory queries to ensure asset updates are reflected consistently across reporting tools.

Management Response:

The Inventory Department will review the source information for both queries to identify discrepancies observed by Internal Audit. To unify search criteria, avoid confusion and provide consistent data, the Inventory Department will recommend campus departmental users to use the query UTEP1_AM_ASSET_LISTING as the primary source for assets information.

Additionally, the query above will be added to inventory training modules. All Inventory training modules will be reviewed and presented to campus on a regularly scheduled basis, i.e. once per term.

Responsible Party:

Daniel Dominguez, Director

Implementation Date:

December 31, 2026

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.

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Auditors Assigned to the Audit:

Ms. Jannell Ballin, Senior Auditor

APPENDIX A: AUDIT CRITERIA

Title 2 of the Code of Federal Regulations, Part 200, Section 200.313

Texas Government Code § 403.273 Property Manager; Property Inventory

Texas Government Code § 403.275 Liability for Property Loss

Texas Comptroller of Public Accounts, Fiscal Management SPA Process User's Guide: FPP N.005 Appendix A – Class Codes

Texas Comptroller of Public Accounts, Fiscal Management SPA Process User's Guide – FPP N.005, Chapter 2 - Missing or Stolen Property

UTEP Handbook of Operating Procedures, Section 7, Chapter 3: University-Owned Property and Equipment

Inventory Purchase Classification Guidelines

APPENDIX B: ADDITIONAL DETAILS REGARDING AUDIT ISSUES

Issue 4 – Incorrect Asset Classification and Financial Reporting
During physical inventory testing:

- 5 assets incorrectly classified as capital or controlled assets.
- 13 assets with incorrect GL expense account classifications.
- 48 assets used for research were not classified with the correct NACUBO Function Code (200 – Research).
- 30 assets lacked sufficient documentation to determine GL expense account classification because they could not be linked to Miner Mall purchasing records.
- As of July 13, 2026, 55 of 321 Keck Center assets, or 17%, in the UTEP1_AM_ASSET_LISTING query were recorded to cost center 39180000. This cost center does not accurately reflect the funding source for the related purchases.