

Fixed Assets
California Polytechnic State University, San Luis Obispo
DRAFT Audit Report 21-3
June 27, 2022

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of this audit are to ascertain the effectiveness of campus operational, administrative, and financial controls related to *Fixed Assets* to ensure compliance with relevant CSU and Cal Poly procedures for the period 7/1/2020 – 6/30/ 2021 (FY 2020).

SCOPE

Audit and Consulting Services (ACS) notes that the scope of this review only includes the fixed asset management of Cal Poly University. The scope of this audit did not include its two main auxiliaries, Cal Poly Corporation (CPC) and Associated Students Incorporated (ASI).

Testing was completed over a subset of the entire fixed asset/capitalized equipment population. This is defined in the Property Accounting Office (PAO) procedures as tangible, moveable articles of non-expendable personal property with the following characteristics:

- A normal useful life of at least one year
- A unit of acquisition cost or value of at least \$5,000 (inclusive of sales/use tax and freight)
- Used to conduct University business
- Not furniture

ACS completed the following procedures as part of the audit:

Additions

ACS selected all 19 fixed asset additions in FY2020 and completed the following procedures:

- Verify that the proper requisition forms were obtained for the fixed asset
- Verify that the requisition agrees to the delivery documents and invoices/quotes/POs
- Verify that the fixed asset addition was recorded timely

Disposals

ACS selected all 10 fixed asset disposals completed in FY2020 and completed the following procedures:

- Verify that the fixed asset disposal forms were properly completed and authorized
- Verify the timely recording of the disposal transaction

Capitalization

ACS systematically and randomly selected 30 samples of fixed assets to assess if items have been capitalized correctly per the capitalization guidelines and that depreciation expense was accurately calculated.

Physical Test

ACS selected 35 'in-service' samples from the PeopleSoft fixed asset register to verify the physical existence of the asset on campus. Sample selections for physical testing excluded computers (including laptops) and vehicles as both equipment types have been subjected to previous audits (InfoSec Audit with the CSU Chancellor's Office Audit and Advisory Services team and the Fleet Services internal audit with ACS). Samples were considered to be located if ACS could either verify the state fixed asset ID tag and/or the serial number associated with the item.

Completeness Test

ACS systematically and randomly selected 15 items on campus to validate inclusion of the asset/equipment within the PeopleSoft Fixed Asset Register.

CONCLUSION

Overall, the PAO has the responsibility to ensure that the campus maintains good stewardship of state-owned assets. ACS notes that the property and accounting procedures are designed to maintain uniform accountability for accurate records, acquisition, maintenance, control, and disposal of state-owned property. However, the procedures are not executed consistently or timely across campus. Further, ACS notes that the audit was conducted over the period of the pandemic in which only essential employees were working on campus.

We determined that improvements are needed to the performance of the fixed asset process and to the policies and procedures that give guidance to carry out the objectives and goals set out by the PAO guidance and ICSUAM policies. Through the recommended improvements, the University will be able to work in remediating current issues identified during this audit and strengthen controls to help mitigate the risk of issues from occurring in the future.

ACS noted that one of the main factors attributed to the observations is the nature of the fixed asset process. The PAO is responsible for maintaining perpetual inventory records and conducting at least one physical inventory of each administrative unit within a one-year (campus requirement) and three-year period (CSU requirement). The department currently is

staffed with one individual to carry out the majority of tracking for the campus and ensure that campus departments are meeting mandated State and CSU policies via the Property Control Procedures.

Due to the volume of fixed assets across campus, the current process is highly manual and involves the successful execution of processes and communications from the other departments (i.e., Procurement, Receiving Department, Distribution Services (DS), and Surplus). Even though the departments are structured to carry out the specific function of the fixed asset process, ACS noted that there is not a prioritization of the inventory coordinator function in many of the receiving departments. The responsibility of tracking inventory, if any, is relied upon a delegated inventory coordinator, lead lab/classroom users, administrative support coordinators, program coordinators or department heads. Many of these individuals hold other responsibilities on campus. If the department inventory contact does not complete the required forms to notify the movement of the asset timely and accurately, this will have an impact on the fixed asset accounting records. The University would benefit greatly by improving its technology in order to create efficiencies and reduce its reliance on forms and employees with various competing responsibilities.

Complete, accurate, and reliable information is of utmost importance when issuing financial information as part of the CSU system. Further, this information is used by the University to develop the annual budget and make financial decisions across campus departments. Unclear/inaccurate records impacted our search. This included unclear asset descriptions, incorrect locations, and missing identification numbers (i.e., updated asset ID numbers or serial numbers).

ACS noted that document retention process for fixed assets needs improvement. Supporting documentation for additions (purchasing documentation) and disposals (Request to Survey Property and Property Survey Reports) of the fixed assets were not available for several of the sample selections.

The lack of proper execution of property procedures and accountability campus wide provides the opportunity for theft and unauthorized use and misappropriation of the fixed assets. Further there is a lack of authority outlining the procedures that should be followed (i.e., the items within the procedures are more suggestions versus policies that are to be implemented and monitored) and there are no consequences for not adhering to the procedures.

The University Accounting and Reporting Department does not currently have the University Art Collection or the Archives and Special Collections recorded. Per ISUAM 01401, “Works of art and historical treasures” is included within the examples listed in the definition of “Property” to be recorded by each campus.

Specific observations, recommendations, and management responses are detailed in the remainder of the report.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. FIXED ASSET LIFE CYCLE ADMINISTRATION

OBSERVATION

The following items detail the observations noted regarding the timing of the fixed asset life cycle:

- There is only one property coordinator that is responsible for all transactions recorded within the asset management system related to:
 - Relocations within the same department: complete “Property Relocation Change Form”
 - Interdepartmental transfers – “Transfer of Property Ownership”
 - Disposals – “Request to Survey Property”
 - Missing, lost or stolen property – “Property Loss Report”
 - Tagging Assets for new items
 - Inputting assets into the asset management system
 - Distributing red tags for items to be disposed
- For the samples reviewed, the average amount of time between when an asset was marked as “received” within PeopleSoft and the date it was input into the asset management system was 409 days with shortest input of 20 days and the longest time noted as 1,221 days
- For the samples reviewed, the date of the last inventory check was greater than the 3 years from the audit period of 7/1/2020- 6/30/21 (13)
- Per the fixed asset register, 3,875 out of 4,127 assets (94%) with an acquisition date within FY2017 or earlier did not have an inventory check within 3 years of FY2020.
- For the samples reviewed, the average time in which the asset was removed from campus via the surplus process and updated in the asset management system was 223 days (ranging from 2 to 389 days)
- The overall fixed asset process involves multiple departments (Requesting department, SBS - Procurement, PAO, DS, and Surplus) and a heavy reliance on timely communications from each of the departments at nearly every step of the process
- ACS noted that accessibility to state owned assets can be limited to just the departments as the property coordinator does not have accessibility to all parts of campus. Physical inventory inspections were not as efficient as anticipated due to the lack of access to the equipment. ACS notes that this control is relevant in

safeguarding the assets, however, it does create some inefficiencies in completing inventory counts

RECOMMENDATION

ACS recommends that the University review the current process and procedures to identify any areas where improvements can be made to create efficiencies or implement automation to better streamline the fixed asset cycle. This could include the following:

- The campus to consider the possibility of increasing the threshold amount for items that are required to be tracked by the University (i.e., increase the cost of the item from \$1,000 to \$5,000)
- Make the procedures set by PAO official policies that will help ensure that the campus is in compliance with respective executive orders and campus interest
- Set timing requirements and establish them as part of the PAO procedures

Further, ACS recommends creating a plan to complete inventory checks for the 3,875 items that were not in compliance as of FY2020, and a plan/process in order to ensure all assets are counted at least once every three years going forward.

MANAGEMENT RESPONSE

We concur with the finding. As recommended, the University Controller is meeting with the Property Accounting Office to streamline the process for adding and removing assets to/from the Asset Management System. This includes creating formal policies in order to ensure the campus is in compliance with respective executive orders and campus interest.

As noted, the University has been managing in excess of 35,000 assets with one full-time employee and a very limited amount of student assistant hours. The campus is looking to increase the threshold amount for items that are required to be tracked by the University which will also create efficiencies as well as improve physical verification.

Additionally, there is a recruitment underway for two staff members, which we hope to have completed by the end of 2022. On October 11, 2022, management approved one-time funding to hire two temporary (not to exceed two years) full-time inventory positions to assist the PAO in the goal of completing a full inventory cycle for the campus within two years. We created an inventory schedule by Division, College, and Department with projected completion in 17 months. Subsequent to the inventory schedule above, going forward, the PAO will conduct a full inventory of each campus administrative unit within a three-year revolving cycle.

Anticipated date of completion: December 31, 2023

2. FIXED ASSET DATA

OBSERVATION

Inaccurate data within the asset management system and PeopleSoft can impact the dependability of information including the reliability, relevance, timeliness, and consistency of the accounting data (asset status, location, asset description, or an item's historical cost). ACS noted the following in regards to the data reviewed:

- The fixed asset sample was located at a different location than what is listed in PeopleSoft (11)
- In working with the respective departments, ACS noted that in some instances the information within AMS/PeopleSoft was insufficient for the department to identify or locate the asset. To help assist departments in identifying the sample, ACS needed to request the purchase order (PO) information to provide additional context to locate the item (2)
- Noted instances in which departments affixed a state fixed asset ID tag of a disposed item to a newly purchased item. As such, there is a risk that if items are scanned only, and not verified with details, the fixed asset listing would not be accurate (2)
- There is only one person processing the transactions for the following fixed asset status updates. The untimely, or non-submission of, documents from the department can lead to inaccurate reporting of the fixed asset register:
 - Relocations within the same department: complete "Property Relocation Change Form"
 - Interdepartmental transfers – "Transfer of Property Ownership"
 - Disposals – "Request to Survey Property"
 - Missing, lost or stolen property – "Property Loss Report"
 - Tagging new assets
 - Inputting assets into the asset management system
 - Distributing red tags for items to be disposed

RECOMMENDATION

ACS recommends that the University review the current process and procedures regarding the maintenance of the fixed asset management system data in order to identify where improvements can be made to ensure better accuracy of the data. This could include, but not limited to:

- Management considering methods to mitigate the risk of incorrect fixed asset data and supplement the automated procedure with assessing the state ID tag (for removal or change in placement) and inquiry with the respective department (i.e., sending questionnaires as listed within the PAO procedures)

- The PAO enlisting the assistance of the individual departments in ensuring the accuracy of the data
- Streamlining the description or details of fixed assets within PeopleSoft to develop consistency between the department in possession of the asset and the PAO.

MANAGEMENT RESPONSE

We concur with the finding. The University Controller is meeting with the Property Accounting Office to streamline the process for adding and removing assets to/from the Asset Management System. University Controller's Office will be meeting with appropriate personnel in each division to ensure there is an inventory coordinator to provide the PAO with asset details required. Additionally, there is a recruitment underway for two staff members. These actions will help us improve the accuracy, timeliness and consistency of data in the asset management system.

Anticipated date of completion: June 30, 2023

3. FIXED ASSET REQUISITIONS

OBSERVATION

The following items detail the findings related to observations noted regarding the fixed asset requisition process:

- The campus does not have a traditional three-way match process which includes comparing the PO, good received, and supplier's invoice. The majority of assets acquired by the University are delivered directly to the requesting department, either on or off campus. During the pandemic, it was allowable to have items delivered to an employee's personal residence. As such, DS is primarily relying on the receiving department to notify them that the items have been received via an online powerform
- Verification of the receipt of the item is at the discretion of the department and DS does not physically view or inspect the item before marking it as received. The form only requests PO information from the department (i.e., PO#, description of the item(s) and quantities, and 'PO Receipt Verification'). Further, POs are only required for items that are above \$2,500. As such, DS is privy to only a subset of assets that should have a three-way match completed
- Not all items that require a PO are required to be marked as "receiving required" within PeopleSoft. As such, payments can be made for items prior to the notification of receipt of the item

- ACS noted a fixed asset item was marked as “not-received” in PeopleSoft, however, the asset was included in the asset management system and payment was issued to the vendor (1)

RECOMMENDATION

ACS recommends that the University review the current process and procedures to identify any areas where improvements can be made to make them enforceable policies that will help ensure that the campus is in compliance with respective executive orders and campus interests. Examples include:

- Aligning tracking initiatives with DS and PAO to require items of a certain cost to be received within DS. Once the asset is received, the item can be properly tagged before the asset is put into service
- Providing images of the purchased asset(s) within the powerform sent to DS to ensure that items were received by the department and improve verification of the PO information
- Aligning purchasing policies with PAO goals (i.e., increasing tracking amounts to at least a minimum of the required PO amounts)
- Requiring fixed asset training for all individuals with purchasing power or p-cards. This should include both the purchasers and authorized signers that approve the requisition
- Aligning “receiving required” guidelines within purchasing to the PAO requirements

ACS recommends that the payment technicians be reminded that if an item has been marked as “receiving required” within PeopleSoft, payment should not be made to the vendor until the appropriate parties have indicated the asset as “received.” Further, DS should work with respective departments to verify if the fixed asset noted in the observation has been received by the University and is corrected within PeopleSoft.

MANAGEMENT RESPONSE

Strategic Business Services (SBS) have reviewed the observations and recommendations related to fixed asset requisitions and concur with these findings.

Appropriate staff within SBS will meet to discuss the audit findings and obtain management support to make necessary improvements. This will include Procurement Services, Payment Services, and Distribution Services.

Training will be provided to procurement staff regarding protocols on when receiving required should be used on purchase orders (PO) during set up. Additionally, payment technicians will be directed to process invoice payments only after receiving has occurred.

Receiving can be demonstrated by entry into the electronic procurement system or via other documented notification.

Since other procurement methods are available to campus staff (i.e., direct supplier payments, procurement card), user training will include how to handle the purchase of fixed assets.

It should also be noted that the timing for these recommendations is optimal, as Cal Poly is currently a pilot campus implementing a new electronic procurement and payment (P2P) system.

Anticipated date of completion: June 30, 2023

4. FIXED ASSET ADDITIONS

OBSERVATION

The following items detail the findings related to observations noted with the fixed asset additions process:

- There are multiple actions that are currently in place to identify fixed assets that need to be tagged:
 - Receiving department notifies PAO that the asset is on campus and is ready to be tagged
 - PAO extracts the PO receiving report to assess if items need to be tagged and reaches out to the departments directly to tag the item
 - PAO identifies purchases made via ProCards and obtains the reconciliations to further assess if the item needs to be tracked. This process must be completed as POs are not being completed for all transactions that are over the \$2,500 PO requirement (\$3,000 in FY2020)
 - PAO identifies items that are transferred or donated from the auxiliaries
- The fixed asset policy does not clearly define which items need to be included in the cost of the asset (contract prep fees, accessories for the asset such as keys, tire fees, recycling fees, etc.) (2)
- ACS noted that the PAO did not retain the supporting requisition documentation for the fixed asset sample selection (9)
- ACS noted that the historical cost of the asset excluded freight within the total cost input into the fixed asset management system (2)

RECOMMENDATION

ACS recommends that the University review the current process and procedures to identify any areas where improvements can be made to better streamline the identification, notification, tagging, and data input steps to ensure accuracy of fixed asset additions. Further, PAO should work to develop clearly defined guidelines that indicate what costs should be included in the historic cost of the asset.

ACS recommends that the document retention process be reevaluated to ensure that the accessibility for records related to additions are readily accessible. Further, ACS recommends correcting the errors of the historical costs identified above.

MANAGEMENT RESPONSE

We concur with the finding. The University Controller is meeting with the PAO to streamline the process for adding and removing assets to/from the Asset Management System, including ensuring appropriate asset cost. Assets below the capitalization threshold of \$5K would be assessed an approximate value since they would have no financial impact (E.g., iPads \$500, laptops \$1,000, etc.). The PAO will update business practices to ensure that document retention is in line with campus policy. Additionally, there is a recruitment underway for two staff members. These actions will help improve the accuracy of fixed asset cost data and ensure that documents are retained based on CSU policy.

Anticipated date of completion: June 30, 2023

5. FIXED ASSET DISPOSALS

OBSERVATION

The following items detail the findings related to the disposal process:

- Disposal was missing the “Request to Survey Property” Form (6)
- Disposal was missing the “Property Survey Report” (PSR Form 152) (6)
- Sample was missing evidence of disposal type (i.e., surplus sale, disposed, or destroyed). As a result, ACS could not determine the disposal type of the asset or obtain evidence of removal from campus (6)
- ACS noted that the current Property Survey Board (PSB) is comprised of representatives from University Accounting and Reporting and Facilities who determine if a disposal is made in the University’s best interest. However, the approval of a disposal does not indicate the restriction of purchase or re-utilization of the item once that asset has been moved to surplus. For example, when ITS disposes servers or IT equipment that will no longer be supported by the campus, other departments can purchase the equipment. If a department on campus

acquires the non-supported IT equipment, they are not able to utilize the equipment within the University's network which will have a financial and operational impact on the departments, as well as possible data security implications.

- Items that are no longer in use or have "red tags" affixed to them are being accumulated by departments (in staging areas, just outside of buildings, and in classrooms) waiting to move to the next step of the disposal process. As part of the physical inspection testing, ACS and PAO noted:
 - 8-10 large shipping containers utilized for storage by a department. Within 2 of the 10 units, ACS noted that there was a significant amount of "red tag" items that were included in the units. The red tags affixed to the items varied in type indicating that the assets have been tagged and sitting for an extended period of time (a decade or more)
 - Classrooms with rows of shelving being utilized to store broken or "red tagged" items
 - Many tagged assets sitting out side Mott Gym and various classrooms that are being weathered by the elements

RECOMMENDATION

ACS recommends that the document retention process be reevaluated to ensure that the accessibility for related disposal requests and approvals are readily accessible. Further, ACS recommends that asset management process be reviewed and communicated to relevant parties to encourage efficiency and timeliness within the process.

ACS recommends the University consider the increasing the responsibilities of the PSB to ensure that the disposal request is not only in the best interest of the University, but to have the ability to restrict the use of assets that are not deemed "supported" or could have safety impacts on the campus. This could include expanding the PSB to include representatives from ITS and Fleet Services to provide their expertise in determining if an asset should be restricted in its ability to be purchased by other departments on campus.

ACS recommends that the PAO work directly with the department inventory coordinators to identify equipment that is no longer in use or has a "red tag" and develop a plan expedite removal.

MANAGEMENT RESPONSE

We concur with the finding. We will expand PSB to include representatives from ITS and Fleet Services to provide their expertise in determining if an asset should be restricted in its ability to be purchased by other departments on campus. PAO initiates the red tag process

once the PSB has approved the disposal. Once approved, Distribution Services is responsible for picking up the asset and delivering it to surplus or removing it from campus. PAO is working with Distribution services to streamline the process by converting the paper “red tag” process to an email- driven process. Additionally, PAO is hiring two more staff that will improve the accuracy of asset disposal data, and the turnaround times for equipment disposals.

Anticipated date of completion: June 30, 2023

6. PHYSICAL ASSET VERIFICATION/TAGGING

OBSERVATION

The following items detail the findings noted regarding the physical inspection of fixed assets:

- ACS and the respective department were not able to locate the asset matching the description of the sample selection. Further, the departments have not completed the respective Property Loss Form (2)
- ACS noted that the state fixed asset ID tag was not affixed to the fixed asset sample (15). Of the 15 sample selections:
 - ACS was able to locate assets that matched the description of the sample selection, however, there was serial number or brand name on the asset or within the fixed asset ledger that could confirm that the asset was the sample selection (10)
 - Department indicated that this item has been replaced by the manufacturer as part of an agreement. The current item in use is not the original sample selection within the data population (1)
 - State fixed asset ID tag not affixed to equipment; however, department retains state fixed asset ID tag either on a case or binder for tracking purposes (2)
 - ACS noted that due to accessibility issues, we were not able to physically inspect the piece of equipment for the state fixed asset ID tag but matched the brand name and model number visually through a window (1)
 - ACS noted that there is no state fixed asset ID tag affixed to the equipment, however, there is an auxiliary fixed asset ID tag (1)
- No state fixed asset ID tag was affixed to the equipment. ACS obtained the pricing information for the "FilmArray Torch" device and noted that a used version of this device is approximately \$45,000. As such, the device should have gone through the standard tagging processes for the campus.

- ACS noted that accessibility to view the sample selections was sometimes limited to just the individuals within the department. This excluded the University Property Coordinator. As the Property Coordinator is ultimately responsible for the tracking of the physical assets did not have the ability to access all of the assets directly, it created inefficiencies within the execution of the physical inspection testing (21)

RECOMMENDATION

ACS recommends that the PAO correct the errors identified as part of the audit. This includes but is not limited to:

- Working with the respective departments to complete the “Property Loss Report” for items that were indicated as missing
- Working with the respective departments to correct the data inconsistencies identified in the detail testing
- Working with the respective department to properly input the missing item in asset management
- Creating and implementing a formal process to properly tag all assets as required

MANAGEMENT RESPONSE

We concur with the finding. The University Controller is meeting with the Property Accounting Office to streamline the process for adding and removing assets to/from the Asset Management System. University Controller’s Office will be meeting with appropriate personnel in each division to ensure there is an inventory coordinator to provide the PAO with asset details required. Additionally, there is a recruitment underway for two staff members. These actions will help us improve the accuracy, timeliness and consistency of data in the asset management system, as well as correct the errors identified as part of the audit noted above.

Anticipated date of completion: June 30, 2023

7. FIXED ASSET MONITORING (DEPARTMENT LEVEL)

OBSERVATION

A significant responsibility of the fixed asset management process is at the department level. Several of the departments do not have an inventory coordinator, which is listed as a requirement in the PAO procedures. This could be by design for each department (i.e., they allocate the responsibility of the inventory to a lab, classroom or the department head).

Each department has significant operational responsibilities on campus that are not necessarily centered around the tracking of fixed assets. Thus, many departments do not prioritize the adherence to the PAO procedures. As such, it fosters an environment where internal controls and processes are not in place at the department level.

An inventory coordinator is responsible for maintaining complete and accurate property records for the department, track the purchases, receipt, and assignments of property within the department, communicate with the PAO via the proper required forms to report changes in the department inventory (i.e., relocations, interdepartmental transfers, disposals, or missing/lost/ stolen property). Further, the inventory coordinator is responsible for maintaining records of the state property that is taken off-campus and develop a check-out/check-in system for items being removed from campus. In addition, the property coordinator should ensure that the proper identification stickers are affixed to state property and should be available for review if requested.

Despite campus wide issues, there are several colleges included within our testing that have taken proactive steps to prioritize fixed asset tracking. ACS noted that there were fewer to no findings for the colleges that have a dedicated inventory coordinator. For example, the music department maintains an inventory tracking software that monitors the location of the assets.

ACS further noted that:

- Questionnaires sent to the departments related to the physical inventory cycle have not been completed by the PAO as per the PAO policy
- Annual inventory listings have not been sent to department inventory coordinators and department heads for the purposes of review and verification of the accuracy of the information contained in the property data base (i.e., physical location)

RECOMMENDATION

ACS recommends identifying the current list of individuals who are delegated as property inventory coordinators. Further, if departments indicate that they do not have an inventory coordinator, the PAO should direct them to the relevant guidance to the importance of delegating an inventory coordinator to fulfill the stewardship obligations of the University.

ACS recommends developing a plan to understand and monitor the department level internal controls to gain an understanding of the department operations and inventory management and provide insight and information that would help bridge the gap between the practice and policy.

ACS recommends that the PAO re-evaluate the current procedures to be updated to a policy that the campus should adhere to. Further, the updated policy should be communicated to relative personnel, and trainings be administered to the respective individuals who are responsible for requesting, purchasing, and utilizing the acquired fixed assets.

Management should send reminders throughout the year to campus stakeholders of the following:

- Items over the tracking threshold, meeting the criteria of carrying level 1 data, or fire arms are required to be tracked by the University if purchased with state funds and receive a state fixed asset ID Tag
- Items that are taken off-campus are required to have the proper forms completed
- If there is a change in the status of the tracked property, the proper notifications have been made to the PAO to update the asset management system including the following:
 - Relocations within the same department: complete “Property Relocation Change Form”
 - Interdepartmental transfers – “Transfer of Property Ownership”
 - Disposals – “Request to Survey Property”
 - Missing, lost or stolen property – “Property Loss Report”
- Links to resources and trainings to be utilized to carry out the requirements of the PAO policies and procedures

ACS recommends that the PAO determine whether the University could benefit from creating specific and detailed inventory procedures (step-by-step guide) for proper fixed asset management at the department level. These policies should include best practices and procedures that will ultimately help the PAO achieve efficiencies and property tracking goals.

ACS recommends that departments periodically, on a test basis, validate their internal inventory records with what is listed in PeopleSoft. As part of this inventory check, departments should validate the physical location of the assets and the related details (i.e., serial number, state fixed asset ID Tag, asset description, etc.).

MANAGEMENT RESPONSE

We concur with the finding. PAO will continue to work with existing inventory coordinators to improve their business processes and meet with each of the divisions or departments that do not have an inventory coordinator to ensure that the PAO has an appropriate contact to partner with in order to properly manage the area’s fixed assets. While working

with the departments we will address the items noted above and ensure proper training at the department level.

Anticipated date of completion: June 30, 2023

8. ART COLLECTION AND HISTORICAL ARCHIVE TRACKING AND RECORDING

OBSERVATION

Per ISUAM 01401, “Works of art and historical treasures” is included within the examples listed in the definition of “Property” to be recorded by each campus. The University Accounting and Reporting Department does not record the University Art Collection (Collection) or the Archives and Special Collections (Archives). As such, the current count and value of the collections is not included in the University’s financials.

However, curators of the Collections and Archives have implemented inventory tracking procedures which include a variation of inventory counts/verification. The Collection and Archives maintain a log that records who accesses the items in the collections. Further, the Collection completes an internal inventory count approximately every five years by a member who works directly within the art collection. In addition, both the Collection and Archives require staff be present when a third-party requests to view an item.

RECOMMENDATION

ACS recommends that the value of the of the assets in Collections and Archives be recorded in the general ledger consistent with other fixed assets.

ACS recommends that physical verification/inventory counts for both the Collections and Archives be executed consistent with that of all other fixed assets.

MANAGEMENT RESPONSE

We concur with the finding. The PAO will work closely with the inventory coordinator for both Collections and Archives to ensure that the assets are included in the asset management system. We will also include both areas in the physical verification/inventory counts consistent with that of all other fixed assets.

Anticipated date of completion: December 31, 2023