

**PROPERTY ACCOUNTING DEPARTMENT AND
UNIVERSITY SERVICES
AUDIT OF PROPERTY STEWARDSHIP**

THE UNIVERSITY OF NEW MEXICO

**Report 2008-07
September 29, 2008**



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ABBREVIATIONS

NMSA.....New Mexico State Statutes Annotated
Property Accounting.....The Property Accounting Department
Surplus Property.....The Surplus Property Department
UBP.....University Business Policies and Procedures Manual
UNM.....The University of New Mexico

EXECUTIVE SUMMARY

As part of the fiscal year 2007 audit plan, the Internal Audit Department conducted an audit of The University of New Mexico (UNM) inventory records. The audit focused on how inventoriable items are added to and deleted from the UNM asset list, as well as, how all inventory is physically tracked on an annual basis. Fieldwork included reviewing UNM inventory accountability, and compliance with state statutes, Board of Regents Policies, University Business Policy and Procedures (UBP) and various UNM department internal procedures.

There are UBP and department procedures in place and it appears that items are properly added to University inventory; however, departments do not always comply with the policies and procedures with regard to tracking and deleting inventory. University management needs to enforce existing UBP and develop Property Accounting, University Services and Purchasing departmental procedures to ensure that University inventory is accurate and complete.

INVENTORY TRACKING PROCESS

Executive Management should hold departments accountable for complying with state statute and University inventory policy by requiring the department to complete all components of the inventory process or to pay the fees charged by Property Accounting for their inventory services. The President issued a letter informing departments that they are accountable for safeguarding and accounting for assets, and of his expectations relating to compliance with UNM policy.

DELETION OF SURPLUS PROPERTY

University Services, Business Operations should continue improvement in the area of auction sales reconciliations by completing timely reconciliations according to newly developed procedures. Because of the audit, the Associate Director of University Services has developed, documented and implemented a formal reconciliation process.

ADDITIONS BY GIFTS TO UNM

The Vice President for Institutional Advancement should send a memo to Deans and Unit Administrators on an annual basis reminding them of the process for reporting gifts to the University. The Development Office should develop written procedures for notifying Property Accounting of gifts to ensure that they are included on UNM inventory when necessary.

Twice a year the Vice President for Institutional Advancement will send a memo to Deans and Unit Administrators reminding them of the process for reporting gifts. Management will establish a documented process for forwarding donation information to Property Accounting.

INTRODUCTION

BACKGROUND

The University must comply with New Mexico State Statutes Annotated (NMSA) 1978 that dictates how the University accounts for and disposes of equipment inventory over \$5,000.

Property Accounting coordinates the tracking and capitalization of equipment purchased by, or gifted to, individual departments at the University of New Mexico (UNM). They are charged with issuing inventory tags for depreciable items costing over \$5,000 and, after fiscal year end 2006, certain computers. As of June 30, 2007, the original cost of the equipment inventory was \$234.4 million with a net book value of \$68.7 million, representing over 45,000 individual assets.

Gifted items are also subject to equipment inventory requirements. UNM Development Office is responsible for obtaining the gift information from UNM departments and for communicating this information to Property Accounting.

University Services manages both Business Operations and the Surplus Property Department (Surplus Property). Surplus Property is responsible for the surplus warehouse and paperwork for surplus property disposition. Business Operations provides oversight and support to Surplus Property with regard to the paperwork.

Surplus Property is responsible for disposing of University equipment. They dispose of University equipment by soliciting sealed competitive bids or sending items to auction. They also coordinate equipment donated to 501(c)3 organizations. When Surplus Property disposes of equipment costing over \$5,000, they are responsible for obtaining Board of Regent approval and for notifying the New Mexico Office of the State Auditor (State Auditor).

Property Accounting distributes physical inventory certification packets to departments and conducts training to perform the annual inventory. These packets include a list of existing inventory assigned to each department (*Annual Inventory Report*) and the *University of New Mexico Annual Inventory Certification Form*. The training sessions provide guidance on the inventory process and information regarding any changes from the prior year. UBP requires departments to complete a physical inventory and document the differences between the physical inventory and the inventory listed on the *Annual Inventory Report* by completing the appropriate forms included in the packet. Departments are required to return the completed *University of New Mexico Annual Inventory Certification Form* to Property Accounting by the date designated by Property Accounting. The Dean, Director or Chair and the inventory contact must sign the form to certify that all equipment has been located.

Per University policy if the departments do not return their *University of New Mexico Annual Inventory Certification Form*, Property Accounting will complete the annual inventory for the department and charge them for the service.

When departments purchase new inventory items, Property Accounting sends them a *New Asset Report* with inventory tag(s). The report directs departments to tag the inventory and send the completed *New Asset Report*, inclusive of asset location, to Property Accounting within 30 days. It further states that Property Accounting will complete the tagging process if the department fails to return the report in 30 days. Property Accounting charges the department for this service.

PURPOSE

The purpose of the audit was to evaluate the accuracy and completeness of inventory records and to determine that surplus property is disposed of in accordance with University policy and state statute.

SCOPE

The audit focused on the accuracy of property records, inclusive of how inventoriable items are added to and deleted from the UNM asset list. Audit procedures included review of the policies, procedures and practices followed by various departments that contribute to how UNM inventory is obtained and recorded, inclusive of: the Property Accounting Department, University Services for disposition of assets, the Purchasing Department for sealed competitive bids and the UNM Foundation for equipment donations.

We did not audit all of University Services operations. We audited two departments reporting to University Services, Surplus Property and Business Operations, with regard to their roles in tracking and disposition of surplus property.

Some areas of fieldwork incorporated the use of random samples. Three separate samples were drawn to complete fieldwork and determine that inventory is accurately stated. The samples were drawn based on a 95% confidence level. The tests served to verify whether:

- New purchases are added to inventory and physically inspected (sample size = 115).
- Items deleted by Surplus Property are removed from inventory according to UBP and State law (sample size = 108).
- Items deleted by UNM Department request are removed from inventory according to UBP and State law (sample size = 109).

The audit was limited to property obtained, held, and disposed of during fiscal year 2007. Fieldwork was completed on May 12, 2008.

OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

INVENTORY TRACKING PROCESS

State statute requires UNM to conduct and document an annual inventory. University business policies further specify who is responsible for conducting the annual inventory and how to identify and tag inventory items. Recent changes in Property Accounting staff have brought improvement to the overall operation of that department. Inventory items are properly added to inventory; however, improvements can be made with respect to tracking and maintaining physical inventory campus wide.

Annual Physical Inventory

Fifteen percent of UNM departments are not returning their current annual physical inventory certification as required by UBP. Of the 85% of departments that submitted their most recent annual inventory certification:

- 48% were submitted by the due date.
- 29% were submitted within a month past the due date.
- 8% were more than 30 days late.

Locating seven of the 115 inventory items sampled was not possible because Property Accounting did not have the location information. Property Accounting sent an inventory tag and a *New Asset Report* to the departments but the departments did not return the reports to Property Accounting. These items were purchased before June 30, 2007 and location information still had not been reported to Property Accounting as of December 2007. An analysis of the entire inventory list indicates some departments have not provided the location for items purchased as far back as 2004. The Property Accounting Manager is aware of the situation and has recently begun to notify departments that they must provide location information.

Section 12-6-10 NMSA 1978 requires UNM to conduct an annual inventory. UBP 7710 “Property Management and Control” describes how the University will comply with this statute.

- Section 3.3 states that “Current location records must be maintained so that any item can be located for inspection or inventory purposes within a reasonable time.”
- Section 4.1 requires departments to supply Property Accounting with the location of equipment and serial numbers, to assist in maintaining accurate inventory records. Departments are required to provide this information within 30 days of receipt of the *New Asset Report*.

The University of New Mexico *New Asset Report* supplied by Property Accounting to Departments when a new asset tag is issued states, “If we do not receive the completed reports(s) by the due date, Property Accounting Inventory

Services staff will go out immediately following the 30 day allotted time to obtain this information at a rate of \$10.00 per hour.”

- Section 4.2.2 states, “Department administrators are responsible for completing a physical inventory and returning all forms to the Property Accounting Department by the specified deadline.”
- Section 4.4 states, “If a department requests assistance, or is unable for any reason to complete their annual physical inventory or to complete tagging of newly acquired assets, the required inventory and tagging will be completed by the Property Accounting Department and the department will be invoiced at the current rate per hour.”

When departments do not submit their annual inventory or timely report the location of individual items, Property Accounting does not complete either task for them. Property Accounting stated that currently they do not have sufficient staff to conduct these inventories. The Controller stated, in the past, Property Accounting had staff that conducted the annual inventories for departments that failed to complete them. When Property Accounting charged the departments for the service, the departments claimed that they did not have the funds to pay for the charges and the administration would instruct Property Management to reverse the charges. As a result, departments are not held accountable for safeguarding and accounting for assets. By not conducting an annual inventory, missing items may go undetected and inventory may be misstated.

Employee Equipment Checkout Form for Laptops

Some departments do not complete an *Employee Equipment Checkout* form when UNM employees take a laptop computer off-campus, as required by University policy. Of the sample items tested, fourteen were laptops; seven of those were not on campus and the department did not have a completed *Employee Equipment Checkout* form.

University policy requires departments to complete *Employee Equipment Checkout* forms for equipment taken off campus. Section 3. “Taking University Property Off Campus” Policy 7730, UBP states, “University property not assigned to a departmental location must be recorded on an *Employee Equipment Checkout* form before taking it to an off campus location. This form is used both to authorize and record the off campus use of University property.”

Follow-up with UNM Departments for Unusual Requests

Property Accounting did not have the documentation to confirm a department’s claim that items were taken by outside agencies.

In FY07 the Department of Emergency Medicine submitted a request for disposal of items they claim an outside agency took in 2001 without their consent. In FY08, the department submitted a similar request for disposal of additional items claimed to be taken in 2001. According to Property Accounting, they could not verify Emergency Medicine's claim with the outside agency because too much time had lapsed; therefore, there was no option but to remove the items from the inventory list.

When proper physical inventories are not performed and the disposition of unlocated items is not reported timely, Property Accounting cannot adequately track and account for the inventory. In addition, the inability to perform proper oversight and monitoring creates opportunities for misappropriation of inventories.

Standard Operating Procedure

Some of Property Accounting's standard operating procedures do not comply with UBP. A test of a random sample of 109 items deleted by Property Accounting identified the following issues:

- University policy requires that departments submit the inventory tags for cannibalized items. Property Accounting is not requiring this documentation to delete a cannibalized inventory item.
- University policy requires that departments submit a *Request for Deletion of Assets* when requesting a deletion of department inventory. Property Accounting is not requiring departments to submit this form.
- The *Request for Deletion of Assets* includes two options that do not comply with University Policy: "Unlocated after exhaustive search" and "Discarded."

Pursuant to Section 5.4 "Cannibalization of Equipment," UBP 7710, departments must turn the inventory tag in to the Property Accounting Department when an asset is cannibalized.

Section 5.7 "Disposal of Surplus or Obsolete Property," UBP 7710 states "...property to be disposed of must be sent to the Surplus Property Department....and complete a Request for Disposal of Surplus Property Form."

When Property Accounting deletes equipment from the inventory on the departments' claim that they cannot locate the items, departments may use this category when items simply disappeared, perhaps via theft. The problems causing the inventory losses may go unaddressed and the theft may go unreported. This may be costly to the University as they buy equipment to replace the lost equipment.

Recommendation 1

Executive Management should hold departments accountable for complying with state statute and University inventory policy by requiring the department to complete all components of the inventory process or to pay the fees charged by Property Accounting for their inventory services.

Response from the President

The President issued a letter on September 24, 2008 instructing the Vice President of Finance HSC/UNM to hold departments accountable for completing inventory duties by enforcing UBP #7710. The President authorized the Vice President of Finance HSC/UNM to charge departments for services if they neglect to follow UNM policies. Members of the Executive Cabinet received copies of the letter to inform them of the President's expectations.

Recommendation 2

The Controller should notify department deans/directors annually of the importance of conducting adequate physical inventories in accordance with state statute and reinforce that all University departments have a responsibility for safeguarding assets. The notice should specifically reference the following, as well as areas of concern identified by Property Accounting and Surplus Property:

- Proper completion of check out forms for inventory items taken off campus, emphasizing the sensitivity of lap top computers
- Submission of timely donation confirmation requests
- Submission of inventory tags with the *Request for Deletion of Assets* for items reported as cannibalized
- Proper completion of the *Request for Deletion of Assets* form when requesting an asset deletion
- Proper supplanting inventoried items rather than "discarded."
- Reinforcement of compliance with University policy relating to the possibility that the department may be charged if they fail to complete their annual inventory by the specified deadline or fail to submit timely information relating to inventory tracking and safeguarding

Response from the University Controller

Management Concur: A letter signed by the Controller is sent on an annual basis to departments approximately five weeks prior to the due date of their annual inventory, indicating that by New Mexico State Statute, they are required to conduct an annual inventory of movable property and equipment. We will include in the letter the recommended statements beginning October 1, 2008.

Recommendation 3

The Controller should provide formal training for department deans/directors to communicate their responsibilities for accounting for and safeguarding assets through the inventory process.

Response from the University Controller

Management Concur: Beginning October 1, 2008, the Controller will offer training to Deans/Directors/Chairs regarding departmental responsibility in safeguarding the University of New Mexico's equipment assets. We currently provide training to all Dean/Director/Chair designees for department inventories regarding all facets of the inventory process and responsibilities throughout the year.

Recommendation 4

The Controller should direct Property Accounting to perform periodic audits of inventory at the department level. Particular attention to the areas identified above would help timely identification of non-compliance with policy and procedure.

Response from the University Controller

Management Disagrees: The Property Accounting department is not currently staffed to perform periodic audits of inventory at the department level. Property Accounting has four FTEs that capitalize and track the approx. 45,000 pieces of equipment among 1,000 campus departments, in addition to other day to day responsibilities. Additional funds would be needed to provide for additional staff to accomplish this task.

Donating Equipment

University Services does not always have documentation showing that surplus items donated by UNM to a 501(c)3 organization were received by the organization. Of five donations reviewed, two of them did not have documentation from the donee verifying receipt. The requests for donations are dated April and November 2006. For the item donated in November 2006, Surplus Property provided documentation dated July 2008, twenty months after the donation request was made.

Policy does not specify a timeframe for obtaining the acknowledgement or who is responsible for obtaining it, which contributes to the untimely receipt of letters of acknowledgement.

Section 3.3. "Acquisition and Disposition of UNM Surplus Equipment" Policy 4610, UBP requires, "Once the donation is completed, the recipient will supply the University with a letter acknowledging receipt of the item(s)." Per discussion with Surplus Property staff, it is evident

that obtaining acknowledgement of receipt from the donee can require many follow-up attempts. In addition, it is common that Department is the point of contact with the donee, therefore Surplus Property relies on the department to collect the confirmation of receipt from the donee.

Recommendation 5

The Controller should update UBP 4610 to provide a period for obtaining the acknowledgement of receipt of surplused items from 501(c)3 organizations and to assign responsibility for obtaining the acknowledgments. If this process is burdensome, consider other alternatives to confirm donation of equipment to 501(c)3 organizations.

Response from University Controller

Management Concur. The Business Operations of University Services works diligently with the University Departments to obtain necessary documentation for all Surplus Property transactions. Consequently, Surplus Property always obtains all receipt letters from donees, just not always on our timetable. Of the two outstanding acknowledgement letters referred to in this finding, both were obtained by Surplus Property subsequent to this audit. Surplus Property will devise an internal procedure to receive more timely acknowledgment from the departments and or the donating entity by December 15, 2008.

DELETION OF SURPLUS PROPERTY

Hard Drive Erasure

Responsibility for assuring erasure of computer hard drives is decentralized. This process is more in line with the duties of the Chief Information Officer. University policy requires departments erase hard drives before sending them to Surplus Property and requires that they submit a *Hard Drive Erasure Certificate* with the hard drive to Surplus Property. Centralizing the responsibility for hard drive erasure under the Chief Information Officer will improve control for deleting sensitive information from surplused computers.

Due to the highly sensitive personal information stored on University computers, it is imperative that the University takes every precaution to erase private information from computers before they are disposed of. Failure to do so could result in an unfavorable situation placing the University at risk for exposure of private and personal faculty, staff or student information.

Recommendation 6

The Chief Information Officer should review the current process for erasing hard drives when disposing of surplus computers and consider whether to centralize the process and revise University policy.

Response from the Chief Information Officer

The Chief Information Officer concurs that an assessment of the current hard drive erasure policies, process, and procedures is warranted. Such an assessment will be conducted and a recommendation (or series of recommendations) on improving the process and adequately addressing the erasure of computer hard drives when disposing of surplus computers will be completed on or before January 30, 2009.

Auction Sales

At the beginning of our audit, documentation that Surplus Property auction sales were reconciled between the UNM surplus item list (manifest) and auctioneer sales confirmation (consignment sheet) was not available. During the audit, Surplus Property developed reconciliation procedures; however, Surplus Property has not completed a reconciliation that follows the new procedures.

In order to ensure that items are disposed of in compliance with UBP and provide an auditable trail of surplus auction sales, best practices support a documented reconciliation process. Before Surplus Property drafted reconciliation procedures, an attempt to reconcile three manifests to their corresponding consignment sheets identified:

- Many items that appeared on the UNM manifest were not on the auctioneer consignment sheet; therefore, we could not confirm the sale of the items at auction.
- Many items appear multiple times on the auctioneer consignment form-indicating sale of the items to more than one buyer.
- The surplus tag number is not always on the auctioneer consignment sheet; therefore, some items sold at auction could not be identified on the UNM manifest.
- The UNM manifest numbering system is manual creating the following concerns:
 - The manifest indicates the same surplus tag number assigned to more than one surplus inventory item.
 - Numbers are assigned out of sequence making it difficult for the reconciliation process.

Recommendation 7

Business Operations should continue improvement in this area by completing timely reconciliations according to the new procedures.

Response from the Associate Director of University Services

Management Concur. Because of this audit, Business Operations has already developed, documented and implemented a formal reconciliation process. This task is now assigned to a Senior Accountant in Business Operations. Any discrepancies are reported to both the auctioneer and the Supervisor of Surplus Property. All issues will be researched until they are resolved and noted accordingly. The University Services Business Operations and Surplus Property Supervisor have met with the auctioneers and have resolved the auction most recently reconciled. As of August 2008 the process will continue, with proper monitoring by the University Services' Associate Director.

Sealed Competitive Bids

In FY07 there were three sales made by sealed bid. The Purchasing Department did not notify Surplus Property of one sale, representing 53 inventory items; therefore, these items remain on UNM inventory even though they were sold.

When a UNM department has items that are no longer of use to the department, they have the option of selling them to external parties using sealed competitive bids. The Purchasing Department handles the actual sale. Surplus Property is responsible for surplussing the item, inclusive of removing the items from inventory and notifying the Regents and the State Auditor.

Before the sale, the items need to be deleted from UNM inventory via the usual surplus procedures and this responsibility is assigned to Surplus Property. Section 3.2. "Acquisition and Disposition of UNM Surplus Property" Policy 4610, UBP states, "Only the Surplus Property Department may sell surplus equipment off campus regardless of its value."

Recommendation 8

The Purchasing Department should only accept requests for sealed competitive bids of surplus items from Surplus Property.

Response from the Associate Director of University Services and the Director of Purchasing Department

Management Concur. Effective July 1, 2008, the Purchasing Manager in the Purchasing Department and the Associate Director of University Services have informed their staff that any requests for sealed competitive bids of surplus items will be directed to Surplus Property. Items will not be prepared for bid until a written release is received from Surplus Property.

DELETION BY UNM DEPARTMENT REQUEST

UNM Departments can request deletion of items from their inventory. The proper procedure requires that the department complete a *Request for Deletion of Assets* form and submit it to Property Accounting. The instructions for the *Request for Deletion of Assets* states that the form should be approved by the Department Dean, Chair, or Director and, in certain instances, supported by additional information.

Confirming Items Sent to Surplus Property

When the department checks “Sent to Surplus Property Department and cannot locate documentation,” on the *Request for Deletion of Assets*, Property Accounting does not keep documentation on file to confirm that the item was actually surplus. Five items out of a sample of 109 were deleted based on the above-mentioned claim. Per Property Accounting and Surplus Property, Property Accounting confirms that Surplus Property received the items; however, Property Accounting does not keep the documentation to verify the communication.

Under the current process, items that are lost or stolen can be reported as sent to Surplus Property.

Recommendation 9

When departments request that Property Accounting delete an item based on a claim that the item was sent to Surplus Property and they do not provide confirming documentation, Property Accounting should document that they confirmed that items are properly surplus before deleting them from inventory.

Response from the Property Accounting Manager

Management Concur: It is the policy of Property Accounting to document the communication with Surplus Property regarding requests from departments for deletion of assets when it is stated that the item was sent to Surplus Property. In the sample selected for this audit, a communication could not be located. We will remind staff that all communications related to deletion of assets be documented and maintained in our files.

ADDITIONS BY GIFTS TO UNM

“Gifts of Tangible Personal Property” Policy 7110, UBP provides guidance for how UNM receives, reports and inventories gifts to the University. By policy, UNM departments are directed to report all gifts to the Development Office. Development Office approval is required prior to accepting a gift. Once approval is obtained, departments may receive the gift and are

responsible for completing a Gift/Pledge Transmittal Form and forwarding it to the Development Office; hence fulfilling the departmental requirement to report gifts. The Development Office is directed to report all gifts valued over \$5,000 to Property Accounting where the gift information will be reviewed for inclusion on UNM inventory.

Reporting Gifts to the Development Office

UNM departments might not be reporting gifts of property to the Development Office. Throughout FY07, the Development Office recorded only 18 gifts in excess of \$5,000. Given that this is a flagship university, it does not seem reasonable that there were not more donations of property to the University. In an effort to ensure that gifts to departments are reported to the Development Office in accordance with UNM policy, the Development Office should communicate the requirement to UNM departments.

Recommendation 10

Annually, the Vice President for Institutional Advancement should send a memo to Deans and Unit Administrators reminding them of the process for reporting gifts to the University and directing them to “Gifts of Tangible Personal Property” Policy 7110, UBP for further clarification.

Response from the Vice President for Institutional Advancement

Management agrees with the recommendation and will establish a procedure to send a memo in December and May of each fiscal year (beginning in December 2008) to Deans and Unit Administrators reminding them of the process for reporting gifts to the University and directing them to “Gifts of Tangible Personal Property” Policy 7110, UBP for further clarification.

Coordinating Gift Reporting Between the Development Office and Property Accounting

In FY07, the Development Office did not report 83% of gifts over \$5,000 to Property Accounting as required by policy. Some of the donations may have represented individual items that should have been added to University inventory and as a result, inventory could have been understated.

The Development Office process for reporting gifts to Property Accounting includes faxing information to Property Accounting; however, they do not keep documentation on file that verifies successful transmission of the information.

Recommendation 11

The UNM Foundation should establish a documented process for forwarding donation information to Property Accounting for review with regard to inclusion on the University inventory. This process should include a method for obtaining documentation that verifies Property Accounting received the gift information.

Response from the Vice President for Institutional Advancement

Management agrees with the recommendation and will establish a documented process for forwarding donation information to Property Accounting by no later than October 15, 2008 including a procedure for obtaining documentation of receipt by Property Accounting.

Using the Proper Form for Donations

Departments do not always report gifts to the Development Office using the *Gift/Pledge Transmittal Form*; instead, they send e-mails, spreadsheets, etc. When an alternative reporting method is used, required information that would otherwise be submitted is missing causing delays in gift processing. As a result, donors may not receive timely acknowledgement of gifts to the University.

One of the goals as noted in the University Strategic Framework is growing and sustaining a donor base. Delay in acknowledging donors for their gifts could have a negative affect on donor good will and result in a decrease in donations and a deterioration of the donor base that the strategic plan is striving to build and sustain.

Recommendation 12

The Development Office should require that departments submit a *Gift/Pledge Transmittal Form* when reporting gifts rather than accepting other types of documentation.

Response from the Vice President for Institutional Advancement

Management agrees with the recommendation and will require that departments use the proper Gift/Pledge Transmittal Form when reporting gifts of tangible personal property beginning immediately. The proper form will be included with the memo that is sent to Deans and Unit Administrators.

MISCELLANEOUS

On-Line Inventory Information

Property Accounting does not update the on-line inventory accessible through their website. The Property Accounting Manager stated that the required resources to maintain the on-line inventory are not available. As a result, the UNM community has access to inaccurate inventory information.

Recommendation 13

Management should keep the on-line inventory current or should remove it from Property Accounting's web page.

Response from the Property Accounting Manager

Management Concur: Soon after the implementation of the Banner Fixed Asset module, the IT department was to provide a resource to create on-line inventory access for the departments. The IT resource was reallocated to another project, and since that time all IT resources originally assigned to Fixed Asset programming have been reallocated to other priorities within Banner. Departments can query within Banner for certain information, but it is not as user-friendly as an on-line system would be. The Chief Finance and Treasury Officer and the Property Accounting Manager will work with the Finance System Management department within the Finance Division to identify what is needed to make online inventory access available to the campus. A proposal will be drafted by December 31, 2008 to identify resource needs and maintenance needs for permanent on-line inventory ability within the departments.

Insurance Claims for Stolen Inventory Items

The Safety and Risk Services website and *Notice of Claim* form, used for reporting losses have not been updated to correlate with University policy. The form and the website direct UNM departments to adjust their inventory by reporting losses valued over \$1,000 to Property Accounting.

Section 4. "Property Management and Control" Policy 7710, UBP states, "The Property Accounting Department is responsible for overseeing the control of property assigned to University departments with a cost over \$5,000 or certain computer equipment such as laptops, desktop workstations, and tablets."

Under the current process, departments may not report stolen computers to Property Accounting and their departmental inventory records may be inaccurate.

Recommendation 14

Risk Services should revise the website and the *Notice of Claim* form to appropriately direct departments to report thefts of inventory items exceeding \$5,000 and all computers to Property Accounting.

Response from the Director of Safety and Risk Services

To clarify the language used on the Notice of Claim form the following language was submitted to the Policy Office for an online update August 11, 2008.

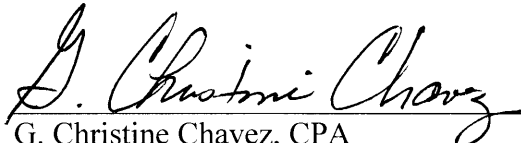
*“If the equipment or property is not repairable or is stolen and is valued at \$5,000.00 or more, a copy of this report must be sent to Property Accounting Department along with a copy of the police report.
If a computer is stolen, a copy of the police report and this form should be filed with the Property Accounting Department.”*

Using this language the form will properly guide the user and reflect University policy.

CONCLUSION

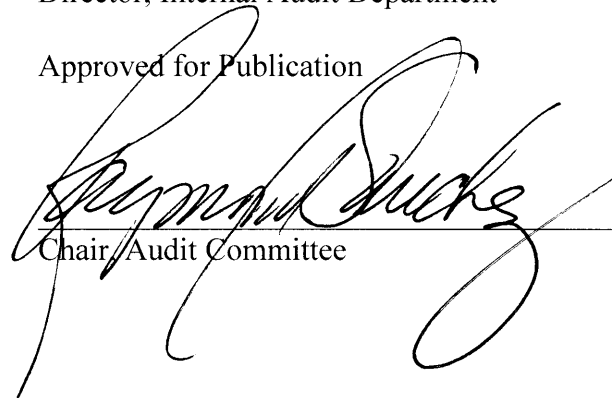
Recent changes in Property Accounting staff have brought improvement to the overall operation of that department. Inventory items are properly added to inventory; however, improvements can be made with respect to tracking and maintaining physical inventory university wide. All University departments have a responsibility for safeguarding assets. In order to conduct a more thorough annual inventory, department administrators/directors should be held accountable for completing annual inventory, properly tagging assets and providing all required information for tracking and monitoring assets held by their respective departments. University management needs to enforce existing UBP and develop departmental procedures to ensure that inventory is adequately tracked and maintained.

APPROVALS



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Approved for Publication



Chair, Audit Committee