

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

January 30, 2024

Dr. Thomas A. Parham, President
California State University, Dominguez Hills
1000 E. Victoria Street
Carson, CA 90747

Dear Dr. Parham:

**Subject: Audit Report 23-31, Property, Equipment, and Inventory,
California State University, Dominguez Hills**

We have completed an audit of *Property, Equipment, and Inventory* as part of our 2023-2024 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor
Yammilette Rodriguez, Chair, Committee on Audit
Jean Picker Firstenberg, Vice Chair, Committee on Audit

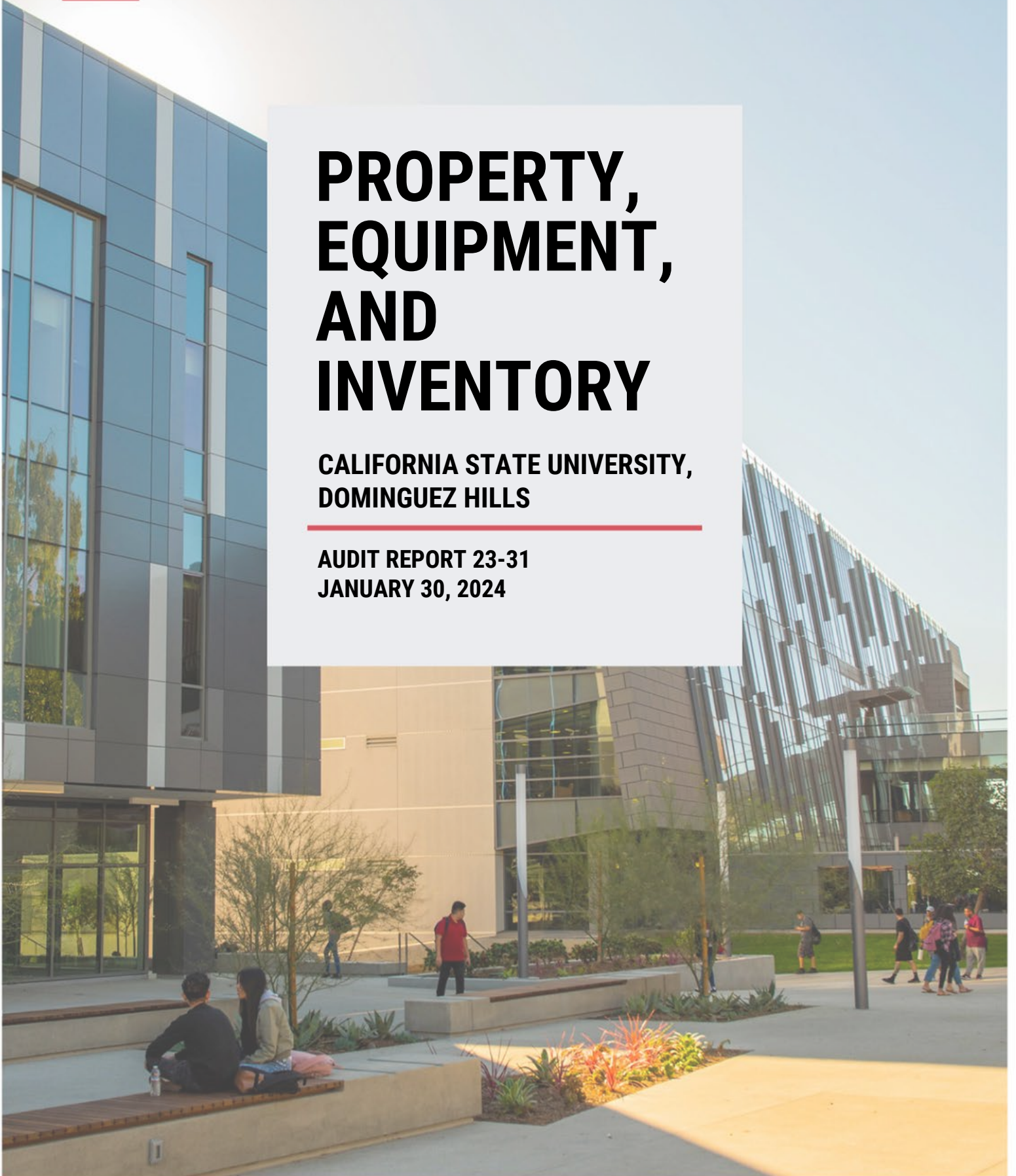
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PROPERTY, EQUIPMENT, AND INVENTORY

**CALIFORNIA STATE UNIVERSITY,
DOMINGUEZ HILLS**

**AUDIT REPORT 23-31
JANUARY 30, 2024**



EXECUTIVE SUMMARY

AUDIT OBJECTIVES AND BACKGROUND

In accordance with the fiscal year (FY) 2023/24 Audit Plan, as approved by the Board of Trustees, Audit and Advisory Services performed an audit of property, equipment, and inventory at California State University, Dominguez Hills (CSUDH) and Toro Auxiliary Partners (TAP).

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to property, equipment, and inventory at CSUDH and TAP, and to ensure compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus and auxiliary procedures.

Property and equipment include both capitalized equipment valued at more than \$5,000 and non-capitalized equipment that must be tracked, tagged, and inventoried; the campus decides what must be tracked, tagged, and inventoried based on cost, risk of theft or misuse, or storage of sensitive data. California State University (CSU) *Administration of University Property* governs all university property transactions, including acquisitions, maintenance, physical inventory, and disposals. As of June 30, 2023, CSUDH had \$22,550,838 in capitalized assets, and \$17,646,846 in non-capitalized assets recorded at acquisition cost. In addition, as of June 30, 2023, TAP had \$388,169 in capitalized assets recorded in its general ledger. TAP, as the designated sponsored programs administrator for the campus, also manages \$2,035,873 in federally funded property that was acquired during FY 2021/22 and 2022/23.

Each campus also has a facilities department that performs activities required for ongoing, routine operations and maintenance of buildings and grounds. This includes areas such as custodial services, building trades, the central plant, and grounds and landscaping. Supplies and inventory purchased for these areas may be housed in a centralized warehouse, stored in local shops, or purchased and expensed as needed. Additional information can be found in the body of this report.

OVERALL CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for property, equipment, and inventory as of August 31, 2023, were unlikely to provide reasonable assurance that risks were being managed and objectives were met.

AUDIT SCOPE AND RESULTS

In general, we found that compliance with CSU policies and procedures were inadequate. Our review noted that improvement was needed in almost all areas we reviewed. A summary of the observations noted in the report is presented in the table below. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
Campus Processes		
General Environment	Oversight of administration and management over property and equipment, including roles and responsibilities, segregation of duties and systems access	<i>Effective – no reportable observations noted</i>
Property Acquisition	Policies, procedures, and practices for purchases of assets and sensitive equipment, including asset identification, tagging, and recordkeeping	<i>Observations noted in federally funded equipment purchases, tracking and tagging of assets</i>
Property Maintenance	Property reconciliation to records, physical inventories, and tracking of technology equipment, mobile assets, and loaner programs	<i>Observations noted in the reconciliation of capital assets and tracking and physical inventory of property and equipment, including federally funded assets</i>
Property Disposal	Policies, procedures, and practices for the asset disposal process, including approvals, recording, and appropriate documentation	<i>Observation noted related to third-party disposal services</i>
Inventory Management	Purchase and recording of supplies and inventory used in the shops and trades such as custodial services, auto shop, and paint shop; physical inventory procedures; review of inventory systems; and receipt and distribution of inventory items	<i>Observations noted in inventory reconciliation, tracking and monitoring, and segregation of duties</i>
Fuel Management	Fuel-inventory management, including access to gas pumps and tracking and monitoring fuel usage	<i>Observations noted relating to policies and procedures, tracking and monitoring practices, and physical access</i>
TAP Processes		
General Environment	Oversight of administration and management over property and equipment, including roles and responsibilities, segregation of duties, and systems access	<i>Observation noted in the technology equipment policy</i>
Property Acquisition	Policies, procedures, and practices for auxiliary and federally funded asset purchases including asset identification, tagging, and recordkeeping	<i>Observation noted in tracking and tagging assets, including federally funded items</i>
Property Maintenance	Performance of property reconciliations, physical inventories, and tracking and monitoring of purchased assets	<i>Observation noted in physical inventory practices</i>
Property Disposal	Policies, procedures, and practices for the asset disposal process, including approvals, recording, and appropriate documentation	<i>Observation noted in the disposal of technology equipment</i>

The audit focused on procedures in effect from July 1, 2021, to August 31, 2023. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. Our review was limited to gaining reasonable assurance that essential elements of the property, equipment, and inventory program were in place and did not examine all aspects of the program.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

CAMPUS

1. FUEL MANAGEMENT

OBSERVATION

Campus management of gas pumps and fuel usage needed improvement.

The campus has three gas pumps, including two unleaded gas pumps and one diesel gas pump, located near facility services, Building 80. The gas pumps are used by facility services for their vehicles and equipment. The breakdown of campus usage for gas and diesel fuel for FY 2022/23 and FY 2021/22, based on billing information, is shown in the table below.

Table 1: Fuel Usage

Period	Total Cost Per Period		Total Gallons Per Period	
	Gas	Diesel	Gas	Diesel
FY 2022/23	\$20,863	\$7,891	4,919	1,813
FY 2021/22	\$25,148	\$9,918	5,986	2,634

Based on discussions with management, the campus did not have a process in place to track, monitor, and reconcile fuel usage. The current setup of the gas station did not provide a way for the campus to track and monitor fuel usage per user or to verify the total amount of fuel used in each period. Instead, a sensor transmitted information directly to the vendor responsible for refueling the pumps, and the campus relied on the usage amounts shown on the vendor invoices without being able to verify or reconcile the billed amount and fuel usage to internal records. During our walkthrough, we also found that physical access to the pumps was not restricted to select personnel.

Adequate management of on-campus gas pumps, including documented procedures, adequate monitoring and reconciliation, and proper physical control, helps to enhance accountability and decreases the risk of inappropriate fuel usage.

RECOMMENDATION

We recommend that the campus:

- a. Establish policies and procedures to address tracking and monitoring of fuel usage, including periodic reconciliation of billed amounts to internal records, and communicate these procedures to appropriate personnel.
- b. Implement additional physical security measures for the gas station and restrict physical access to necessary personnel.

MANAGEMENT RESPONSE
We concur. The campus will establish policies and procedures to address tracking and monitoring of fuel usage, including periodic reconciliation of billed amounts to internal records, and communicate these procedures to appropriate personnel.

The campus will also implement additional physical security measures for the gas station and restrict physical access to necessary personnel.

Projected completion date: April 2024

2. WAREHOUSE INVENTORY MANAGEMENT

OBSERVATION

The campus did not have policies and procedures for warehouse inventory management, and segregation of duties was inadequate.

Supplies and materials used by custodial services were the only inventory stored centrally in the campus warehouse and tracked using an inventory management system. The system the campus used, TAMIS, is a stand-alone inventory system that does not interface with the campus Peoplesoft financial system. It is primarily used to record the movement of supplies and materials in the warehouse. As of July 2023, there was \$489,589 worth of supplies and materials recorded in the TAMIS system.

We found that the campus did not have a formal policy for inventory management that addressed roles and responsibilities, appropriate segregation of duties, recording acquisitions, distribution, or identification and disposition of damaged and obsolete inventory.

Based on our conversations with campus personnel, inventory management practices have been passed down through the years by employees to their successors. Currently, the warehouse supervisor records purchases of supplies in TAMIS when the items are received and enters withdrawals in TAMIS when an item is removed based on order sheets submitted by custodial services staff. The supervisor performs occasional physical counts when items in TAMIS run low and informs the manager of custodial services, who determines whether a re-order is necessary. If there are any variances between the physical count and TAMIS, an adjustment is entered directly in TAMIS by the supervisor. The supervisor is also responsible for ordering supplies and materials using a procurement card or blanket purchase order. In our review, we found that in practice, the custodial, recordkeeping, and reconciliation (physical inventory) functions for warehouse inventory were performed by one individual. As a result, the practice lacked proper segregation of duties, as there was no secondary review and approval of the physical inventory results and adjustments.

Comprehensive policies and procedures and appropriate segregation of duties not only enhance inventory accuracy and operational efficiency, but also provide consistent guidance for employees in performing their duties and responsibilities.

RECOMMENDATION

We recommend that the campus:

- a. Develop formal policies and procedures to address the items noted above, including, but not limited to, roles and responsibilities, appropriate segregation of duties, recording of acquisitions, and distribution of inventory.
- b. Communicate documented policies and procedures to appropriate personnel.

MANAGEMENT RESPONSE
<p>We concur. The campus will develop formal policies and procedures to address the items noted above, including, but not limited to, roles and responsibilities, appropriate segregation of duties, recording of acquisitions, and distribution of inventory.</p> <p>The campus will also communicate documented policies and procedures to appropriate personnel.</p> <p>Projected completion date: April 2024</p>

3. BUILDING TRADES INVENTORY

OBSERVATION

The campus did not have a defined process for tracking and monitoring materials and supplies used by the building trades, and documentation for work orders was inconsistent.

Supplies and materials for the building trades, such as the auto shop, electrical, plumbing, carpentry, and grounds crews, were not centrally maintained in a warehouse or tracked using an inventory management system. Instead, each trade had its own shop that carried small quantities of basic supplies, such as screws, bolts, wires, and fluids. According to management, supplies and materials for the building trades were purchased using a just-in-time method, with items purchased with procurement cards as needed. Based on our interviews, usage of materials and supplies for the building trades was tracked by charging purchased items to a work order.

We reviewed four work orders pertaining to building trades (two for the auto shop, one for plumbing, and one for the paint shop) for proper tracking and monitoring of materials and supplies purchased, and we found inconsistencies in how these items were reported. Generally, purchased materials and supplies were not consistently tracked and recorded for non-chargeback work orders. Without consistent recording of work orders, we were unable to fully review how purchased materials and supplies were accounted for and used. We also noted that:

- For two non-chargeback work orders, the plumbing shop included labor but did not include the cost of purchased materials and supplies, while the auto shop reported both labor hours and the cost of purchased materials.
- For an auto shop work order that was charged back to another department, the cost of the materials claimed was higher than the actual purchase price stated in the vendor invoice, due to an estimated, rather than actual, cost being recorded in the work order.

Proper administration and oversight of parts and supplies, and consistent documentation of work orders, decrease the risk of errors and irregularities and enhance cost efficiency.

RECOMMENDATION

We recommend that the campus:

- a. Develop documented policies and procedures that address management oversight for supplies and materials, periodic review and analysis of usage, and how supplies and materials purchased and used by the building trades will be consistently tracked and monitored.

- b. Review processes for recording actual versus estimated costs on work orders with relevant personnel in the building trades and enhance work order processes to ensure that costs charged back to departments are transparent and easily trackable.
- c. Communicate the updated policies and procedures to appropriate personnel.

MANAGEMENT RESPONSE
<p>We concur. The campus will develop documented policies and procedures that address management oversight for supplies and materials, periodic review and analysis of usage, and how supplies and materials purchased and used by the building trades will be consistently tracked and monitored.</p> <p>The campus will also review processes for recording actual versus estimated costs on work orders with relevant personnel in the building trades and enhance work order processes to ensure that costs charged back to departments are transparent and easily trackable.</p> <p>The campus will also communicate the updated policies and procedures to appropriate personnel.</p> <p>Projected completion date: April 2024</p>

4. PROPERTY AND EQUIPMENT ACQUISITION

OBSERVATION

Administration of the acquisition of property and equipment needed improvement.

We reviewed 40 property and equipment purchases for proper recording, tagging, and tracking, and we found that:

- Nine items purchased with procurement cards were not tagged or recorded in the asset management system. These items included sensitive equipment such as handheld cameras or computers. Three additional items were tagged but not recorded in the system. These items included an iPad, laptop, and printer.
- One item acquired with a purchase order was not tagged or recorded in the asset management system; and two other items bought with a purchase order were tagged, but were not timely recorded in the system. These items included audio equipment, a trencher, and a mower.

In addition, we performed a physical verification of the 40 acquisitions mentioned above and found that, the campus was unable to locate or coordinate with the asset custodian for physical verification for 10 of the items.

We also found issues with tagging and tracking federally funded equipment. At CSUDH, federal grants and contracts are generally administered by an auxiliary organization, TAP. However, federal funds received through the Higher Education Emergency Relief Fund (HEERF) were administered by the campus.

We found that the campus had not maintained a complete listing of all HEERF-funded property and equipment. During our audit fieldwork, we obtained an incomplete list of HEERF-funded equipment totaling \$40,863. Upon our request, the campus performed an internal review and identified additional assets purchased with HEERF funds totaling \$711,261, primarily relating to information technology

hardware and software. These additional items had not been tagged or recorded in the CFS asset management system.

Proper tagging, tracking, and recording of property and equipment decreases the risk of assets being misplaced, stolen, or misrepresented in the financial statements.

RECOMMENDATION

We recommend that the campus:

- a. Evaluate the current process of asset acquisition and coordination and implement additional controls to ensure that all purchased assets are tagged, tracked, and timely recorded, and update property and equipment policies and procedures accordingly.
- b. Communicate the updated procedures with key personnel.
- c. As applicable, locate, tag, and/or record the assets noted above.

MANAGEMENT RESPONSE
<p>We concur. The campus will evaluate the current process of asset acquisition and coordination and implement additional controls to ensure that all purchased assets are tagged, tracked, and timely recorded, and update property and equipment policies and procedures accordingly. The campus will also communicate the updated procedures with key personnel and, as applicable, locate, tag, and/or record the assets noted above.</p> <p>Projected completion date: March 2024</p>

5. PHYSICAL INVENTORY

OBSERVATION

Administration of property and equipment physical inventories needed improvement.

As stated in *CSU Administration of University Property Procedures*, a complete physical inventory of all CSU capitalized and non-capitalized equipment must be performed at least once every three years.

We found that that the campus had not performed a physical inventory since FY 2016/17. The next physical inventory would have been due in FY 2019/20; however, due to the COVID-19 closure, the campus was unable to perform a physical inventory at that time.

The campus is currently in the process of conducting a physical inventory. We found that as part of the current inventory process, the campus emailed asset information, including a description, tag number, and asset number, to employees who had been assigned property for off-campus use. These employees were asked to confirm that the correct asset was in their possession. This practice did not satisfy systemwide policy, which requires that all off-site property be physically verified, with the location confirmed.

Proper administration of property and equipment physical inventory processes decreases the risk that assets may be lost, stolen, or misrepresented in the financial statements.

RECOMMENDATION

We recommend that the campus:

- a. Perform a physical inventory of property and equipment as required by CSU systemwide policy.
- b. Implement changes to the current inventory process to ensure that property used off-campus is physically verified, with the location confirmed.

MANAGEMENT RESPONSE
<p>We concur. The campus will perform a physical inventory of property and equipment as required by CSU systemwide policy and implement changes to the current inventory process to ensure that property used off-campus is physically verified, with the location confirmed.</p> <p>Projected completion date: April 2024</p>

6. THIRD-PARTY AGREEMENTS

OBSERVATION

The campus did not execute contracts with third-party vendors who were used to dispose of property and equipment.

We found that the campus used two external vendors in the disposal process: Recycle International, an electronic waste recycler, and Public Surplus, a surplus auction company. Recycle International disposes of electronic waste and reimburses the campus based on the amount of waste disposed. Public Surplus disposes of assets through public sale and remits the net proceeds to the campus. Both vendors had reimbursed the campus during the audit period. However, without a documented contract in place, we could not verify whether the correct amounts had been reimbursed or whether any specific terms and conditions should have been in place for these vendors.

Documented contracts and agreements decrease the potential for misunderstanding of the business terms, responsibilities, and liabilities of the parties involved and protect the university from financial and legal risks.

RECOMMENDATION

We recommend that the campus execute a written agreement for the two service providers noted above if the campus continues to use these vendors to dispose of campus assets.

MANAGEMENT RESPONSE
<p>We concur. The campus will execute a written agreement for the two service providers noted above if the campus continues to use these vendors to dispose of campus assets.</p> <p>Projected completion date: February 2024</p>

7. PROPERTY AND EQUIPMENT DISPOSAL

OBSERVATION

Campus procedures for the disposal of property and equipment were not consistently followed.

The CSUDH *Asset Management Policies and Procedures* states that property survey board approval is required for the disposition of all capitalized or non-capitalized equipment deemed trackable or taggable.

We reviewed 20 property and equipment disposals and found that in three instances, assets were removed from property records without undergoing the established campus disposal process. According to asset management, the campus was unable to locate these assets during the previous physical inventory process; therefore, asset management removed the assets from property records upon request from accounting services.

Additionally, in three other instances, although the campus provided the auction receipt and check copies from the surplus auction company and the electronic waste recycler, the campus could not provide deposit receipts for these property and equipment disposals totaling \$6,300. Therefore, we could not verify that proceeds were deposited to the appropriate campus fund. These assets included a vehicle and sensitive equipment, such as computers and laptops.

Adequate control over the disposal of property and equipment reduces the risk of loss and inappropriate use of resources and ensures that disposals are in accordance with applicable policies and procedures.

RECOMMENDATION

We recommend that the campus remind appropriate campus personnel of the property and equipment disposal procedures, including proper approval by the campus property survey committee and retention of sufficient documentation, providing refresher training as needed.

MANAGEMENT RESPONSE
<p>We concur. The campus will remind appropriate campus personnel of the property and equipment disposal procedures, including proper approval by the campus property survey committee and retention of sufficient documentation, providing refresher training as needed.</p> <p>Projected completion date: February 2024</p>

8. PROPERTY RECONCILIATION

OBSERVATION

Property reconciliations were not prepared at the required intervals and did not document all related information.

The CSU *Administration of University Property Procedures* states that reconciliations should be prepared on a monthly or quarterly basis, depending on the volume of property transactions, and show the date prepared, date reviewed, preparer’s name and signature, and reviewer’s name and signature.

We reviewed three capitalized asset reconciliations and did not note any discrepancies. However, reconciliations were prepared on an annual basis instead of more frequently as required. Additionally, information including the preparation and approval dates, preparer name and signature, and reviewer name and signature, were not documented.

Periodic reconciliations help prevent potential losses and provide greater assurance that errors or unrecorded transactions will be detected and corrected promptly.

RECOMMENDATION

We recommend that the campus perform property reconciliations on at least a quarterly basis as required by CSU systemwide policy and document the necessary information noted above.

MANAGEMENT RESPONSE
<p>We concur. The campus will perform property reconciliations on at least a quarterly basis as required by CSU systemwide policy and document the necessary information noted above.</p> <p>Projected completion date: February 2024</p>

TORO AUXILIARY PARTNERS

9. TAP PROPERTY AND EQUIPMENT TRACKING LOG

OBSERVATION

Tracking of property and equipment was not always performed timely or in accordance with federal requirements.

TAP is the designated sponsored programs administrator for the campus and maintains a manual excel tracking log for property and equipment that serves as the main tracking tool for fixed assets (valued at \$5,000 or more), including federally funded equipment, and theft-sensitive items valued between \$500 and \$4,999. Our review of the tracking log showed that the tool was not in full compliance with the TAP *Fixed Asset Policy*, as certain required information, such as the source of federal funding of the property, percentage of federal participation in the costs, and use and condition of the property, was not documented.

Furthermore, we reviewed the tracking log and noted several items without recorded tag numbers or asset serial numbers. We followed up on these items and found that:

- 15 iPads purchased in August 2021 were not tagged. In addition, during our physical verification process, six were unaccounted for. According to TAP accounting personnel, these iPads were loaned to students using a check-out process and the principal investigator (PI) overseeing the project did not maintain a tracking sheet with sufficient information. We also found that both TAP and campus IT services were not informed about the missing items in accordance with the TAP *Fixed Asset Policy*.
- One Dell laptop purchased in June 2022 was not tagged.

Appropriate administration of property and equipment, including federally funded equipment, enhances accountability, reduces the risk of theft or loss, and helps ensure compliance with federal requirements.

RECOMMENDATION

We recommend that the campus, in conjunction with TAP:

- a. Evaluate the process and assigned responsibilities of recording property and equipment in the tracking log to ensure key information for future equipment purchases is entered as required, and update fixed asset policies and procedures accordingly.
- b. Review the current tracking log for missing information, and update the information as necessary.
- c. Provide refresher training to PIs about their roles and responsibilities in tracking and monitoring federally funded assets as required by federal regulations and TAP policies and procedures.

MANAGEMENT RESPONSE
<p>We concur. The campus will evaluate the process and assigned responsibilities of recording property and equipment in the tracking log to ensure key information for future equipment purchases is entered as required and update fixed asset policies and procedures accordingly. The campus will also review the current tracking log for missing information, update the information as necessary, and provide refresher training to PIs about their roles and responsibilities in tracking and monitoring federally funded assets as required by federal regulations and TAP policies and procedures.</p> <p>Projected completion date: June 2024</p>

10. TAP PROPERTY AND EQUIPMENT ACQUISITION PROCESS

OBSERVATION

Property and equipment acquisition and tagging procedures were not always followed.

TAP *Fixed Asset Procedures* require that a purchase order form and an asset acquisition request be completed for the purchase of fixed assets and theft-sensitive items.

We reviewed 30 property and equipment acquisitions made with purchase orders and procurement cards for appropriate tagging, tracking, and recording. We found that:

- Three capitalized assets acquired with purchase orders with purchase prices ranging from \$10,862 to \$512,260 were not tagged. In addition, one non-capitalized sensitive equipment item was not tagged.
- For three of 10 items purchased with procurement cards, required asset acquisition request and purchase order forms were not completed. In addition, these non-capitalized computer equipment items were not tagged or recorded in the asset tracking log.

During fieldwork, TAP accounting tagged the equipment noted above.

Adherence to asset acquisition policies and procedures, including the use of proper forms, timely tagging, and recording of assets, enhances accountability for individuals responsible for the assets.

RECOMMENDATION

We recommend that the campus, in conjunction with TAP:

- a. Review and update policies and procedures for the purchase of property and equipment assets to strengthen controls over the identification, tagging, and timely recording of assets, whether purchased using a purchase order, procurement card, or other method.
- b. Communicate updated procedures to appropriate personnel, including PIs.

MANAGEMENT RESPONSE
<p>We concur. The campus will review and update policies and procedures for the purchase of property and equipment assets to strengthen controls over the identification, tagging, and timely recording of assets, whether purchased using a purchase order, procurement card, or other method, and communicate updated procedures to appropriate personnel, including PIs.</p> <p>Projected completion date: June 2024</p>

11. TAP PHYSICAL INVENTORY PROCESS

OBSERVATION

Physical inventory practices were not always consistent with existing policies and procedures.

The TAP *Fixed Asset Procedures* state that an annual physical inventory will be conducted by the accounting department. A list of fixed assets is emailed to each director for confirmation of the assets’ existence. In addition, the accounting department performs a physical inventory of TAP’s assets, which includes verification of the condition and location of the assets.

Based on the documentation from the most recent inventory performed in 2021, we found that although directors confirmed that they had the assets, the accounting department did not perform an independent physical inspection. Independent physical verification is necessary to ensure appropriate segregation of duties. Furthermore, the inventory was not performed on an annual basis as stated in the TAP *Fixed Asset Procedures*. We noted that the TAP requirement for an annual physical inventory was more restrictive than federal regulations, which require a physical inventory to be performed at least every two years.

Periodic physical inventory and independent verification of assets helps to ensure compliance with federal requirements and decreases the risk that assets may be lost or stolen.

RECOMMENDATION

We recommend that the campus, in conjunction with TAP:

- a. Review fixed asset policies and procedures regarding the timing of physical inventories and make updates as necessary to ensure consistency with federal regulations and current practices.

- b. Remind accounting personnel involved in the physical inventory process of TAP policies and procedures, including performing independent physical inspections of fixed assets.

MANAGEMENT RESPONSE
<p>We concur. The campus will review fixed asset policies and procedures regarding the timing of physical inventories and make updates as necessary to ensure consistency with federal regulations and current practices, and remind accounting personnel involved in the physical inventory process of TAP policies and procedures, including performing independent physical inspections of fixed assets.</p> <p>Projected completion date: June 2024</p>

12. TAP PROPERTY AND EQUIPMENT DISPOSAL PROCESS

OBSERVATION

The TAP *Fixed Asset Policy* and *Fixed Asset Procedures* did not fully address the asset disposal process and the handling of sensitive equipment.

The TAP *Fixed Asset Policy* states that items such as personal computer equipment and cameras with a value of more than \$500 are considered theft-sensitive items that must be tagged and tracked. In addition, the policy states that theft-sensitive equipment also includes items with data that could cause data loss or breach of sensitive information.

However, the TAP *Fixed Asset Policy* did not provide sufficient guidance regarding storage and disposal of property and equipment that may contain sensitive data. The TAP *Fixed Asset Procedure*, Section 5 states that the disposal of computers and all technology-related equipment is to be in accordance with foundation and campus policies. However, it does not specify the disposal process or define the roles and responsibilities of TAP information technology services (ITS) and campus ITS when disposing of equipment that may contain sensitive data.

In our review of the 2021 disposition of 12 iMac computers, we found that although TAP management had approved the disposal, TAP ITS was not involved in the disposal process. In addition, we were not able to obtain documentation from TAP or the campus as to the ultimate disposition of the items.

Adequate policies and procedures on disposal of sensitive equipment enhances the safeguarding of information and provides consistent guidance for employees in performing related duties and responsibilities.

RECOMMENDATION

We recommend that the campus, in conjunction with TAP:

- a. Update fixed asset policies and procedures to address the storage and disposal of technology and sensitive equipment, including the handling of sensitive information.
- b. Communicate the updated policies and procedures to relevant personnel, including both TAP and campus ITS.

MANAGEMENT RESPONSE

We concur. The campus will update fixed asset policies and procedures to address the storage and disposal of technology and sensitive equipment, including the handling of sensitive information, and communicate the updated policies and procedures to relevant personnel, including both TAP and campus ITS.

Projected completion date: June 2024

GENERAL INFORMATION

ADDITIONAL BACKGROUND

California State University, Dominguez Hills

At CSUDH, the asset management office operates as part of procurement, contracts, logistical, facilities leasing, and support services and is primarily responsible for accurately accounting for the acquisition, movement, and disposition of campus assets. Specific responsibilities include tracking federally funded campus assets; establishing procedures and controls to protect campus property from loss, theft, abuse, or misuse; coordinating with departments; and conducting a complete physical inventory of the campus’s capitalized and non-capitalized equipment once every three years.

As stated in the *CSUDH Asset Management Policies and Procedures*, purchased equipment that meets the following criteria must be tracked, tagged, and inventoried:

Classification	Cost	Characteristics	Useful Life
Capitalized assets/equipment	\$5,000 or more	Tangible, non-consumable, and mobile	More than one year
Non-capitalized assets	\$2,500 to \$4,999	Tangible, non-consumable, mobile, and/or prone to theft or contains sensitive data	Useful life does not apply
Information assets	Minimum acquisition cost does not apply	Tangible, non-consumable, electronic equipment capable of storing sensitive information	Useful life does not apply

Federally funded equipment that meets capitalized or non-capitalized requirements is tracked and inventoried for federal auditing purposes. In addition, property survey board approval is required for the disposition of all capitalized and non-capitalized equipment deemed trackable or taggable.

Facility management departments support CSU campuses by providing services to ensure safe, functional, and sustainable properties for the campus community. Their management responsibilities generally include areas such as building maintenance and repair, the automotive shop, custodial services, logistics, and grounds and landscaping. At CSUDH, the facility services department also maintains a gas station, a warehouse that contains items for custodial services, and seven individual trade shops, including the auto shop, carpentry, electrical, locksmith, paint, facility maintenance, and plumbing services. Executive Order (EO) 847, *Facility Maintenance*, governs facility management activities and requires policies and procedures to be in place for effective materials management for the purchase, storage, and use of facilities maintenance department materials and supplies.

California State University, Dominguez Hills – Toro Auxiliary Partners

TAP was established in 1968 as a nonprofit California public benefit corporation. TAP assists the campus in various activities, including developing and administering research and educational grants and

contracts; the oversight of outsourced vending, third-party food vendors, and bookstore operations; post-award administration of grants and contracts; endowment administration; and fiscal administration of educationally related functions, special programs, and specific campus accounts.

The campus asset management office coordinates with TAP to provide services for the tracking, tagging, and delivery of capital assets and non-capitalized theft-sensitive assets. TAP accounting is responsible for performing physical inventories of assets and facilitating asset disposals. TAP property and equipment primarily consists of federally funded assets. TAP-purchased equipment that meets the following criteria receives an asset tag for tracking and inventory purchases.

Classification	Cost	Characteristics	Useful Life
Capitalized assets/equipment	\$5,000 or more	Tangible and mobile	More than one year
Non-capitalized assets/ theft-sensitive	\$500 to \$4,999	Tangible, mobile, prone to theft, or contains sensitive data	Useful life does not apply

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; and campus procedures; as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Code of Federal Regulations, Title 2, *Uniform Guidance for Grants and Contracts*
- Government Code 13404, *State Leadership Accountability Act*
- EO 847, *Facility Maintenance*
- Integrated California State University Administrative Manual §11003.13, *Sponsored Programs Externally Funded Equipment and Property*
- *CSU Administration of University Property*
- *CSU Information Security Policy and Standards*
- *CSU Auxiliary Organizations Compliance Guide*
- *CSU Auxiliary Organizations Sound Business Practices Guidelines*
- *CSUDH Asset Management Policies and Procedures*
- *TAP Fixed Asset Policy*
- *TAP Fixed Asset Procedures*

AUDIT TEAM

Senior Audit Manager: Christina Chen
 Senior Auditor: Marlon Perez
 Internal Auditor: Daniel Rosales