



THE UNIVERSITY OF TEXAS
PERMIAN BASIN

IT Asset Management

May 2023

Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762



Executive Summary

We have completed the audit of IT Asset Management at UT Permian Basin, as included in the approved audit plan for the fiscal year 2023.

Conclusion

Current processes and controls for managing IT assets are ineffective. UT Permian Basin is not in compliance with applicable requirements of Texas Administrative Code (TAC) 202 due to the lack of an adequately detailed and current inventory records over IT assets.

| Audit Findings | Risk Level | Detail |
|--|------------|-----------|
| 1. Inventory records for controlled IT assets have not been kept current. | High Risk | Pages 3—5 |
| 2. IT asset locations, per internal records, do not consistently align with the responsible department. | High Risk | Pages 6—7 |
| 3. Established procedures and controls for receiving property, including IT assets, are not consistently followed. | High Risk | Pages 8—9 |

Finding 1 – Inventory records for controlled IT assets have not been kept current

High Risk



Both Information Technology Services (ITS) and the Office of Accounting were unable to provide a current list of controlled IT assets, including tablets, desktop computers, and laptops. Consequently, we concluded that testing the existence and location of controlled assets would not provide accurate or meaningful results, so no such test was performed.

UT Permian Basin's Handbook of Operating Procedures designates the Vice President for Business Affairs as property manager for the University, the Office of Accounting has been responsible for maintaining inventory records for all capital assets and non-capital IT assets, i.e., controlled assets. When the University went to all-remote work in March 2020 due to the Covid-19 pandemic, rapid deployment became essential to provide adequate equipment for employees to work remotely. However, a by-product of that action resulted in the listings of controlled assets not being kept current by both ITS and the Office of Accounting. This situation has continued up to the current period.

While we fully appreciate the circumstances surrounding the critical need for rapid computer deployment in 2020, the result is that UT Permian Basin is now out of compliance with both University policy and Texas Government Code 403.2715(c). *A university system or institution of higher education shall account for all personal property as defined by the Comptroller under Section 403.272. At all times, the property records of a university system or institution of higher education must accurately reflect the personal property possessed by the system or institution.*

Further, our responsibilities include performance of a biennial review to assess compliance with applicable Texas Administrative Code (TAC) requirements. TAC 202.76(c) references standards detailed in the "Security Control Standards Catalog" published by the Texas Department of Information Resources. Configuration Management Standard #8, (CM)-8 "System Component Inventory" within the Security Controls Standards Catalog requires that state agencies: *"Develop and document an inventory of system components that: 1) Accurately reflects the system, 2) Includes all components within the system, 3) is at the level of granularity deemed necessary for tracking and reporting...."*. UTPB's current procedures and controls over IT assets inventory management are inadequate. UTPB is not in compliance with CM-8, and therefore is not in compliance with that requirement of TAC 202.

Finding 1 Cont'd– Inventory records for controlled IT assets have not been kept current

High Risk



An adequately detailed and accurate listing of controlled assets is a requirement of State codes and University policy. Additionally, an accurate listing provides a higher level of accountability for IT equipment and assists in identifying any stolen or misplaced assets. While the cost of unaccounted for equipment is a factor, the primary security risk is the potential loss of confidential information, including student data. The University does have mitigating controls, such as dual-factor authentication (DFA). However, DFA is not foolproof, and there is a possibility that stolen or misplaced assets, such as tablets and laptops, can be used to gain access to confidential information.

Recommendation:

As a basis for a starting point, we recommend copies of the most recent annual certification of IT assets be distributed to all University departments to be brought current. The updated inventory list of IT assets should include all relevant details, such as tag numbers, asset descriptions, and location details (see finding and recommendation #2).

Moving forward, all IT assets should be certified by departments at least annually. In addition, ITS should report all additions, deletions, transfers, and changes in location on an ongoing basis to the Office of Accounting, which maintains the official inventory records for the University.

Management's Response/Action Plan:

We agree with this recommendation. An Ad Hoc committee consisting of the Directors of Accounting, Purchasing, Information Security, and staff from ITS was formed to create a plan for developing an accurate asset listing. The committee finalized its plan for this on 5/18/2023. Accounting staff will pull a listing of all the controlled IT assets for each department that it currently has in PeopleSoft and develop files to be sent out to each department for review.



Finding 1 Cont'd– Inventory records for controlled IT assets have not been kept current

High Risk

Management's Response/Action Plan- Cont'd:

This list will be net of any equipment taken out of service. ITS will pull reports of all disposals through July 2022 and send to the Accounting Office. The list will include any location information available. A memo has been developed to send out to departments with instructions and example of information needed from departments on these updates needed for the IT assets beginning the week of 5/22/2023.

This committee also developed a plan for ensuring that future tracking of controllable IT assets is accurate and complete for certification by departments. Accounting will work with Central Receiving on developing a spreadsheet on SharePoint for new asset items requiring assets tags with a description of the asset. Central Receiving will release the IT assets and the asset tags to ITS for the assignment of the asset tags and for the distribution of the IT assets to the departments the items belong to. ITS will then update their controlled asset inventory system and share this information with the Office of Accounting. This information will be shared on a quarterly basis and within one week of the quarter ending. The planned implementation of CG4 ITS will provide the capability of scanning the ITS assets directly into CG4 software where the IT asset information can be tracked and shared with the Office of Accounting. The IT assets will be included in the annual inventory certification and any updates needed can be submitted by each department.

Target Implementation Date:

August 1, 2023

Responsible Parties:

Vice President for Information Technology and Analytics
Assistant Director of Accounting
Director of Purchasing

Finding 2 – IT asset locations, per internal records, do not consistently align with the responsible department.

High Risk



The current practice for IT assets frequently does not transfer asset ownership to the responsible department within the asset management system. ITS routinely upgrades computers throughout UT Permian Basin at the end of their effective lifespan. The replacement equipment is purchased from ITS's budget. The equipment, once encrypted is physically transferred to other departments, but official records aren't consistently updated with that information. This results in system records that identify ITS as the custodians, responsible for the tracking and proper use of a considerable amount of equipment not in their physical custody.

IT assets that departments wish to purchase outside of this process, are budgeted for and purchased through the departmental cost center. IT assets purchased in this manner are properly reflected in the asset management system as the responsibility of those departments. The result is that the official inventory records maintained by the Office of Accounting do not consistently reflect the accurate location or custodian of all IT assets.

Recommendation:

Once IT assets are received and encrypted by ITS, we recommend transferring "ownership" within the asset management system to the department where the asset is assigned and located, regardless of the source or means of acquisition. This recommendation should simplify the tracking of all IT assets within the University and place individual responsibility for the safekeeping of equipment with the user department. Accurate inventory records will ease the burden for ITS in-tracking assets not in their possession, allowing them to focus more on monitoring unit lifecycle and assist the Office of Accounting in maintaining accurate inventory record keeping.

Of particular concern is the tracking of IT assets, such as laptops and tablets. Due to their portability, they are more susceptible to theft. We recommend the use of RFID tags to deter theft and aid in the completion and accuracy of the annual inventory process.

Finding 2 Cont'd– IT asset locations, per internal records, do not consistently align with the responsible department.

High Risk



Management's Response/Action Plan:

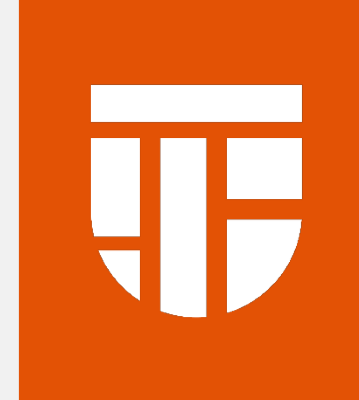
The plan developed for future tracking in response to finding #1 will also address the transfer of asset ownership when assets are deployed from ITS to departments. The planned implementation of CG4 will provide the capability of scanning the ITS assets directly into CG4 software where the IT asset information can be tracked and shared with the Office of Accounting. This will identify those assets whose ownership has transferred from ITS. These assets and their proper location will be included in the annual inventory certification submitted by each department. Until CG4 is fully implemented, ITS will continue to manually update ownership and location in its database.

Target Implementation Date:

August 1, 2023

Responsible Parties:

Vice President for Information Technology and Analytics
Assistant Director of Accounting



Finding 3 – Established procedures and controls for receiving property, including IT assets, are not consistently followed.

High Risk

UT Permian Basin policy is that Central Receiving is the receiving location for all tangible property acquired by the University, including all computer equipment. Once a computer is received in Central Receiving, Information Technology Services (ITS) is to be notified so that they know it has arrived on campus and can take possession of it to perform encryption before deployment to the appropriate location. Despite this policy, a purchase order was issued on February 8, 2022, in the amount of \$47,483.00 for a computer that specified delivery to the College of Engineering located at the Midland campus.

According to information provided by the vendor and shipper, the computer was shipped on March 30, 2022, and delivered under an unknown signature to the Midland campus on April 1, 2022. However, the College of Engineering had no record of receiving the computer and contacted Central Receiving, who then contacted ITS. UT Permian Basin Police later reviewed video from certain locations on April 1, 2022, but did not observe a delivery being made at the time in question. Therefore, it is inconclusive as to whether or not the computer was delivered to a UT Permian Basin location. Subsequently, the College of Engineering followed up with the vendor, who fortunately agreed to ship a replacement computer at no cost to the University. This computer, was confirmed received at the Midland campus on May 19, 2022.

When made aware of the situation at the onset of our audit, we inquired of staff, contacted both the vendor and shipper, and reviewed all available documentation. While the documentation obtained from the vendor and shipper does indicate the original computer was delivered, because established controls were not followed, we are unable at this late date to determine its disposition.

Finding 3 Cont'd –Established procedures and controls for receiving property, including IT assets, are not consistently followed.

High Risk



Recommendation:

Established procedures and controls are in place to help minimize risks and protect against loss of assets due to theft or misplacement. We recommend following the established policy and procedures for receiving goods, including computers. An alternative procedure is to set up a separate and fully staffed central receiving function at the Midland campus. In addition, all appropriate staff, including procurement personnel, should review established procedures regularly. Any proposed procedure changes should be reviewed and approved by the appropriate management level.

Management's Response/Action Plan:

We agree with the recommendation that established policy and procedures for receiving goods should be followed. We will ensure that this policy is followed and that any necessary amendments to this policy are appropriately reviewed for approval. We have procured a new RFID asset tracking and inventory system and are awaiting system implementation. The procedures for receiving property will be updated as appropriate to include this system.

Target Implementation Date:

Immediately

Responsible Parties:

Senior Vice President for Business Affairs and CFO
Director of Purchasing



Background, Audit Objective, and Scope & Methodology

Background:

In the annual risk assessment, IT Asset Management was determined to have a “high” risk score. The audit related to IT Asset Management was approved by UT Permian Basin’s Audit Committee as part of the Fiscal Year 2023 Audit Plan.

Audit Objective:

The primary objective of our audit was to determine if procedures for managing IT assets were adequate and effective and comply with applicable system security control standards under Texas Administrative Code (TAC) 202.

Scope & Methodology:

We requested a listing of all capital and non-capital IT assets, i.e., controlled assets. ITS and the Office of Accounting could not provide a current listing with accurate location details. We concluded that the inventory list could not be used to test the existence and location of the IT assets. In addition, the lack of an adequately detailed, current IT asset inventory list highlights UTPB’s noncompliance with certain requirements of TAC 202. Our audit procedures included the following:

- Obtained an understanding of the policies and procedures for controlled assets
- Obtained an understanding of state statutes related to managing University property
- Obtained an understanding of TAC 202 information security control standards
- Obtained an understanding of the Central Receiving Standard Operating Procedures
- Requested and received an incomplete controlled asset listing from PeopleSoft's Financial Management System
- Requested and received an incomplete IT asset inventory list from the GLPI system
- Obtained the current information systems inventory listing



Background, Audit Objective, and Scope & Methodology cont.

We conducted our audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The UTPB Office of Internal Audit meets the independence requirements set forth in *Generally Accepted Government Auditing Standards (GAGAS)*.



Risk Ranking Criteria for Audit Findings

| Risk Definition | Risk Level |
|--|----------------------|
| An issue or condition, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole | Priority Risk |
| Risk that is considered to be substantially undesirable and results in a medium to high probability of significant adverse effects to UT Permian Basin either as a whole or at the college/department/unit level | High Risk |
| Risk that is considered undesirable and has a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level. Without appropriate controls, the risk will occur some of the time | Medium Risk |
| Considered to have minimal probability of adverse effects to the UT institution either as a whole or at the college/ school/unit level. Even with no controls, the exposure to UT Permian Basin will be minimal | Low Risk |



Distribution

To: Bradley Shook, Vice President for Information Technology & Analytics
Cesario Valenzuela, Senior Vice President for Business Affairs and Chief Financial Officer
Robert Belk, Chief Information Security Officer

cc: Dr. Sandra Woodley, President,
Audit Committee Members

From: Glenn S. Spencer, CPA, CGMA
Chief Audit Executive

A handwritten signature in black ink that reads "Glenn Spencer".

Auditor in Charge

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