

CAPITAL PROGRAMS  
EQUIPMENT INVENTORY  
AUDIT REPORT #25-2103

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Background

As part of the Campus audit plan for fiscal year 2024-25, UCLA Audit & Advisory Services (A&AS) conducted an audit of Capital Programs (CP) Equipment Inventory.

As of January 2025, CP had 25 inventorial equipment items with a total acquisition cost of \$441,792. This inventory included primarily information technology equipment and several vehicles. The IT equipment is maintained in a computer room in the CP building and vehicles in a nearby parking structure.

CP equipment inventory activities are regulated by University of California (UC) systemwide and local policies and procedures, including UC Business and Finance Bulletin BUS-29, "Management and Control of University Equipment," and UC Business and Finance Bulletin BUS-38, "Disposition of Excess Property and Transfer of University-Owned Property". UC Business and Finance Bulletin BUS-29 outlines responsibilities for equipment custodians such as:

- Controlling, maintaining, and monitoring inventorial equipment
- Locating and tagging new equipment with barcodes
- Recording and reporting changes in equipment and disposition transactions

The IT Manager and IT Programmer Analyst are designated CP equipment custodians and have the responsibilities described above.

### Purpose and Scope

The purpose of the audit was to evaluate the adequacy and effectiveness of select internal controls over equipment inventory for compliance with University policies and procedures. The audit scope included the following areas:

- Equipment Inventory Management
- Security and Safeguarding Equipment
- Equipment Disposals
- Theft Sensitive Non-Inventorial Equipment

The audit reviewed equipment inventory transactions from January 1, 2024 to December 31, 2024. The audit was conducted in conformance with the Institute of Internal Auditors' 2024 *International Professional Practices Framework's (IPPF) Global Internal Audit Standards* and included interviews, review of documents, tests, and other procedures considered necessary in achieving the objective.

### Summary Opinion

Based on results of the work performed, CP's organizational structure and internal controls are generally conducive to accomplishing its business objectives related to equipment inventory. No significant control observations were noted. Audit results are summarized below.

Audit Results

<b><u>EQUIPMENT INVENTORY MANAGEMENT</u></b>
<p>Audit work included the following:</p> <ul style="list-style-type: none"><li>▪ Obtained a listing of inventorial equipment as of January 13, 2025 from Asset Management System (AMS), noting a total of 25 assets. Selected a judgmental sample of three items for physical observation on April 4, 2025, considering both the total acquisition cost and acquisition date. During the physical inventory observation, located and inspected each item sampled verifying the asset number, serial number, description, manufacturer/model, and location to AMS.</li><li>▪ Selected a judgmental sample of three items from the CP Facility on April 4, 2025, verifying each item and related information including manufacturer, model, location, and asset number agreed to AMS records.</li><li>▪ Obtained the completed CP equipment certification letter from December 2024, verifying that physical inventory counts were performed in accordance with UC Policy BUS-29.</li></ul> <p>No significant control observations were noted in this area.</p> <p>Criteria:</p> <p>UC BUS-29, Management and Control of University Equipment, states that the head of custodial departments should, "Maintain up-to-date departmental records that reconcile to the official records maintained by the Equipment Management Office. The location – current building number and room number – of each item of inventorial equipment shall be maintained in such a manner that any item of can be located for inspection or inventorial purposes within a reasonable time. All manufacturer, model number and serial number information shall be completed for each equipment record."</p> <p>UC BUS-29, Management and Control of University Equipment, states, "The Custodial department is responsible for affixing the property tag to the equipment. When practical, the property tag is affixed to the actual asset. The property tag should be affixed to the equipment so that is easily sighted, for example, adjacent to the manufacturer's nameplate."</p> <p>The CP Equipment Custodian uses the UCLA Asset Management System (AMS) to track and monitor inventorial equipment. AMS stores equipment data such as asset number, serial number, manufacturer, model, asset class, location, and total active cost. Management counts equipment internally and completes inventory certification letters every two years, in accordance with UC BUS-29.</p>
<b><u>SECURITY AND SAFEGUARDING EQUIPMENT</u></b>
<p>Audit work included the following:</p> <ul style="list-style-type: none"><li>▪ On April 1, 2025, visited the locations of the three inventorial equipment items sampled above to verify security measures in place. Two of the items were computer equipment maintained in the CP building computer room. Access to the CP building requires a valid UCLA employee badge and a pin code for the computer room door. On April 22, 2025, reviewed the list of personnel with access to the computer room, noting that only three CP IT employees and the CP Director of Financial Services have access. The third item was a motor vehicle maintained in a parking structure, for which security is the responsibility of UCLA Parking Services.</li></ul> <p>No significant control observations were noted in this area.</p> <p>Criteria:</p> <p>UC BUS-29: Management and Control of University Equipment, states, "[Custodial departments must] make adequate provision for the physical security of the property in their custody. Areas containing equipment shall be kept locked after business hours or at other times when not in use."</p>

## **EQUIPMENT DISPOSALS**

Audit work included the following:

- Obtained a listing of equipment disposals from UCLA AMS from January 1, 2024 to December 31, 2024 and selected a judgmental sample of three disposals.
- For each disposal, reviewed AMS records and history logs verifying that disposals were properly documented and approved by the CP Director of Financial Services and UCLA Equipment Management. For the one equipment item sold, verified the University received the proceeds from the sale.

When inventorial equipment reaches the end of its useful life, the CP Equipment Custodian may elect to dispose of the equipment. The Equipment Custodian submits disposals, which are approved by the CP Director of Financial Services and UCLA Asset Management. CP disposed of 17 inventorial equipment items during calendar year 2024.

No significant control observations were noted in this area.

### **Criteria:**

UC BUS-38: Disposition of Excess Property and Transfer of University-Owned Property, states "Each Surplus Administrator, if necessary in consultation with the custodial department, shall determine whether an item has no further value to the University and can be disposed of as excess property."

## **THEFT SENSITIVE NON-INVENTORIAL EQUIPMENT**

Audit work included the following:

- Reviewed a judgmental sample of seven items and verified that CP IT tracks the items in the device tracking systems Absolute and PDQ.

CP purchased 68 theft-sensitive non-inventorial (<\$5,000) equipment items from January 1, 2024 to December 31, 2024. The theft sensitive items included computer equipment such as tablets, monitors, printers and batteries. Theft sensitive non-inventorial equipment are tracked in Absolute and PDQ.

No significant control observations were noted in this area.