FACILITIES MANAGEMENT

CENTRAL WAREHOUSE

AUDIT REPORT #24-2001

Audit & Advisory Services

November 2024

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# Background

In accordance with the UCLA Administration fiscal year 2023-24 audit plan, Audit & Advisory Services (A&AS) performed an audit of internal controls and procedures associated with Central Warehouse operations that are administered by the Finance, Space & Logistics division within the Facilities Management (FM) department.

The Central Warehouse supports various FM departmental units through the provision of a centralized requisition process for required materiel and equipment, and is managed by Materiel Management staff. Its mission is to provide a range of services that result in reduced material and labor charges to campus clients.

The role of the Central Warehouse has evolved with the implementation of the FM Mobile Program. It now serves as a logistical hub to service campus clients and maintain stock needed for critical tasks performed by FM Maintenance & Alterations division personnel.

The goal of FM Mobile is to increase the agility of FM technicians by allowing materiel and tools to be dropped off at locations throughout campus rather than solely warehouse pickup. The use of mobile devices (Apple iPads) also allows for technicians to reserve items in advance and select the drop-off location for their order. The status of these orders is also available to technicians to monitor with mobile devices so they can better manage their respective work orders. The picking and delivery of these orders is performed by Central Warehouse staff. As an additional option, the warehouse does still accommodate onsite item requisition through its legacy process, which requires manual request forms to be completed.

The Central Warehouse is located in the FM Building, which is adjacent to the Cogeneration (COGEN) Plant and UCLA Police Department. Materiel Management also operates one satellite storage area that is located in the Center for Health Sciences (CHS) complex. There are also four locations around the UCLA campus accessed by FM personnel as part of the FM Mobile program: the Bay 4 of the COGEN building, the CHS Receiving location, the Parking 2 location and the Law School location.

Purpose and Scope

The primary purpose of the review was to determine the adequacy of internal controls related to central warehouse operations, and that controls are conducive to the Finance, Space & Logistics’ division accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated. The scope of the review focused on the following activities specifically related to the central warehouse, including its operations within the FM Mobile program:

* Physical Security
* System Access Controls
* Warehouse Operations – Materiel Movement
* Cycle Counting
* Management Reporting

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests of records, and other procedures considered necessary to achieve the audit purpose.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, the FM Central Warehouse has an operational structure with systems of internal controls and business practices present in some areas; however, there are other areas of the operation where internal controls should be strengthened by implementing the following:

*General Observation*

* Management should create end-to-end process flow documentation, particularly for procedures that reflect current warehouse operations procedures.

*Physical Security*

* Management should review the security footage of all FM warehouse/storage locations and perform any necessary repairs/upgrades to reinstate surveillance capabilities. Management should also consider installing security surveillance at the CHS location to be consistent with warehouse security monitoring practices.
* Management should promptly review the access listings of all FM Mobile locations and revoke access for any separated or transferred employees. Management should also formalize the process and establish a policy on requesting, granting, changing, and revoking access.
* Management should consider rekeying the main access points to the warehouse and replacing the padlock for the cage storage location within the warehouse. In addition, management should create a new key inventory and document updated policies and procedures over the administration and maintenance of keys associated with the Central Warehouse.
* Management should assign responsibility of the FM Mobile device (iPad) administration process, including the issuance, tagging, and tracking of items. A periodic review should also be performed to ensure issued devices are properly accounted for.
* Management should communicate key log entry omissions in training materials or in other communications to relevant FM personnel, including Trouble Desk Employees, to prevent those omissions from occurring and to promote more effective oversight of key administration.

*System Access*

* Management should develop a process to periodically review user access to the MAXIMO system. This process would include reviewing separation data periodically, confirming with line managers on staff-level access, and evaluating contractor/temporary worker access.

*Warehouse Operations-Materiel Movement*

* Management should consider an update to MAXIMO for receipt processing and issuance processing that would prevent backdating of transactions or require approval for processing items that are significantly past their actual dates.
* Management should develop and document specific procedures related to variance investigations. Inventory variances should be investigated, classified, and documented so that root causes of the variances may be better determined.
* Management should communicate to relevant employees about data entry errors identified within MAXIMO and then conduct training sessions, where appropriate. Management should also consider performing periodic Quality Assurance (QA) reviews of the materiel movement process, which would include data entry accuracy.
* Management should consider performing periodic inspections of the FM Mobile locations to ensure that items are timely picked up. In addition, policies should be developed and communicated to all relevant personnel indicating that items issued and not picked up timely will be returned to the warehouse after a specified time period.
* Management should review the analytical items noted by A&AS during the audit and perform a full review of the inventory detail in MAXIMO. Management should cause a review of items with zero balances and to perform a count of the duplicate items to properly adjust the physical count to actual. Management should also determine the root cause for negative balances in the inventory counts.

*Cycle Counting*

* Management should perform a physical count of the emergency plumbing vehicle and record the adjustments in MAXIMO. Management should also consider whether retiring this location is warranted, depending on its usage and physical count noted.

*Management Reporting*

* Management should strengthen its internal reporting (upward reporting from warehouse operations) by implementing the following: (1) cycle count status reporting, (2) cycle count variance assessment, (3) analysis of FM locations by issue volume, and (4) development of a periodic scorecard prepared by the warehouse manager to outline items above or other key operational topics management determines is warranted to review on a periodic basis.
* Management should update year-end closing procedures to outline the locations and responsible managers for annual inventory counts and submittals. Locations should be documented and confirmed on an annual basis prior to submittals to FM Finance and to UCLA Business and Finance Solutions (BFS).

Audit Results and Recommendations

| **#** | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** |
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| **GENERAL OBSERVATIONS** | | | |
| A preliminary survey was performed, which included inquiries with management, review of internal resources such as the FM website, and a tour of the Central Warehouse operations. A review of management’s workflows, policies and procedures was attempted. Due to the limited number of current workflows and policies and procedures provided, A&AS determined to perform walkthrough procedures to obtain an understanding of updated processes at the warehouse location. This work included further inquiries and inspection of transactional documentation to verify processes and identify any control activities. These walkthrough procedures were performed at the Central Warehouse. | | | |
| 1. | Comprehensive policies and procedures associated with warehouse operations were not provided and only provided a partial view of current operations.  Updated policies and procedures related to warehouse operations could not be provided for certain areas. Significant areas of the warehouse operation lacked written policies and procedures or workflows that are necessary for effective internal control understanding and assessment. Such areas included materiel movement processes, cycle counting process, variance investigations, procedures on access to systems and data, physical security tasks, and general operational reporting.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Policy 360 Internal Control Guidelines for Campus Departments | Management should create end-to-end process flow documentation, particularly for procedures that reflect current practices of warehouse operations.  In particular, management should assess and document (1) staff areas of responsibility and (2) control points.  Additionally, the identification of control activities to enforce monitoring and prevent/detect unauthorized, erroneous, or fictitious transactions should be included in this documentation. | Management will identify the SOPs to be created by November 2024. Areas may include materiel movement processes, cycle counting process, variance investigations, procedures on access to systems and data, physical security tasks, and general operational reporting.  Management will draft the SOPs for the processes identified by February 2025.  Responsible Party: FM Warehouse manager  Target Date:  Identify SOPs: November 30, 2024  Draft SOPs: February 28, 2025 |

| **#** | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** |
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| **PHYSICAL SECURITY** | | | |
| Audit work included the following:   * Surveillance Cameras: A&AS obtained an understanding of the number of security cameras at the Central Warehouse and FM Drop off locations. A&AS inspected the footage being captured and noted areas where additional coverage should be considered. * Key administration and access: Obtained the physical key inventory and issuance file maintained by the Warehouse Manager and compared with prior key inventory records, and records from the Hardware shop. A&AS also obtained the user listing for the users who have access to the four FM Mobile locations. The login activity reports for the month of April 2024 were also reviewed. A&AS also visited the Trouble Call desk and inspected the after-hours key sign out log and the warehouse key for after-hours access. * Theft-Sensitive Equipment-FM Mobile Devices: A&AS made inquiries with the FM Information Technology team (FM Helpdesk) regarding the issuance process for FM Mobile devices. Additional steps included the following:   + Requested an inventory of mobile devices issued by user, unissued and on hand, and the results of the last inventory inspection to ensure the listing still reflects current operations.   + Inspected the condition of the mobile devices at the warehouse location to determine the asset tagging and general use in operations. | | | |
| 2. | Surveillance feed loss/inoperable cameras at certain locations  A&AS’ inspection of the FM Fire and Security location, as well as the FM Warehouse Manager’s location, disclosed multiple outages of cameras. One location within the warehouse Location A also had an obscured footage feed making any monitoring ineffective. The satellite location of CHS also did not have security footage. Effective surveillance is a critical control for monitoring these locations to prevent and detect loss and to maintain compliance with UCLA policies.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Policy 133: Security Camera Systems (Interim Policy), Sec IV  UCLA Policy 360 Internal Control Guidelines for Campus Departments, Sec. III (B)(5) Monitoring | Management should review the security footage of all FM warehouse/storage locations and perform any necessary repairs/upgrades to reinstate surveillance capabilities. Management should also consider installing security surveillance at the CHS location to be consistent with warehouse security monitoring practices. | Management will work on obtaining funding to reinstate the surveillance capabilities of the FM warehouse and storage locations.  Management is currently evaluating other potential options, and will present options with costs.  Responsible Party: FM Executive Officer  Target Date: October 31, 2024 |
| 3. | Inadequate oversight of access to FM Mobile locations  The process for requesting and granting access to the FM Mobile locations is neither formalized nor documented. The listing of users to the locations is also not periodically reviewed to determine whether any updates are necessary. A&AS noted separated users on the access reports as well as employees with access to these locations that appear unwarranted.  Without periodic review and update of the user listing, along with undocumented access requests, the risk of unauthorized access to these locations is increased. If the current status goes unchanged, the risk of loss, misplacement of materiel, or errors related to materiel movement also increases.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria**  UCLA Policy 825 Key and Electronic Access Administration and Control  UCLA Policy 360 Internal Control Guidelines for Campus Departments, Sec. III (B)(5) Monitoring | Management should promptly review the access listings of all FM Mobile locations and revoke access for any separated or transferred employees. Management should also formalize the process and establish a policy on requesting, granting, changing, and revoking access.  In addition, management should review the existing users and revoke access that is unnecessary or for accounts that have not been active for a significant period of time. | Management has performed a review of access to FM Mobile locations and brought current records up to date as of August 30, 2024.  Management will review the current process of how access to FM Mobile locations is granted, and will include requesting, granting, and revoking access in our onboarding and offboarding checklist by October 31, 2024.  Responsible Party: FM Hardware/ FM Executive Officer  Target Date: October 31, 2024 |
| 4. | Physical key inventory records and lock updates not maintained for warehouse locations  The key inventory maintained for the warehouse location is incomplete and does not reflect assignment of all keys. The existing file does not document the history of key issuance, returns, or replacements and disposals. Keys to FM department vehicles are also not included in the inventory listing. The key issuance file reviewed from the FM Hardware Shop indicates that some keys are at least 30 years old based on their issuance date. In addition, it is unknown when the last time the doors that access the warehouse were rekeyed.  The lack of current and complete key inventory records, in conjunction with older issued keys, increases the likelihood of unauthorized access to the warehouse location thereby exposing University property to a greater risk of loss or theft.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 825 Key and Electronic Access Administration and Control  UCLA Policy 360 Internal Control Guidelines for Campus Departments, Sec. III (B)(5) Monitoring | Management should consider rekeying the main access points to the warehouse and replacing the padlock for the cage storage location within the warehouse. In addition, management should create a new key inventory and document updated policies and procedures over the administration and maintenance of keys associated with the Central Warehouse. | The Hardware Shop has rekeyed all the external doors and cages of the warehouse, and provided updated keys to necessary personnel as of August 30, 2024. <https://www.adminpolicies.ucla.edu/APP/Number/825.1> All Warehouse Personal will be provided the Campus Key policy and training. Management has also created a new key inventory that accurately reflects who has access as of August 30, 2024. Updated policies and procedures will be documented.  Responsible Party: FM Warehouse Manager  Target Date: August 30, 2024 |
| 5. | Inadequate identification and tracking of theft sensitive equipment – FM Mobile devices  FM personnel could not provide to A&AS for review a listing of the FM Mobile devices that have been issued. Inspections of the FM Mobile devices disclosed that tags were not affixed to the devices indicating that they are UCLA property. Additionally, a periodic inspection process (periodic inventory) of FM Mobile devices is not performed.  By not performing a periodic review of the mobile devices, and tracking and tagging theft-sensitive equipment, the effectiveness of loss prevention efforts is reduced and the risk of loss or theft of FM Mobile devices is increased.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Policy 360 Internal Control Guidelines for Campus  Departments  University of California-Policy BFB-BUS-29: Management and Control of University Equipment Sec. III(A)(1)(c)(iii) | Management should assign responsibility of the FM Mobile device (iPad) administration process, including the issuance, tagging, and tracking of items. A periodic review should also be performed to ensure issued devices are properly accounted for.  An updated policy on the administration of these devices should also be developed including responsibilities of line managers to request devices and return devices upon separation or transfer. | The FM Mobile iPads are a pooled resource, not assigned to specific employees. Management will serialize and document all FM Mobile iPads, and purchase a lockbox in which the iPads will be stored in overnight to ensure the devices are properly accounted for.  ITS will update and document related procedures for serializing, inventorying, identifying devices that have not reported in for 30 days or more.  Management will socialize the off-boarding checklist, which includes the return of devices upon separation or transfer, via our monthly leadership meeting and email to the leadership team.  Responsible Party: ITS FM Product/software Specialist  Target Date: January 31, 2025 |
| 6. | After-hours access – Trouble Call Desk key log omissions  Upon review by A&AS, entry omissions were noted on the sign-out key log at the Trouble call desk office. Omissions included lack of initials verifying sign-out, keys not being specified on the sign out sheet, and general illegibility.  The omissions noted reduce the effectiveness of monitoring after-hour access at the warehouse location and related locked areas under the administration of the Trouble Call desk.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 825 Key and Electronic Access Administration and Control  UCLA Policy 360 Internal Control Guidelines for Campus Departments, Sec. III (B)(5) Monitoring | Management should communicate key log entry omissions in training materials or in other communications to relevant FM personnel, including Trouble Desk Employees, to prevent those omissions from occurring and promote more effective oversight of key administration. | Management will update the key log entry form to better capture necessary information. Management will also create a training that covers the process and expectations of signing out keys for after-hours access.  Responsible Party: FM Customer Relations  Target Date: November 29, 2024 |

| **#** | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** |
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| **SYSTEM ACCESS** | | | |
| MAXIMO Application: The IBM MAXIMO suite is a comprehensive Enterprise Asset Management system used by the Facilities Management department. It is the primary system used for workorder administration, inventory and tool management, and issuance of materiel to clients. The use of the Informer Inventory Management (iIM) application, by Interloc, provides an interface into MAXIMO to enable use of the FM mobile devices.  Audit work included the following:   * Obtained access to the MAXIMO application and generated a user access listing. Performed inquires with FM IT to obtain an understanding of the process to create users and understand the levels of access granted. * Compared active users with job profiles using independent data to ensure roles assigned were reasonable. * Compared the active user listing to a termination report of employees to detect inappropriate access within MAXIMO for employees. * Inquired about access roles for non-UCLA employees and process for obtaining access. * Inquired about periodic access review controls and noted any exceptions with the user listing. | | | |
| 7. | Periodic access review of the MAXIMO application not performed or is inadequate to ensure user access is pertinent  Based on A&AS review of the access listing, there were accounts of non-employees that had active status in MAXIMO but their access to the Windows AD domain had been disabled. Additionally, there is not a formal, periodic review of all users to ensure access is still needed. This control activity is necessary to ensure access is revoked for separated/transferred employees or for contractor services that have expired.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  University of California-Policy BFB-IS-3: Electronic Information Security 9.2. User Access Management  UCLA Policy 360 Internal Control Guidelines for Campus Departments, Sec. III (B)(5) Monitoring | Management should develop a process and procedure to periodically review user access to the MAXIMO system. This process would include reviewing separation data periodically, confirming with line managers on staff-level access, and evaluating contractor/temporary worker access.  Policies should be updated that clearly define the process and approvals needed to obtain access to MAXIMO for all users. Such procedures should also emphasize the accountability and responsibility of line managers and their process to communicate separations, transfers, or any general change to access levels. | Currently, departments/HRPOC partners email HelpDesk to request access for new employees, and to revoke access for separated employees. HelpDesk will deactivate the employee in Active Directory, which will automatically revoke their Maximo access.  Management will collaborate with ITS to perform a one-time clean up, then create a process for HelpDesk to check Maximo listings on an annual basis and remove separated employees. Within the process, it will be ITS’ responsibility to remove Maximo access to contractor’s and temp employees when they complete the project they are working on.  ITS will document related procedures.  Responsible Party: ITS  Target Date: January 31, 2025 |

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| **WAREHOUSE OPERATIONS-MATERIEL MOVEMENT** | | | |
| Audit Work included the following:  Baseline Test – Auditor Physical Inspection: Performed sample testing from MAXIMO inventory data and performed counts on location of the physical quantities and inspected the condition of the items. Performed sample testing from items at the warehouse location and inspected the condition of the items, performed count of quantity at location and traced the quantities, description, and item location into MAXIMO.  Inventory Analytical Review: Performed an analytical review of the inventory data obtained from MAXIMO using 3/18/24 data. General statistics functions were performed using TeamMate Analytics as well as other procedures on duplicate item numbers, inventory categories, and comparing items to CHS inventory summary from previous physical count. General statistics were also generated using TeamMate Analytics on usage (issuance) data from July 2019 through April 2024.  Inventory Receiving and Recording: A&AS performed onsite inspection of the receiving area and performed direct observation of the receiving process of inventory items. A&AS verified items received, matched packing slip with purchase order product, price and quantity in MAXIMO. The condition of the received items was inspected and the placement at the warehouse location was also observed. A&AS inquired about returned items and observed receiving area for items segregated as returns for the warehouse location. A&AS also performed testing of average cost updates in MAXIMO for one sample to verify receipt price changes are adequately reflected in MAXIMO.  Inventory Issuance (Legacy and FM Mobile Locations):   * Legacy Process: Performed sample testing on completed order forms (“pull forms”) processed at the Central Warehouse location. Performed inspection of each selection within MAXIMO to agree usage number assigned, work order number, item number, quantities picked, and work technician to MAXIMO via usage number query. All MAXIMO queries were performed directly by A&AS personnel. A&AS also noted processing times from issuance date (manual processing in MAXIMO) and date of picking noted on the pull forms.      * FM Mobile Location: Performed an inspection at two FM Locations, Bay 4 and Parking Structure 2, and selected items at location with assigned usage number. Inspected the delivery slip item number, description and quantities, and verified that amounts on delivery slip matched items in the bin. Agreed the usage number and delivery slip information from each selection at the drop off location to MAXIMO via Usage query. All MAXIMO queries were performed directly by A&AS personnel. A&AS also noted the processing times from inspection date at location to issuance date per MAXIMO data.   Inventory Receiving and Issuance Selected Analytical Review: A&AS performed analytical procedures on the items tested as part of receiving procedures. For the items received, A&AS generated the transactions history (since inception) in MAXIMO of receipts and issuances. The cycle counts adjustment history was also generated, where appropriate. The “days-to-process” was calculated using the transaction date and actual date fields in MAXIMO. This represents the difference between when the transaction was entered in MAXIMO versus the effective date of the transaction (receipt date, issuance, etc.). Items processed that took over three days were further reviewed to determine any unusual or erroneous transactions. | | | |
| | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** | | --- | --- | --- | | | | |
| 8. | Processing delays/backdating inventory receipts, issuances, and average cost considerations  A&AS noted delays in processing issuances and receipts from selections subject to analytical procedures. Items were either processed in a delayed manner or backdated with a range from 3 to 260 days between the actual date field and transaction date (data entry date) fields in MAXIMO.  Furthermore, A&AS also noted during testing of average cost procedures that the retroactive data entry for one receipt did not accurately update the average cost for issuances made.  Timely processing of receipts and issuance is necessary to ensure quantities and average cost is accurate in MAXIMO.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Financial Policy, Principles of Data Integrity  <https://www.finance.ucla.edu/corporate-accounting/principles-of-data-integrity> | Management should consider an update to MAXIMO for receipt processing and issuance processing that would prevent backdating of transactions or require approval for processing items that are significantly past their actual dates.  Management should also consider developing a transaction history report that is reviewed periodically to ensure receipts and issuances are processed timely so that the average cost is accurate in MAXIMO. This will assist management in detecting erroneous or unusual transactions. | Management will create a SOP for receiving, and will train warehouse employees that any inventory received will be counted and submitted into Maximo within two business days.  Management will develop a transaction history report that is reviewed periodically.  Responsible Party: FM Warehouse Manager  Target Date: October 30, 2024 |

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| | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** | | --- | --- | --- | | | | |
| 9. | Variances in quantities on hand from baseline testing, cycle counting observations, and cycle count analytics  A&AS noted variances in quantities from baseline (physical inspection) observations for four of the 20 selections made. A&AS also noted variances in quantities for two of the six cycle count observations performed onsite.  A&AS performed analytical procedures on the cycle count history for items with the three highest usage volume and noted the following:   * Adjustments to quantities ranging as high as 24% from the physical count * A low percentage of weekly cycle counts with favorable results (zero variances). Of the three items reviewed for FY 2023-24 (through May 2024), the percentages of favorable counts for the period were 22%, 3%, and 3%. All other weeks reviewed required adjustments. * A&AS also noted for one of the items that there were negative current balances during cycle counting and during periods of issuance. From the data reviewed, this condition existed for about one month.   The lack of root cause analysis to examine variances may increase the risk of future unauthorized transactions, errors, or theft.  \_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Financial Policy, Principles of Data Integrity  <https://www.finance.ucla.edu/corporate-accounting/principles-of-data-integrity> | Management should develop and document specific procedures related to variance investigations. Inventory variances should be investigated, classified, and documented so that root causes of the variances may be better determined.  Management should also consider designing cycle count adjustment review/approval workflows that ensure significant variances are reviewed, root cause is determined, and documented/reported before MAXIMO is updated. | Management will create a cycle count variance report to further investigate the reason for variance occurrences. The process of review will begin with the report being sent to management for review, alerting them to high-value or high-quantity missing items. FM will have to determine trigger values. Management will develop related procedures.  Management will review cycle count adjustment review/approval workflows and related variances.  Responsible Party: FM Executive Officer  Target Date: January 31, 2025 |
| | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** | | --- | --- | --- | | | | |
| 10. | Errors in processing manual pull forms and entry into MAXIMO  Two of the 20 sample selections reviewed by A&AS were not processed accurately. One selection had the incorrect part coded in MAXIMO, and the other sample item was coded to an incorrect work order and different employee.  Errors in processing will misstate item quantities available for future issuance and also require rework and additional effort from FM personnel.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Financial Policy, Principles of Data Integrity  <https://www.finance.ucla.edu/corporate-accounting/principles-of-data-integrity> | Management should communicate to relevant employees about data entry errors identified within MAXIMO and then conduct training sessions, where appropriate. Management should also consider performing periodic Quality Assurance (QA) reviews of the materiel movement process, which would include data entry accuracy. | Management has created a new manual pull form for technicians to fill out with the goal of collecting more pertinent information and making it apparent what information is necessary to provide (additional verification fields, contact information) as of August 30, 2024. The warehouse has also implemented an on-the-spot transactional review/oversight: when a technician finishes selecting warehouse inventory items and completes the pull form, it will be reviewed by a warehouse staff member before the technician leaves.  Management will request ITS to create a Laserfiche form for item requests that can help to eliminate the paper process and to reduce errors in manual data entry, timeline TBD.  Responsible Party: FM Warehouse Manager  Target Date: August 30, 2024 |
| 11. | Significant aging of issued, unclaimed items at FM Mobile locations  Of the eight sample items reviewed at two locations, three items were on the shelf for more than 30 days, including one item exceeding one year. Two of these sample items were at the Bay 4 location, which is adjacent to the warehouse.  Lengthy aging of items at the FM location takes up space that could be used for other items at the drop off locations. Furthermore, unclaimed items should be returned back into inventory for future issuance on other work orders that may have a more urgent need.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 360 Internal Control Guidelines for Campus Departments | Management should consider performing periodic inspections of the FM Mobile locations to ensure that items are picked up timely. In addition, policies should be developed and communicated to all relevant personnel indicating that items issued and not picked up timely will be returned to the warehouse after a specified time period.  Management should also consider modifying the FM Mobile feature to require technicians to confirm receipt/pickup at location. | Management will instruct Shop Supervisors and technicians to visit FM Mobile locations immediately and review and clear out the items that are at the locations.  Management will develop a process to in which items that have been sitting in the FM Mobile locations will be reviewed on a monthly or quarterly basis. Shops will be responsible for picking up the items.  Responsible Party: FM Executive Officer  Target Date: October 30, 2024 |

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| | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** | | --- | --- | --- | | | | |
| 12. | Inventory analytics observations  As part of general analytical procedures A&AS performed on MAXIMO data, the following observations were noted that indicate updates to the MAXIMO inventory data, unusual items, or potential errors:   * Negative balances identified in the Central Warehouse MAXIMO data * 201 items identified with no assigned cost value in MAXIMO * Items classified as "Do not Reorder" in the product description * 96 duplicate item numbers identified in MAXIMO. These items were noted to be duplicated from the "Main" location and also reported in the "PUT-WGN" location. Many of these items are also noted in the CHS PC/EC inventory maintained outside of MAXIMO.   Usage data reviewed:   * 542 items were identified in the usage reports without an assigned usage number * 58 items issued under WO Y5000 with no usage number * 12,555 items issued under WO number Y5000/5100 * 32,252 items issued with zero cost assigned   \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA Financial Policy, Principles of Data Integrity  <https://www.finance.ucla.edu/corporate-accounting/principles-of-data-integrity> | Management should review the analytical items noted by A&AS during the audit and perform a full review of the inventory detail in MAXIMO. Considerations should be made to review items with zero balances and to perform a count of the duplicate items to properly adjust the physical count to actual. Management should also determine the root cause for negative balances in the inventory counts. | Management will review items with zero balances by running reports of items that have not been used in 20 years, 10 years, and 5 years. Shops will review the reports and confirm that items can be removed from Maximo.  Moving forward, management will develop an SOP regarding how frequently items are used – if items have not been requested for X amount of time, the warehouse will set the item as “Pending Obsolescence”, and then eventually Obsolete the item.  Responsible Party: FM Executive Officer / FM Warehouse Manager  Target Date: November 30, 2024 |

| **#** | **OBSERVATION and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** |
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| **CYCLE COUNTING** | | | |
| Audit work included the following:  Cycle Count Observation: A&AS performed an observation of the cycle count process for two test weeks. Selections were made from the daily cycle count queue and management performed the cycle counts under the observation of A&AS. A&AS then verified the count totals and traced and agreed the updated physical counts to MAXIMO.  Retroactive Review of Cycle Counts performed as follows:   * A&AS made general inquiries of management on cycle counting practices and reporting. * Performed retroactive review of cycle count performance by gathering daily cycle count queue reports and tracking performance daily during the fieldwork phase of the audit. * Selected the top three items in terms of usage and performed two analytical tests to determine cycle count frequency – history and variance occurrence, and cycle count history with zero variances. | | | |
| 13. | Cycle counting – emergency plumbing vehicle  Management is not conducting cycle counts of the emergency plumbing vehicle. A&AS noted that this is a separate location in MAXIMO (PC-PUTWGN01). Testing by A&AS confirmed that the most recent count of this location was in 2022. Furthermore, A&AS noted that these inventory items are also stocked within the “Main” location in MAXIMO and were also noted in the CHS location, which is counted annually.  All locations in the MAXIMO inventory should be subject to periodic counts to reduce the risk of loss or identify excess, obsolete, or missing items.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 360 Internal Control Guidelines for Campus Departments  UCLA Financial Policy, Principles of Data Integrity  <https://www.finance.ucla.edu/corporate-accounting/principles-of-data-integrity> | Management should perform a physical count of the emergency plumbing vehicle and record the adjustments in MAXIMO. Management should also consider whether retiring this location is warranted, depending on its usage and physical count noted. | Management will aim to have the Plumbing Shop and Warehouse staff collaborate on performing a physical count of the emergency plumbing vehicle on a quarterly basis  Responsible Party: FM Warehouse Manager / FM Plumbing Manager  Target Date: November 30, 2024 |
| **MANAGEMENT REPORTING** | | | |
| Audit Work included the following:  Management Reporting (General Monitoring):   * Made inquiries with FM Executive Officer regarding key reports reviewed during the year. Obtained an update on planned initiatives for the warehouse operations and areas of focus.   Year-End Reporting – University Compliance:   * Obtained June 2023 year-end certification and reporting package to BFS. Inquired of any adjustments submitted as part of the year-end assessment. Reviewed MAXIMO summary files and FM craft shops’ annual counts, and agreed to submittals to FM Finance. A&AS also obtained the consolidated file from FM Finance and the transmittal to BFS. A&AS also agreed the total amounts into UCLA Online Financial System Reports noting the annual journal entry recording of inventory for UCLA Annual Reporting. | | | |
| 14. | Management reporting – improvement needed in monitoring and reporting  A&AS identified several improvement points related to management reporting from the Warehouse operations. The recommendations are based upon A&AS’ risk assessment of entity level considerations as well as observations made throughout audit fieldwork.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria:**  UCLA Policy 360 Internal Control Guidelines for Campus Departments | Management should strengthen its internal reporting (upward reporting from warehouse operations) by implementing the following: (1) cycle count status reporting, (2) cycle count variance assessment, (3) analysis of FM locations by issue volume, and (4) development of a periodic scorecard.  **Cycle count status reporting** – improvements to how cycle counts are performed in accordance with a predefined schedule to promote visibility.  **Cycle count variance assessment (including the assessment, classification, and conclusion of cycle count variances investigated by warehouse personnel/management) –** review of the root cause of variances and related corrections by management. Improvement here would foster accountability of warehouse management and staff and promote better monitoring of materiel movement.  Management also should consider the establishment of thresholds or reviews of adjustments made by the warehouse manager. These standards could include current balance adjustments, significant cycle count variance adjustments, bin/item location changes, establishment of locations within MAXIMO, etc.).  **Analysis of FM locations by volume –** how effective are the locations for convenience and time savings versus picking up items at Bay 4 or at the warehouse.  **The development/consideration of a periodic scorecard –** prepared by the warehouse manager to outline items above or other key operational topics management determines should be reviewed on a periodic basis. | Management will create a cycle count status report, and cycle count variance report, and perform an analysis of FM Mobile pickup locations and their usage. After these reports have been developed, FM will evaluate the issues to create a mitigation process, which will include establishing thresholds or regular reviewing of balances.  Management will also develop a SOP for cycle counting, as mentioned in Finding 1.  Responsible Party: FM Executive Officer  Target Date: November 29, 2024 |
| 15. | Management reporting – omission of MAXIMO emergency plumbing vehicle inventory in FY 2023 annual assessment  As part of reviewing the annual assessment of the Central Warehouse inventory for annual reporting, A&AS noted that the emergency plumbing location within MAXIMO (PC-PUTWGN01) is not included in the assessment. This location was also identified as excluded from the cycle counting program. The inventory submittal for year-end reporting only included the "Main" location and the periodic counts at the CHS location.  In addition, A&AS made inquiries about the annual inventory and submittals of other skilled, craft units. and noted that this location, PC- PUTWGN01, was excluded from these counts that are submitted to FM Finance.  The lack of control activities to ensure that all locations are accounted for in the department’s annual valuation contributes to inaccurate financial reporting, incomplete inventory records, and increases the risk of loss or theft.  \_\_\_\_\_\_\_\_\_\_\_  **Criteria**:  UCLA *Guidelines for Reporting Finished Inventory*  UCLA Business and Finance Solutions-Financial Management & Reporting  <https://ga.accounting.ucla.edu/fcr/>  UCLA Policy 360 Internal Control Guidelines for Campus Departments | Management should update year-end closing procedures to outline the locations and responsible managers for annual inventory counts and submittals. Locations should be documented and confirmed on an annual basis prior to submittals to FM Finance and to UCLA Business and Finance Solutions (BFS).  Management should also determine whether this location, PC-PUTWGN01, is still needed to be in operation.  Additionally, management should update procedures to require approval of locations established and retired within MAXIMO. | The emergency plumbing vehicle will need to stay in operation.  Management will ensure that the plumbing vehicle will be included in the annual assessment of inventory for reporting by including it in the year-end closing procedures.  Management will update procedures to require approval of locations established and retired within MAXIMO.  Responsible Party: FM Executive Officer  Target Date: June 30, 2025 |

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