

An Internal Audit Report On

# Asset Management



**Internal Audit Division**  
Public Utility Commission of Texas

## *Executive Summary*

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Asset Management at the Public Utility Commission has evolved over time to include four divisions. This created a dynamic that requires coordination from Financial Resources, Central Records, Agency Operations, and Information Technology. The inherent risks associated with multiple divisions involved with the process, employee turnover or changes to employee job functions, and improper training requirements, contributed to the issues identified in this report. There were positive outcomes noted during testing and many issues have already been addressed over the course of this audit. The recent changes to the asset management process will help mitigate some of the risks; however, all changes should be included in updates to the policy and procedures manual.

### **What is Asset Management?**

Asset management is an organized method of introducing, operating, preserving, and disposing of various assets in a cost-effective way.

It is imperative that training become part of the asset management program. Asset management training provided by the Texas Comptroller of Public Accounts would benefit everyone involved and the agency.

Testing of the asset management process identified the following:

- The process in place for receiving, transferring, and disposing of assets is inadequate. The agency should ensure everyone involved with asset management receives ongoing training.
- Assets no longer needed or in use should be disposed of timely.
- The agency's property accounting procedure manual does not comply with statutes regarding the disposal process.

### **Summary of Audit Objectives, Scope, and Methodology**

The audit objective was to determine whether there are sufficient processes and controls to help ensure the management of agency assets are conducted efficiently and in accordance with applicable requirements. The scope of this audit included activities from September 1, 2017 through August 31, 2020. The audit methodology included a review of applicable laws, statutes, and division policy and procedures. It also included an analysis of the current inventory, a review of entries in the State Property Accounting System, interviews, and a review of support documentation maintained by the property manager.

## *Detailed Results*

### *Chapter 1*

#### ***The Agency Should Ensure Training is Provided Regarding Asset Management***

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Testing confirmed there are deficiencies in the asset receiving, transfer, and disposal process.

When testing a random sample for the asset receiving process, it was determined that 23 out of 30, or 77% of the items sampled were missing the proper documentation (PA-1 forms) required by the agency's policies and procedures.

Testing of the asset transfer process identified 19 out of 30, or 63% of the transfer documentation (PA-2 forms) were missing. Additional inventory testing was done using a second, independent random sample. Inventory testing determined 22 out of 30, or 73% of the asset location or ownership status was incorrect in the State Property Accounting system (SPA). Of the 22 errors identified, ten items were assigned to employees who have not been employed at the agency for over a year or more. The remaining twelve errors were missing information for the employee or location assignment in SPA. These fields were blank in the SPA report provided by the comptroller covering the scope of this audit. Similar trends showing missing documentation (PA-3 forms) and timely updates in SPA were also observed when testing the disposal process. It should be noted that all assets tested were eventually located.

According to the Comptroller's Fiscal Policies and Procedures regarding asset management, each agency must ensure that their employees are properly trained and knowledgeable in the accounting for and care of the agency's personal property as well as in the operation and policies of SPA. The agency head must ensure that property personnel have received training in the rules, policies, procedures, and system operation of SPA as administered by the Comptroller's office.

#### **Recommendation:**

The PUC staff tasked with asset management are very capable but have not been properly trained concerning the asset management process. Training policies that meet the Comptroller's requirements should be included in the agency's property accounting procedure manual.

Training associated with the State Property Accounting System, as well as State Asset Management, is offered by the Texas Comptroller's office. In addition, everyone involved in the asset management process should be familiar with the agency's Property Accounting Procedure manual regarding the receivership, transfer, and disposal of assets.

#### ***Response from the Asset Management Team:***

*The Asset Management team agrees with the recommendations and will update the PUC Asset Management Procedures employee manual to include training policies that meet the Comptroller's requirements. In addition,*

*everyone involved in the asset management process will receive an overview of the PUC Asset Management Procedures employee manual.*

*Responsible Division: Information Technology*

*Target Date for Completion: 4/15/2021*

***Assets No Longer Needed or In Use Should be Disposed of Timely***

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Assets including furniture, cubicle hardware, and various technology equipment was not being disposed of timely. The audit identified hundreds of items that had previously been kept in storage for up to 10 years as well as IT assets that are being stored onsite even though they have not been in use for years. The process to store unused or no longer needed assets is not timely or prudent.

**Recommendation:**

The agency addressed this issue and is doing a great job eliminating extra storage costs. Discontinuing the practice of storing unused assets benefits the agency economically and ensures compliance with the disposal process. The agency should create policy and procedures that ensures the recent success the agency has seen regarding this issue continues.

***Response from the Asset Management Team:***

*The Asset Management team agrees with the recommendation and will create policy and procedures that ensures the timely disposal of assets.*

*Responsible Division: Information Technology*

*Target Date: 4/15/2021*

### ***Asset Disposal Procedures Should Promote Compliance***

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The disposal procedures found in the agency's Property Accounting Procedure manual does not satisfy the statutory requirements regarding property disposal. Specifically, the agency's procedures provide an option to bypass the required advertising process. During this audit it was noted the manual has not been updated in approximately five years.

According to the Texas Facilities Commission, all state agency property must be advertised via the State Property Accounting system for 10 business days before it can be scheduled for pick-up or delivery with the Texas Facilities Commission. Per Texas Government Code § 2175.1825, all state agencies must perform this advertisement regardless of the asset's dollar value, unless said agency is exempt per statute. Controlled and Capitalized asset thresholds do not impact the requirement to advertise.

The advertisement process is a control that allows the PUC's Fiscal Asset Division to account for all property until it is transferred to another receiving agency. The current procedures for the disposal process nullify this control by skipping the advertisement requirement.

#### **Recommendation:**

The agency's property accounting procedure manual should be updated immediately and eliminate the option to skip the advertisement process. The Texas Facilities Commission is a good resource for the disposal process and has useful information dedicated to state agency policies and procedures regarding the disposal process on their website.

#### ***Response from the Asset Management Team:***

*The Asset Management team agrees with the recommendations and will update the PUC Asset Management Procedures employee manual to eliminate the option to skip the advertisement process.*

*Responsible Division: Information Technology*

*Target Date: 3/15/2021*

# Appendix

## Objectives, Scope, and Methodology

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### Objective

The audit objective was to determine whether there are sufficient processes and controls to help ensure the management of agency assets are conducted efficiently and in accordance with applicable requirements.

### Scope

The scope of this audit included activities from September 1, 2017 through August 31, 2020.

### Methodology

The audit methodology included a review of applicable laws, statutes, and division policy and procedures. It also included an analysis of the current inventory, a review of entries in the State Property Accounting System, interviews, and a review of support documentation maintained by the property manager.

### Sampling Methodology

Sampling was done using nonstatistical samples from databases, spreadsheets, and all means of data collection used for asset management included in the scope of this audit. The samples were used to determine if controls were operating effectively.

Information collected and reviewed includes:

- SPA reports for current inventory and disposed assets.
- Supporting documentation maintained by the property manager.
- Agency Property Accounting Procedures Manual.

### Testing

Testing included the following:

- Interviewed staff responsible for asset management.
- Reviewed a sample of current inventory and located all assets in the random sample.
- Tested source documentation for SPA entries using PA1, PA2, and PA3 forms.
- Reviewed the procedure manual to ensure it is in compliance with necessary guidelines and statutes.

The criteria used during the audit was:

- Texas Government Code § 2175.1875
- CAPPs Financials-Asset Management Procedures

- Texas Comptroller of Public Accounts SPA Process User’s Guide
- Texas Comptroller of Public Accounts eXpendit purchasing procedures.
- Texas Facilities Commission’s Policy and Procedures for State Agency, Political Subdivisions, and Non-Profits.
- Agency Policies and Procedures.

## **Project Information**

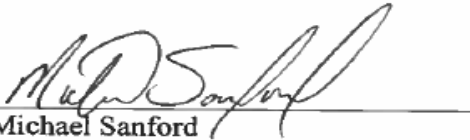
Audit fieldwork was conducted from December 2020 through January 2021. This was a performance audit conducted in accordance with Generally Accepted Government Auditing Standards. Internal Audit believes that the evidence obtained provides a reasonable basis for the conclusions based on the audit objectives.



PUBLIC UTILITY COMMISSION OF TEXAS

Internal Audit Project #2021-100

February 2021



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Internal Auditor, Public Utility Commission

This report has been provided to the following:

Mr. Thomas Gleeson, Executive Director, Public Utility Commission  
Ms. DeAnn Walker, Chairman, Public Utility Commission  
Mr. Arthur D'Andrea, Commissioner, Public Utility Commission  
Ms. Shelly Botkin, Commissioner, Public Utility Commission

Other appropriate PUC management and posted on the agency intranet.

Copies of this report have been distributed to the following in accordance with Government Code §2102.0091:

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