

JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR

# POST AUDIT DIVISION

LEGISLATIVE AUDIT REPORT

## Marshall University Inventory Management

Legislative Auditor: Aaron Allred  
Post Audit Division Director: Justin Robinson



GENERALLY ACCEPTED GOVERNMENT  
AUDITING STANDARDS STATEMENT

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (**GAGAS**). 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.

POST AUDIT DIVISION  
Justin Robinson, Director

# POST AUDIT DIVISION

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## *Post Audit Report on Marshall University - Inventory Management*

**June 18, 2019**

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*Marshall University's Inventory Management System Is Not Adequate to Ensure the Proper Safeguarding of State Assets from Fraud, Misuse, or Abuse.*

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## Executive Summary

The Legislative Auditor conducted this audit of Marshall University pursuant to W.Va. Code §4-2-5. The objective of this audit was to determine if internal controls over the lifecycle of equipment and furnishings are operating correctly and provide adequate safeguards to deter fraud, waste, and abuse of state property. The results and recommendations of this audit are highlighted below.

## **Report Highlights**

### **Issue 1: Marshall University's Inventory Management System Is Not Adequate to Ensure the Proper Safeguarding of State Assets from Fraud, Misuse or Abuse.**

- Under current University requirements, assets with a high risk of misappropriation such as laptops, desktops, and iPads are not being properly safeguarded or recorded in the University's official inventory record.
- The Banner Fixed Asset Module is not adequately maintained and does not effectively represent Marshall's inventory.
- Marshall University's current asset inventory does not accurately track the physical location or unique identifying information for the majority of reportable assets.
- Surplus assets are not being properly tracked through the disposition process.
- Marshall University maintains adequate controls over firearms.

## **Recommendations**

1. The Legislative Auditor recommends Marshall University improve its inventory requirements for assets below the \$5,000 threshold, including non-capital assets such as computers, laptops, and other high-risk items, that properly safeguard those assets from fraud, misuse, and abuse. Those requirements should also provide a mechanism that would require inclusion of those non-capital and high-risk assets in the University's inventory listing.
2. The Legislative Auditor recommends Marshall University modify its inventory policies and procedures to ensure the physical location of an asset is accurate and properly recorded and increase administrative oversight to ensure all pertinent identifying information is accurately recorded in the Banner Fixed Asset Module.
3. The Legislative Auditor recommends Marshall University modify its policies and procedures to ensure accurate recording and tracking of all assets deemed surplus that are transferred to the warehouse. Further, the University should develop a method of internal notification that ensures University personnel are aware of items available in the warehouse in order to have an opportunity to request the reassignment of an item before the disposal of the item.

## **Issue 1: Marshall University's Inventory Management System Is Not Adequate to Ensure the Proper Safeguarding of State Assets from Fraud, Misuse or Abuse.**

### **Background**

In 2005, the Legislature passed Senate Bill 603 granting independent operational control to public institutions of higher education, which excludes Marshall University from the WV Purchasing Division requirements and, as a result, the state's general inventory and surplus property requirements. According to WV Code §18B-1-6(c) (3), the governing boards of exempted universities develop their own rules, regulations, and guidelines while the Higher Education Policy Commission has no authority to limit, overrule, restrict, supplant or supersede the rule-making authority provided to exempted schools.

Beginning July 1, 2006, Marshall University established its own internal policies for maintaining an asset inventory. Under the new policy, the Director of Physical Plant shall inventory and keep current all equipment in the Banner Fixed Asset Module of the Banner Finance database, which is the official inventory record of the University. Marshall University used an amalgamation of the Federal government, West Virginia state government, and Higher Education Purchasing Procedures to define equipment as a unit valued at the time of purchase or acquisition of **\$5,000 or greater** and that has a useful life of greater than one year. This is in contrast to the asset inventory requirements of other state spending units which follow the State of West Virginia, Department of Administration Purchasing Division guidelines for inventory management. These guidelines define reportable assets requiring inclusion on the State's wvOASIS Fixed Asset Inventory Record as having an original acquisition cost of \$1,000 or more and a useful life of one year or longer; as well as all firearms, regardless of cost, and all computers with an acquisition cost of \$500 or more.

### **Under Current University Inventory Requirements, Assets with a High Risk of Misappropriation Such as Laptops, Desktops, and iPads Are Not Being Properly Safeguarded or Recorded in the University's Official Inventory Record**

Under Marshall University's current inventory policy, an asset is only tagged and entered into the inventory record if it has a unit cost of \$5,000 or more. A manual log is created simultaneously which lists the equipment, the property tag number, the purchase order number, the serial number, the vendor, and other pertinent information. This log serves as the source document for entries into the Banner Fixed Asset Module. Equipment purchased through the Marshall University Foundation and the Big Green Foundation becomes Marshall University property upon receipt and is processed similarly. Non-monetary gifts and donations may also be accepted and entered into the equipment inventory. At a minimum of once every two years, all equipment is physically inventoried.

Because Marshall University has set the threshold for reportable assets at \$5,000 and above, assets below this threshold are neither recorded in the inventory nor is an asset tag affixed to show ownership. Assets below the established threshold, such as laptops, iPads, iPhones, and

televisions represent some of the asset types most prone to fraud, misuse, abuse, and theft as these items are easily portable and convertible to cash or personal use.

Additionally, Marshall University’s Equipment Purchase and Inventory Control Policies and Procedures indicate that the security and physical safeguarding of equipment is the responsibility of the department possessing physical control. An official inventory record at the department level would be acceptable if the internal controls governing the process are adequate. Such controls could include the establishment of written policies and procedures defining those assets to be recorded and the process for doing so, and a periodic independent review of the departments’ inventory records by university personnel not assigned to the department. However, currently Marshall University does not have written policies to protect asset under the \$5,000 threshold, even at the department level.

To establish a baseline for benchmarking the Legislative Auditor evaluated Marshall University’s purchasing documentation in wvOASIS, for Fiscal Year 2018 and then benchmarked the assets purchased to the reportable threshold of the Department of Administration Surplus Property Operations Manual to these purchases. The Surplus Property Operations Manual defines reportable assets as “having an original acquisition cost of \$1,000 or more and a useful life of one year or longer, all firearms, regardless of cost, and all computers with an acquisition cost of \$500 or more”. In Fiscal Year 2018 alone, Marshall University purchased 676 assets meeting the criteria followed by other state agencies with an aggregate acquisition cost of just over \$1.13 million. **Due to Marshall University’s current inventory policy, none of the items totaling \$1.13 million purchased in Fiscal Year 2018 were required to be recorded on the receiving log, the inventory record, or tagged with an asset tag.** Table 1 provides a breakdown of these asset categories not inventoried.

Table 1		
FY18 Assets Purchased Meeting State Guidelines Not Covered by University Policies		
Type of Assets	Number of Assets	Cost of Assets
CPU	481	\$744,914.80
Equipment and Furniture	195	\$393,610.72
Total	676	\$1,138,525.52
Data obtained from wvOASIS		

Those purchased assets not recorded in Marshall University’s inventory record include 481 CPU assets, with an approximate value of \$745,000. Other asset purchases included, but were not limited to iPads, desktop computers, tablets, and laptops. The Legislative Auditor’s review identified only two items, an Apple Mac Pro and a piece of bioscience testing equipment with an approximate value of \$50,000, in the CPU category that met the Marshall University threshold of \$5,000 and were recorded on its inventory record.

In addition, Marshall University purchased 195 equipment and furniture assets in Fiscal Year 2018 with an approximate value of \$394,000 that met the State guidelines but were not required to be on Marshall’s inventory record due to its current policies. These purchases included but were not limited to various high-priced cameras and lenses, a 3D printer, projectors, a camcorder, and televisions.

### ***Many Larger Universities in the Region Have Inventory Policies to Protect High-Risk Assets***

The Legislative Auditor compared Marshall University's inventory policies to the inventory policies from each of the five flagship universities in the surrounding states, since these universities would be outside of the laws and exemptions governing Marshall University. The decision to compare the inventory policies of Marshall University with these universities was also due to the fact that a larger student population tends to require more assets, in turn requiring more inventory to manage under the policies of each university. By doing so, the factor of scale was considered. While a larger university may have more resources at its disposal to aid in its inventory management practices, it would also have proportionately more assets to manage as well. Each of the universities in the comparison have policies intended to safeguard assets below \$5,000 in value from fraud, misuse, and abuse.

The universities in our comparison included:

1. Ohio State University
2. Penn State University
3. University of Maryland
4. University of Virginia
5. University of Kentucky

All five of the universities have inventory policies making a distinction between capital and non-capital assets, with \$5,000 acquisition cost being the dollar threshold for capitalization. The distinction between a capital asset and a non-capital asset is the timing of when the acquisition cost of the asset is realized as an expense. Items meeting the capitalization threshold would have the expense of the asset realized over the life of the asset, while non-capitalized assets would have the expense realized when incurred. **The university with the largest main campus population, Ohio State University, had the most detailed and stringent policies for the safeguarding of non-capitalized assets.** The following table provides a summary of the comparison of Marshall University's inventory practices to those of the other five universities.

Table 2 Comparison of University Inventory Policies					
University Name	Student Population *	Policies Requiring Inventory of Items Under \$5,000	Inventory Record Includes Non-Capital Assets	Inventory Tags on Non-Capital Assets	Types of Non-Capital Assets Required to be Recorded in Inventory
Marshall University	13,246	NO	NO	NO	NONE
Ohio State University	59,837	YES	YES	YES	Computers, Laptops, Printers, University Provided Cell Phones, Projectors, iPads, Cameras, Firearms
Penn State University	47,119	YES	SOME	YES	Non-Computer Equipment Under \$1,000, Non-Computer Equipment \$1,000 - \$4,999, and Computers Under \$5,000
University of Maryland	41,200	YES	SOME	YES	Departments have discretion, but must develop internal controls to adequately safeguard non-capital assets.
University of Virginia	24,360	YES	SOME	YES	Computers, Laptops, Televisions, Other High-Risk Items
University of Kentucky	29,465	YES	SOME	YES	Departments Responsible for All Furniture, Equipment, Vehicles and Other Movable Property Regardless of Cost

Information obtained from individual universities' policies and procedures for inventory management. \*Student population obtained from university reported data available through universities' official websites for "main campus" student population only. Satellite campus student populations are not included.

Ohio State University, with a main campus student population of 59,837, uses property tags for tagging non-capital equipment that differ from those used for tagging capital assets. These items are listed on the Non-Capital Inventory Log. Non-capital assets that are tagged and recorded in the inventory record include computers, laptops, printers, university owned cell phones, projectors, iPads, cameras, firearms, and other items that have a serial numbers or other unique identifier and will be used off-site or are theft prone. Annually, the inventory for non-capital assets is reviewed to ensure accuracy and completeness of the inventory record and the proper disposition of those non-capital assets.

Penn State University, with a main campus student population of 47,119, uses three classification codes for non-capital assets:

1. Non-computer equipment purchases under \$1,000
2. Non-computer equipment purchases \$1,000 to \$4,999
3. Computers below \$5,000

Additionally, Penn State utilizes a special tag for non-capitalized equipment. Asset tags are placed on new equipment that is valued under the \$5,000 capitalization criteria to assist the property inventory clerks during inventory.

The three other universities in our comparison had varying requirements for non-capital assets. The University of Maryland requires each internal entity must develop a formal, written, institutional policy with respect to non-capital equipment that provides adequate internal control. The University of Virginia applies several different criteria to an asset, dependent upon the funding source for the item with special consideration given to high-risk assets which are recorded in the inventory system, tagged with an asset tag for identification, and tracked in the same manner as all other assets. The University of Kentucky requires the departments to be responsible for maintaining control of all items of furniture, equipment, vehicles and other movable property assigned to the areas, **regardless of cost**, and have special non-capitalized asset tags available.

Based on these comparisons, the Legislative Auditor concludes that Marshall University's requirements for inventory management do not adequately protect State assets to the same degree as universities with larger student populations and more assets to manage. Additionally, Marshall University's "Equipment Purchase and Inventory Control Policies and Procedures" indicate that the security and physical safeguarding of equipment is the responsibility of the department possessing physical control without delineating the way the items are to be safeguarded. In effect this policy directive abdicates the authority of the University to those less informed of proper inventory management requirements to make those determinations.

The Legislative Auditor did not attempt to quantify the potential cost of additional procedures for recording non-capital assets in Marshall University's inventory. This was due to the fact that there are too many variables to be considered to make an accurate estimate of those costs including number of items that would be required to be inventoried, capacity for existing resources to handle the additional duties, or personnel cost associated with any additional staff needed. Further, the direct procedures for this process are best decided by the agency and are not prescribed in this report, therefore any estimates made by the Legislative Auditor would be

speculative. However, having inventory policies that require the inclusion of non-capital or high-risk assets does come with an associated cost. Such policies would potentially require additional time and personnel depending on what inventory procedures are already established. For Marshall University, the processes and procedures for recording items in inventory are already established through its purchasing and receiving processes. In order to capture non-capital or high-risk assets through the existing process, Marshall University could modify its existing procedures by identifying those non-capital assets it deems high-risk such as computers, laptops, etc., and require those items to be inventoried upon receipt in the same manner it does for capital assets. As previously noted, in Fiscal Year 2018 Marshall University purchased 676 assets meeting the criteria followed by other state agencies for inclusion in the inventory record, with an aggregate acquisition cost of just over \$1.13 million. Any associated cost to ensure these items were recorded in the inventory record would be outweighed by the benefit of the proper safeguarding of \$1.13 million of university assets. Additionally, taking a prospective approach to the inclusion of additional assets in the official inventory record and utilizing the ability of the Banner Fixed Assets Module to differentiate between the capital assets and non-capital assets could further reduce the potential increase in cost associated with requiring non-capital assets to be recorded in the inventory record.

## **Recommendation**

- 1. The Legislative Auditor recommends Marshall University improve its inventory policies and procedures for assets below the \$5,000 threshold, including non-capital assets such as computers, laptops, and other high-risk items, that properly safeguard those assets from fraud, misuse, and abuse. Those policies should also require and provide a mechanism that would include those non-capital and high-risk assets in the University's inventory listing.**

## **The Banner Fixed Asset Module Is Not Adequately Maintained and Does Not Effectively Represent Marshall's Inventory**

In 2006, Marshall University's Board of Governors established in its Purchasing Policy that the Director of Physical Plant shall inventory all equipment that has a unit value at the time of purchase or acquisition of \$5,000 or greater, and that the inventory shall be kept current at all times. Additionally, the policy requires at a minimum of once every two years all equipment is to be physically inventoried. In the intervening years, reports are generated from Banner Fixed Asset Module (Banner) for the various university departments, listing all equipment currently assigned to them.

The Legislative Auditor reviewed the Marshall University inventory record, all purchases made in FY17 and FY18, as well as items that have been transferred to surplus. This review identified multiple discrepancies, errors, and omissions in the current inventory record. The Legislative Auditor noted items in the inventory record were not able to be found in the location indicated, including some items assigned to nonexistent rooms, as well as individuals and entities no longer affiliated with Marshall University. The Legislative Auditor also noted items physically identified on campus that would be expected to be listed on the inventory record that were not located on the record. Additionally, there was missing identifying information for items in the inventory record. The issues noted increase the likelihood of fraud, misuse, and abuse of Marshall University property, and increase the administrative burden of managing and inventorying

Marshall University property.

According to Marshall University, all updating of the equipment inventory records is assigned to the Central Receiving department at Marshall University and all changes properly executed in the Banner Fixed Asset Module are reflected in the inventory records. However, the errors in recording the necessary unique identifiers for inventory assets discovered by the Legislative Auditor were attributed by Marshall University to staff turnover and in some cases a lack of administrative oversight. Additionally, the incorrect physical location of assets in the inventory record was attributed by Marshall University to not updating Banner for changes in location in some instances, administrative errors in removing disposed items, and staff not fully understanding the coding of Banner, even though the system has been utilized for nearly two decades.

***Marshall University's Current Asset Inventory Does Not Accurately Track the Physical Location or Unique Identifying Information for the Majority of Reportable Assets***

Marshall's current inventory record consists of 4,449 items with a total recorded cost of approximately \$33.6 million. The Legislative Auditor reviewed a sample of 107 items, with a combined acquisition cost of approximately \$707,000 to determine if the record accurately represented the current status of the University's inventory. The Legislative Auditor noted two broad categories of issues with these inventoried assets: (1) assets were not located as indicated on the record, and (2) assets were assigned to locations that do not exist or individuals/entities no longer associated with the University.

**Issues with Asset Location**

Utilizing the location recorded in the inventory record, and with the assistance of University staff, the Legislative Auditor attempted to trace the 107 items sampled to the physical location listed for each item. Out of these items, 85 (79 percent), with an approximate value of \$514,000 were not able to be traced to the location indicated for the asset. Examples of items unable to be located included: a disk array enclosure, servers, a sequencing system, and a pay and display unit.

It should be noted that of the 85 items with an incorrect location, eight of the items were allocated to a room that does not exist, an instructor no longer with the University, or an entity that is no longer affiliated with Marshall University. These items, with an approximate value of \$25,000 included an ethernet switch and a server in addition to six other items that were acquired prior to 2006. These six items no longer meet the criteria for inclusion on the inventory record but are still listed as part of the inventory.

Projecting the results of our sample review across the entire population of assets in the inventory record, there could be potentially 3,534 items, or 79% of all university assets, with an improper location making them difficult to track and properly safeguard.

In addition to tracing assets from the inventory record to the physical location, the Legislative Auditor selected 10 assets from various physical locations that met the current cost threshold to be included in the inventory record and attempted to locate these items in the inventory record. Using unique identifiers for each item such as serial numbers and asset tags, five of the items were not found recorded in the inventory record.

As part of the management of Marshall University equipment, upon receipt of assets meeting the inventory requirements, Receiving creates a manual entry in an equipment receiving log. This log lists the equipment received, the property tag number, the purchase order number, the serial number, and the vendor. This log then serves as the source document for entries into the Banner Fixed Asset Module.

### **Issues with Recorded Information for Assets in Inventory Record**

Marshall University's Equipment Purchase and Inventory Control Policies and Procedures state, "All equipment must be inventoried by assigning a numbered property tag, recording the proper information as to model, serial number, etc. and maintaining it on the inventory data base." Utilizing the same sample of 107 items, the Legislative Auditor reviewed the unique identifying information recorded in the Banner Fixed Asset Module for each of the items to ensure that all identifying information was properly recorded. The identifying information included: serial numbers, purchase order numbers, and asset tag numbers. For the 107 items reviewed, the inventory record did not include the purchase order number for 25 items, 16 items did not have serial numbers provided, and 16 were missing both serial numbers and purchase order numbers.

Projecting the results of our sample review across the entire population of assets in the inventory record, there could be potentially 2,370 items, or 53% of all university assets, missing identifying information in the inventory record.

The Legislative Auditor reviewed all of Marshall University's purchasing documentation from Fiscal Years 2017 and 2018 for assets in excess of \$5,000 and to verify if the assets were recorded on its official inventory record. During FY 2017 and FY 2018, 150 assets were purchased that required inclusion in the inventory record under Marshall University's current policy. The Legislative Auditor identified 24 items, valued at approximately \$223,000, that could not be positively identified in the inventory record. This was due to unique identifying information, serial numbers or purchase order numbers, not being recorded in the inventory that would allow the verification that the asset corresponds to the purchase documentation.

Not maintaining an inventory record with accurate and current information regarding the physical location of an asset increases the likelihood of fraud, misuse, and abuse. Additionally, if the physical location is not kept current the administrative burden is increased when conducting an annual or biannual inventory and can result in mistakes in the inventory record. Also, an assets description is insufficient information for verification. Multiple items may be purchased that share a common description while having a unique serial number, purchase number, or both. Without recording the unique identifying information of the asset in the inventory record the Legislative Auditor is unable to verify which items are recorded correctly. Proper recording of all pertinent identifying information at the time the inventory record is created in the Banner Fixed Asset Module could ease the administrative burden on staff when performing a full inventory verification.

### **Recommendation**

- 2. The Legislative Auditor recommends Marshall University modify its inventory policies and procedures to ensure the physical location of an asset is accurate and**

**properly recorded and increase administrative oversight to ensure all pertinent identifying information is accurately recorded in the Banner Fixed Asset Module.**

### **Surplus Assets Are Not Being Properly Tracked Through the Disposition Process**

As previously stated, Marshall University was granted an exemption from the Purchasing Article of W.Va. Code. This exemption in turn removed the requirement to follow the same surplus property process and requirements as other state spending units. According to the Director of Plant Operations, when departments want to dispose of an asset, it is deemed “Yard Sale” by a Marshall University department. The item is then moved to a surplus area in a Marshall University warehouse. There is currently no log or documentation that the item is in surplus. If the item is to be disposed of via yard sale or salvaged, the record in Banner will reflect the fate of the item. If another department wants an item, it will be delivered, and the item’s record will be transferred to the new department’s location; However, there is no mechanism in place to notify other departments of items available for reassignment in surplus.

The Legislative Auditor selected ten assets in the warehouse to determine if the assets could be located on the inventory record, if they had asset tags, and if there was supporting documentation for the items. We noted seven retired assets were unable to be located on the inventory record, three retired equipment inventory items did not have an asset tag affixed, and none of the ten retired assets selected were supported by proper retirement forms.

Without a log of the assets or documentation stating assets are in the Surplus department, the only way to know what is available is to physically inspect the items at the warehouse. Once an asset is placed in the surplus warehouse there is no way to verify, short of a physical inspection of the item, that it was ever located in the surplus area, thus increasing the likelihood of fraud, misuse, and abuse. Additionally, not notifying potentially interested internal parties that an asset is no longer utilized by a department and is available for reassignment is a potential waste of University funds if an item that could have been utilized elsewhere is disposed of.

### **Recommendation**

- 3. The Legislative Auditor recommends Marshall University modify its policies and procedures to ensure accurate recording and tracking of all assets deemed surplus that are transferred to the warehouse. Further, the University should develop a method of internal notification that ensures University personnel are aware of items available in the warehouse in order to have an opportunity to request the reassignment of an item before the disposal of the item.**

### **Marshall University Maintains Adequate Controls Over Firearms**

Marshall University owned firearms are not listed on the inventory record in Banner due to the cost of the firearms not meeting the \$5,000 threshold required for inclusion. As noted in the Post Audit report “Statewide Firearm Inventory Requirements” released April 30, 2019, the consequence of providing purchasing exemptions also exempted the requirement to track firearms for the exempted agency. While Marshall University is exempted from the requirement to inventory firearms Marshall University does maintain a centralized firearms inventory internally.

The internal inventory is maintained by the Department of Public Safety. Additionally, the Department of Public Safety determines the life of the weapons and trades them in for replacements with a distributor. Weapons always remain with the officers once the firearm has been assigned to the officer. Weapons that have not been assigned to an officer are secured in a locked storage room.

All firearms whether assigned to an officer or secured in storage were verified by serial number to the individual the weapon was assigned to and all weapons were accounted for and secured.

### **Conclusion**

According to the Association of Certified Fraud Examiners, asset misappropriation is the most common type of fraud that occurs, and theft of non-cash assets ranked among the most common and costliest misappropriation schemes. Additionally, internal control weaknesses were responsible for half of all frauds, regardless of type. Non-cash assets with an acquisition cost below \$5,000 such as laptops, cameras, and tablets are inherently more susceptible to fraud, misuse and abuse, given the usually transient and portable nature of the assets. To properly safeguard such high-risk assets, special consideration when developing internal control policies and procedures is generally required.

Creating and maintaining accurate inventory information for accurate physical inventory counts is only one factor to consider in improving the reliability and accuracy of inventory records. The ability to efficiently acquire, manage and distribute inventory is critical to an efficient operation while controlling costs. A proper inventory accountability requires records be detailed, accurate, and complete through the lifecycle of an asset. This reduces the risk of fraud, misuse and abuse, as well as preventing the unnecessary purchases of items potentially already available for use.

Given that the internal controls established in Marshall University's inventory policy do not adequately protect assets with a high-risk of fraud, misuse and abuse, the incomplete and inaccurate inventory information maintained in the Banner Fixed Asset Module, and the inefficient surplus property procedures, the Legislative Auditor determined Marshall University's inventory management system to be ineffective at monitoring and protecting state assets from potential misappropriation.

Based on this conclusion, the Legislative Auditor makes the following recommendations:

### **Recommendations**

1. The Legislative Auditor recommends Marshall University improve its inventory requirements for assets below the \$5,000 threshold, including non-capital assets such as computers, laptops, and other high-risk items, that properly safeguard those assets from fraud, misuse, and abuse. Those requirements should also provide a mechanism that would require inclusion of those non-capital and high-risk assets in the University's inventory listing.

2. The Legislative Auditor recommends Marshall University modify its inventory policies and procedures to ensure the physical location of an asset is accurate and properly recorded and increase administrative oversight to ensure all pertinent identifying information is accurately recorded in the Banner Fixed Asset Module.
3. The Legislative Auditor recommends Marshall University modify its policies and procedures to ensure accurate recording and tracking of all assets deemed surplus that are transferred to the warehouse. Further, the University should develop a method of internal notification that ensures University personnel are aware of items available in the warehouse in order to have an opportunity to request the reassignment of an item before the disposal of the item.

## Appendix A

### WEST VIRGINIA LEGISLATIVE AUDITOR'S OFFICE

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(304) 347-4880



**Justin Robinson**  
**Director**

June 7, 2019

Cathy Lawson, Administrative Assistant Sr.  
Marshall University  
One John Marshall Drive  
Huntington, WV, 25755

Dear Ms. Lawson:

This is to transmit a draft copy of the Post Audit Division's report on Marshall University's inventory management. We anticipate this report to be presented to the Post Audits Subcommittee during the June interim meetings. A date and time for this meeting has not been set, however those interim meetings are currently scheduled for June 17-18, 2019. Once a time and date is set, we will contact you and provide that information. We recommend that a representative from your agency be present at the meeting to respond to the report and answer any questions committee members may have during or after the meeting.

If you wish to have an exit conference to discuss this report, please contact Terri Stowers at (304) 347-4880 to schedule a meeting for a time and date no later than Friday, June 14, 2019. In addition, if you wish to provide a written response to be included in the final report, we ask that this be provided to us by the close of business on Friday, June 14, 2019. If you have any questions or concerns, please feel free to contact me. Thank you for your cooperation.

Sincerely,

A handwritten signature in blue ink that reads "Justin Robinson".

Justin Robinson  
Director

C. Mark Robinson, Chief Financial Officer, Marshall University

## Appendix B

### **Objective, Scope, and Methodology**

The Post Audit Division with the Office of the Legislative Auditor conducted this review as authorized by Chapter 4, Article 2, Section 5 of the West Virginia Code, as amended.

#### **Objective**

The objective of this audit was to determine if internal controls over the lifecycle of equipment and furnishings are operating correctly and provide adequate safeguards to deter fraud, waste, and abuse of state property.

#### **Scope**

The scope of this audit encompasses the current inventory of Marshall University. Multiple tests were conducted utilizing inventory record documentation, retired assets, purchasing documentation for fiscal years 2017 and 2018, receiving reports and a physical walk-through to determine the accuracy of inventory documentation and security.

#### **Methodology**

Marshall University's policies and procedures were reviewed to determine if there are weaknesses with internal controls within the receiving, inventorying, surplus property, and security processes.

Marshall University's inventory record was reviewed to determine if it is structured as Marshall's internal policies require. FY 2017 and FY 2018 purchasing documentation from wvOASIS was reviewed to determine which of the assets purchased are reportable assets according to Marshall's internal policies and determined if the assets were incorporated in Marshall's inventory record.

Marshall University's current inventory record was used to develop a sample in order to conduct an inventory trace. The sample chosen provided a 95% confidence level. In conducting the inventory trace, we followed the asset tag number and determined if the information on the inventory record is accurate in regard to the location and description of the assets. A review was also conducted to determine if each asset had the correct asset tag attached.

During the physical walk-through, a reverse trace was conducted where ten items were randomly selected, recording vital information, to trace back to the inventory record to confirm that all of those items had been recorded as required by Marshall's internal policies.

Additionally, a reverse trace was conducted for ten randomly selected items from the University's Surplus Department to determine if assets were documented as being in the Surplus department, and we verified that asset tags were attached. We also requested the documentation for surplus assets to verify that proper record-keeping is being performed and maintained.

Finally, a firearms inventory trace was conducted to verify that the firearms were where the inventory record stated they were to be located and that they were secured.



Senior Vice President for Operations

June 14, 2019

Justin Robinson  
Director  
West Virginia Legislative Auditor's Office  
1900 Kanawha Blvd. East, Room W 329  
Charleston, WV 25305-0610

Dear Mr. Robinson:

Thank you for providing the June 7, 2019 draft of the Post Audit Division's recommendations on Marshall University's inventory management. As a public institution, we take seriously both the need to be good stewards of public dollars and the need to maintain an accurate inventory of our equipment. While the University complies with policies set forth by the Marshall University Board of Governors, allowable by WV Code §18B-1-6(a), (1) and (2), we are committed to addressing the deficiencies highlighted in the recommendations and are appreciative of the division's suggestions to improve our operating processes.

Additionally, we found value in the opportunity to meet with you and other professionals from the Post Audit Division on June 13, 2019, to discuss your findings and recommendations. We applaud the professionalism exhibited during the exit conference and throughout the audit process. The insights provided will be beneficial as Marshall University pursues best practices in maintaining an accurate inventory of University equipment.

The University will have representatives present from the administrative leadership team to attend and respond to any questions posed by the Post Audit Subcommittee at their June 18<sup>th</sup> meeting.

If there are any additional questions or comments, please feel free to contact me. Thank you for the opportunity to respond to the Post Audit Division's recommendations.

Sincerely,

Brandi D. Jacobs-Jones  
Chief of Staff/ Senior Vice President for Operations

cc: Jerome A. Gilbert, Ph.D., President  
Travis Bailey, Director of Physical Plant  
Perry Chaffin, Director of Audits  
Jody Perry, Executive Director, Technology Services  
Mark Robinson, Chief Financial Officer and Senior Vice President for Finance  
Carol Stinson, Director of Accounting

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**Marshall University Responses to  
Legislative Post Audit Division Findings on Inventory Management**

**Legislative Auditor Recommendation #1:**

Legislative Auditor recommends Marshall University improve its inventory requirements for assets below the \$5,000 threshold, including non-capital assets such as computers, laptops, and other high-risk items, that properly safeguard those assets from fraud, misuse, and abuse. Those requirements should also provide a mechanism that would require the inclusion of those non-capital and high-risk assets in the University's inventory listing.

**Marshall University Response:** Marshall University agrees with the need to safeguard equipment below the \$5,000 threshold that is in place for financial accounting and reporting purposes. During Fiscal Year 2016 the University started tracking all IT assets using Quest's KACE hardware/software system. KACE tracks and collects data on all assets whether in our network or an outside network regardless of asset's physical location. Although this is a well established system, the University is committed to ensuring that the practice of managing IT related assets is reflected in the University's written inventory asset management procedures. For non-IT, related assets the University will work to develop a more comprehensive equipment tracking system, either within or independent from the current inventory control system

**Legislative Auditor Recommendation #2:**

The Legislative Auditor recommends Marshall University modify its inventory policies and procedures to ensure the physical location of an asset is accurate and properly recorded and increase administrative oversight to ensure all pertinent identifying information is accurately recorded in the Banner Fixed Asset Module.

**Marshall University Response:**

Marshall University agrees that accurate recording of the physical location and other unique identifying information for equipment in the Banner system is important. The Institution will continue to work to improve controls and procedures in this area.

On December 5, 2018, a seven-person committee began working to revisit the Internal Control procedures concerning equipment records maintenance, and to improve our utilization of the Banner System Fixed Asset module. This committee is comprised of members from the Finance and Central Receiving areas, with input and consultation from the departments of Accounts Payable and Purchasing. Due to turnover in key positions dealing with the equipment recordkeeping processes, senior management deemed the creation of this group and its bi-weekly meetings

necessary. Some successes of the work group entail internal training of staff; adoption of the Information Interface within the University's administrative software, Banner; modified procedures for Purchase Card transactions for equipment; and strengthening of procedures to prospectively obtain comprehensive information on each asset in the inventory.

**Legislative Auditor Recommendation #3**

The Legislative Auditor recommends Marshall University modify its policies and procedures to ensure accurate recording and tracking of all assets deemed surplus that is transferred to the warehouse. Further, the University should develop a method of internal notification that ensures University personnel are aware of items available in the warehouse in order to have an opportunity to request the reassignment of an item before the disposal of the item.

**Marshall University Response:**

Marshall University agrees that accurate tracking, reporting, and internal notification of assets deemed surplus is important. The Institution will work to improve the procedures in this area and to incorporate the suggestions outlined in this audit report.





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JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
WEST VIRGINIA OFFICE OF THE LEGISLATIVE AUDITOR  
- POST AUDIT DIVISION -

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