



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Office of Collective Bargaining's Controls over Its Inventory of Computers and Related Equipment

MH18-068A

May 29, 2018

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

May 29, 2018

To the Residents of the City of New York:

My office has audited the Office of Collective Bargaining (OCB) to determine whether it maintains adequate controls over its inventory of computers and related equipment. We conduct audits such as this to determine whether agencies adequately monitor, safeguard and adhere to requirements governing computer-related assets.

This audit found that OCB has adequate controls related to its physically safeguarding and relinquishing the computers and related equipment in its inventory. However, the audit found deficiencies in OCB's controls over its inventory of computers and related equipment. OCB's inventory records were not consistently accurate in that its inventory list included equipment that was no longer in the agency's possession, excluded equipment that was in the agency's possession at the time of our count, recorded several items more than once, and recorded incorrect serial numbers and tag numbers for some of the equipment. In addition, the audit found that OCB does not maintain any supporting documentation as evidence that its annual inventory counts were performed. The audit also found that not all of OCB's identification tag numbers were accounted for.

Based on the audit findings, the audit made six recommendations, including that OCB adhere to applicable inventory standards and ensure that its computers and related inventory records are complete and consistently accurate; that OCB perform and document an annual inventory count of its entire inventory of computers and related equipment in accordance with applicable standards; and that OCB ensure that identification tags are issued in sequential order.

The results of the audit have been discussed with OCB officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please email my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Office of Collective Bargaining's Controls over Its Inventory of Computers and Related Equipment

MH18-068A

EXECUTIVE SUMMARY

We conducted this audit to determine whether the New York City (City) Office of Collective Bargaining (OCB) maintains adequate controls over its inventory of computers and related equipment.

OCB is an independent, non-mayoral agency established in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB is authorized by the City Charter to resolve questions concerning union representation and to adjudicate issues concerning collective bargaining, retaliation, or discrimination based on union activity and the union's duty of fair representation.

OCB maintains an inventory list of the agency's computers and related equipment in a Microsoft Excel file. Computers and related equipment purchased by OCB, such as desktops, laptops, monitors, tablets, projectors, printers, and smart TVs, are identified in the City's Financial Management System (FMS) under object code 332 (Purchases of Data Processing Equipment). For Fiscal Years 2016 and 2017, OCB's expenditures for computers and related items was \$82,545.

Audit Findings and Conclusion

This audit found deficiencies in OCB's controls over its inventory of computers and related equipment. OCB's inventory records were not consistently accurate in that its inventory list included equipment that was no longer in the agency's possession, excluded equipment that was in the agency's possession at the time of our count, recorded several items more than once, and recorded incorrect serial numbers and tag numbers for some of the equipment. Further, although OCB informed us that it conducts inventory counts at least once each year, the agency did not maintain any supporting documentation, such as "count sheets," and consequently we could not verify that such counts were conducted. We also found that not all tag numbers were accounted for, which diminishes their effectiveness as a control mechanism.

At the same time, the audit found that OCB has adequate controls relating to physically safeguarding the computers and related equipment in its inventory. All entrances and exits to the office are under constant camera surveillance, and staff areas are only accessible via authorized key cards. OCB also has automated asset tracking systems that enable the agency to track items' locations and identify them using their serial numbers. The audit also found that OCB had adequate controls over the relinquishment of obsolete items.

Audit Recommendations

Based on our findings, we make six recommendations, including the following:

- OCB should adhere to the DOI Standards and ensure that its computers and related inventory records are complete and consistently accurate.
- OCB should perform and document an annual inventory count of its entire inventory of computers and related equipment in accordance with the DOI Standards.
- OCB should ensure that it issues its identification tags in sequential order, one roll at a time, when tagging its computers and related equipment.

Agency Response

OCB agreed with and stated that they implemented all six of the audit's recommendations.

AUDIT REPORT

Background

OCB is an independent, non-mayoral agency established in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB is authorized by the City Charter to resolve questions concerning union representation and to adjudicate issues concerning collective bargaining, retaliation, or discrimination based on union activity and the union's duty of fair representation.

OCB maintains an inventory list of the agency's computers and related equipment in a Microsoft Excel file. Computers and related equipment purchased by OCB, such as desktops, laptops, monitors, tablets, projectors, printers, and smart TVs, are identified in FMS under budget code 332 (Purchases of Data Processing Equipment). For Fiscal Years 2016 and 2017, OCB's expenditures for computers and related items was \$82,545.

Objective

The objective of this audit was to determine whether OCB maintains adequate controls over its inventory of computers and related equipment.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2015 through February 2018. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

Discussion of Audit Results with OCB

The matters covered in the audit were discussed with OCB officials during and at the conclusion of this audit. A preliminary draft report was sent to OCB and discussed at an exit conference held on April 30, 2018. On May 9, 2018, we submitted a draft report to OCB with a request for comments. We received a written response from OCB on May 22, 2018.

OCB agreed with and stated that they implemented all six of the audit's recommendations. The full text of OCB's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

This audit found deficiencies in OCB's controls over its inventory of computers and related equipment. OCB's inventory records were not consistently accurate in that its inventory list included equipment that was no longer in the agency's possession, excluded equipment that was in the agency's possession at the time of our count, recorded several items more than once, and recorded incorrect serial numbers and tag numbers for some of the equipment. Further, although OCB informed us that it conducts inventory counts at least once each year, the agency did not maintain any supporting documentation, such as "count sheets," and consequently we could not verify that such counts were conducted. We also found that not all tag numbers were accounted for, which diminishes their effectiveness as a control mechanism.

At the same time, the audit found that OCB has adequate controls relating to physically safeguarding the computers and related equipment in its inventory. All entrances and exits to the office are under constant camera surveillance, and staff areas are only accessible via authorized key cards. OCB also has automated asset tracking systems that enable the agency to track items' locations and identify them using their serial numbers. The audit also found that OCB had adequate controls over the relinquishment of obsolete items.

Finally, under other matters, we found that OCB does not adequately monitor the use of its cell phone services.

These weaknesses are discussed in more detail in the following sections of this report.

Inaccuracies in OCB's Computer Inventory Records

Our review found that OCB's inventory records reflected multiple errors and omissions. Specifically, we found that the records omitted some items in the agency's custody while listing other items that had been relinquished. We also found some items listed more than once and others for which incorrect serial and tag numbers were recorded. According to the Department of Investigation's *Standards for Inventory Control and Management* (DOI Standards), an agency should maintain a complete inventory record that identifies all additions to and deletions from the inventory. The DOI Standards go on to say that an inventory count must be conducted annually to ensure the accuracy of the inventory records. Furthermore, OCB's own written inventory procedures require the agency to properly update its inventory record upon the receipt, transfer, or storage of computers and related equipment.

On August 17, 2017, OCB provided us with inventory lists of its computers and related items. Those lists indicated that 207 items, including computers, monitors, printers, laptops, tablets, cell phones and other related equipment were in OCB's inventory. The list of 207 items, however, included 9 duplicate entries—items that were listed twice—and 15 items that had been relinquished and should have been removed from the inventory list. We notified OCB of those inaccuracies. Thereafter, before conducting our inventory counts on December 15, 2017 and January 12, 2018, we received an updated inventory list from OCB on December 13, 2017, which indicated that 178 items were in its inventory. OCB's updated list included two items that had been erroneously excluded from its previous list, but it also contained two duplicate entries remaining from the August 17, 2017 inventory list. Adjusting for those errors, the updated inventory record listed 176 computers and related items.

We were able to locate all 176 items during our count. However, we found that 12 serial numbers and 15 tag numbers recorded in the inventory records—relating to a total of 27 items—did not match the numbers found on the items themselves. In addition, our review of OCB's purchases of computers and related equipment for Fiscal Years 2016 and 2017, as well as the agency's inventory tracking system, known as LAN Sweeper, revealed that the inventory lists that OCB provided omitted certain computer-related items that were in the agency's custody.

OCB officials informed us that they had excluded a total of 12 items, consisting of 2 external hard drives, 2 digital cameras, 6 security surveillance cameras, and 2 access points,¹ because they did not consider them to be computer-related items warranting inclusion in the agency's inventory records. However, we note that the items purchased by OCB, during Fiscal Years 2016 and 2017, were procured under FMS object codes 332 and 199, which were for Data Processing Equipment and Data Processing Supplies (personal computers, video display terminals, printers and all supplies associated with the operation of this equipment). Accordingly, if OCB purchased them under these codes then they should have considered them as computers or computer-related items. Pursuant to the DOI Standards, agencies are required to "track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, [and] date issued."

OCB officials stated that they conduct inventory counts at least once a year. However, because OCB does not maintain any supporting documentation of those counts, such as "count sheets," we are unable to verify that the counts were conducted. Performing and documenting periodic inventory counts is an essential control to help ensure that discrepancies in the records and the physical inventory are promptly identified, investigated and corrected, as prescribed by the DOI Standards.

OCB officials stated that they monitor the agency's computers and related equipment inventory on a continuous basis with the use of their inventory tracking system—LAN Sweeper, which is used to track equipment on OCB's network, such as monitors, computers, and printers. When a device is powered up, the network will attach to it and report its presence to LAN Sweeper. In addition, the agency installed LoJack on all of OCB's portable computers (e.g., laptops, tablets) and related equipment. LoJack is a program, which allows a device to be found wherever it is. (OCB does have some stationary equipment, which is not currently being used, that is not tracked by either of those programs.)

These tracking features are effective only to the degree that the inventory records accurately reflect those items that are in the agency's custody. Errors and omissions in the agency's inventory records, such as those described above, increase the risk that theft and misappropriation of its computers and related equipment could occur and go undetected.

Missing Identification Tags

According to the DOI Standards, an agency is responsible for assigning and affixing sturdy property identification tags with a sequential internal control number to items of significant value.

However, we found that while OCB uses identification tags with unique sequential numbers, an accounting of those identification tags found in OCB's inventory records revealed gaps in what should have been an uninterrupted sequential order. When we reviewed OCB's inventory

¹ An access point is a device that creates a wireless local area network, usually in an office or large building. These two access points were purchased and installed by DoITT for OCB.

records, its list of relinquished items, and the unassigned tags in its custody, we identified 42 gaps in the numbering sequence associated with four different tag rolls that had been used by OCB. These unexplained gaps resulted in OCB's inability to account for 407 (41 percent) combined tag numbers out of a potential 993 tag numbers. We were able to account for the remaining 586 tag numbers, which consisted of 404 unused numbered tags on the tag rolls that remained in OCB's custody, 167 numbered tags found on OCB's equipment, and 15 tag numbers found on OCB's list of relinquished items.

Based on interviews with OCB officials, we learned that the OCB official responsible for tagging computers and related equipment would select an identification tag from any one of the three rolls in his possession and not necessarily the next sequential number.

A failure to properly assign and track sequential property tag numbers nullifies the function of identification tags as a control mechanism. In the absence of sequentially-assigned property tag numbers, it is difficult to track and account for all computers and related equipment, especially those items that are relinquished or disposed of.

Recommendations

1. OCB should adhere to the DOI Standards and ensure that its computers and related inventory records are complete and consistently accurate.

OCB Response: "OCB has revised its inventory records so that they are currently accurate and complete."

2. OCB should perform and document an annual inventory count of its entire inventory of computers and related equipment in accordance with the DOI Standards.

OCB Response: "We have also developed an inventory count form that staff will complete annually. . . . In the future, OCB will take the recommended measures to document its annual inventory of its entire inventory of computers and computer-related equipment in accordance with the DOI Standards."

3. OCB should ensure that it issues its identification tags in sequential order, one roll at a time, when tagging its computers and related equipment.
4. OCB should consider maintaining a separate log to account for all tag numbers that have been assigned to its computers and related equipment.

OCB Response to Recommendations 3 and 4: "[W]e have ensured that inventory tags will be issued in sequential order, and have started to maintain a separate log to account for all tag numbers assigned to its computers and computer-related equipment."

Other Matters

Cell Phone Billing and Usage Not Adequately Monitored

The City's Department of Information Technology and Telecommunications (DoITT) is responsible for the procurement and coordination of City-issued mobile telephones and other wireless devices and services related to those devices for Mayoral agencies and other City entities. DoITT provides monthly wireless invoicing to all agency wireless coordinators. According to DoITT's *Citywide Policy on City-Owned Mobile Devices and Services*, agencies are responsible for reviewing the agency wireless usage information found in their invoices. In addition, agencies are required to maintain complete records of all mobile telephone or wireless device authorization requests, bills, assignments, inventories, reimbursements and all related correspondence.

However, OCB does not monitor the billing or usage associated with its cell phone service. According to OCB officials, the agency is unable to do so because it does not have access to DoITT's Telecom Portal to view OCB's invoices containing data usage information.² OCB's Director of Information Technology stated that he has since requested such access from DoITT. OCB has 10 active cell phone lines, 8 of which are assigned to cell phones issued to OCB personnel. The remaining two lines are spare lines for which there is no associated physical cell phone.

When we asked an OCB official what phones were associated with these spare phone lines, he told us that there was no physical cell phone that these phone lines were attached to. He stated that the agency needs access to the two spare lines for potential use in the event that a staff member who is not assigned a cell phone needs one for a work-related matter or an emergency. He claimed that the process, to access phone lines, is much faster through DoITT when you don't have to create a new account in order to obtain a phone number and in the case of an emergency, they can go directly to the vendor to obtain a phone. The monthly cost to retain these lines is approximately \$35 each (not including taxes and fees). Our review of documentation we received directly from DoITT for the period covering July 2016 through February 2018 revealed that these two lines were not used at any time during that 20-month period. The City paid \$1,400 for the two unused phone lines during that period. Based on the lack of activity for these two phone lines, it appears that OCB should consider whether keeping only one spare line would suffice for its purposes.

Failure to review payment and usage documentation relating to cell phone service limits OCB's monitoring capability, leading to an increased risk of misuse associated with its mobile devices or of the City's paying for services no longer needed.

Recommendations

5. OCB should obtain access to DoITT's Telecom Portal to view the monthly invoices for its mobile devices and any other documentation it needs to monitor the agency's mobile device usage in compliance with *DoITT's Citywide Policy on City-Owned Mobile Devices and Services*.

² The Telecom Portal, which is operated, managed, and administered by DoITT, enables agencies to view and manage the invoices and reimbursements associated with their cell phone lines.

OCB Response: “OCB obtained access to DoITT’s Telecom Portal to view monthly invoices for its mobile devices and has implemented a monitoring process.”

6. OCB should periodically re-evaluate its needs regarding the retention of spare phone lines and consider the cost of maintaining those lines in relation to the number of times they have been needed.

OCB Response: “OCB re-evaluated the retention of spare phone lines in accordance with the Draft Audit Report’s recommendation and will discontinue the use of one of the two spare phone lines, as recommended.”

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2015 through February 2018.

To obtain an understanding of the policies, procedures, and regulations for computers and related equipment used at OCB, we reviewed and used as criteria the following resources:

- Comptroller's Directive #1, *Principles of Internal Control*;
- Comptroller's Directive #18, *Guidelines for the Management, Protection, and Control of Agency Information and Information Processing Systems*;
- DOI's *Standards for Inventory Control and Management*;
- DoITT's *Operational Handbook for Asset Management*;
- DoITT's *Citywide Policy on City-Owned Mobile Devices and Services*;
- OCB's Computer Equipment Inventory Procedure from July 2016; and
- The Office of Surplus Activities' Policies and Procedures concerning relinquished items.

To further understand the process involved with OCB's inventorying of computers and related equipment we conducted interviews with OCB's Director of Administration and Director of Information Technology. We also conducted an interview with the Executive Assistant to the Director of Administration to gain a better understanding of the purchasing process for computers and related equipment at OCB. In addition, we reviewed a prior audit conducted by our office, *Audit Report on the Office of Collective Bargaining's Controls over Its Inventory of Computers and Computer-Related Equipment* (ME12-119A, issued February 15, 2013).

To determine whether the population recorded in OCB's inventory records was accurate and whether we could rely on those records, we performed inventory counts of OCB's computers and related equipment. To determine the total population of OCB computers and related equipment, we reviewed the following documentation:

- OCB's August 17, 2017, inventory listing of computers and related equipment including a cell phone listing as well as OCB's December 13, 2017, inventory listing of computers and related equipment;
- documentation detailing OCB's relinquishments for the period of July 1, 2015 through November 3, 2017 received directly from the Public Surplus Website;
- OCB's purchasing documents for Fiscal Years 2016 and 2017 of computers and related equipment; and
- an exported version of OCB's inventory tracking system known as LAN Sweeper for October 27, 2017.

We determined OCB's computer and related inventory population to be 176 by taking the 207 entries that were listed in the August 17, 2017 listing and subtracting the nine duplicate entries, 15 items that were relinquished prior to August 17, 2017, and nine items that were relinquished after August 17, 2017. We then added the two items that were found on December 13, 2017 list but not on the August 17, 2017 list.

To determine whether items may have been excluded from OCB's inventory listing of computers and related items, we conducted walkthroughs at OCB's office, reviewed OCB's purchase and payment documents relating to computers and related equipment during Fiscal Years 2016 and 2017, and reviewed an exported version of LAN Sweeper.

We reviewed 11 purchase orders for Fiscal Years 2016 and 2017 and determined whether there were any items that should be recorded on OCB's inventory spreadsheet and ascertained whether they were. For any items not listed, we attempted to locate them during our inventory count.

We also reviewed the computers and related equipment listed in LAN Sweeper, OCB's inventory tracking system, to determine whether there were any items that should have been recorded on OCB's inventory records that were not. We attempted to match the serial numbers of the 94 items recorded in LAN Sweeper to the serial numbers found in OCB's inventory listing of computers and related items. We asked OCB officials for an explanation for the six inconsistencies we found.

To determine whether OCB was able to account for its property identification tags, we reviewed OCB's most recent inventory list, the list of relinquished items, and the agency's rolls of unassigned tags to determine the range of the total number of tags available and determine whether any tags were unaccounted for.

To determine whether OCB's cell phone inventory listing contained all of the cell phones currently assigned to OCB staff, we contacted DoITT and requested documentation detailing all of the mobile devices assigned to OCB for the period of July 2016 through February 2018. In addition, we requested the total usage and service cost of each cell phone assigned to OCB for the aforementioned period.



OFFICE OF COLLECTIVE BARGAINING

May 21, 2018

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RE: Response to Draft Audit Report on the Office of Collective Bargaining's Controls Over Its Inventory of Computer and Computer-related Equipment

Dear Ms. Landa:

The OCB acknowledges and generally accepts the findings contained in the above-referenced Draft Audit Report, dated May 9, 2018.

As to the recommendations listed, OCB has already taken steps to comply with the listed errors and omissions on its inventory records. OCB has revised its inventory records so that they are currently accurate and complete. In doing so, we have ensured that inventory tags will be issued in sequential order, and have started to maintain a separate log to account for all tag numbers assigned to its computers and computer-related equipment. We have also developed an inventory count form that staff will complete annually. In addition, OCB obtained access to DoITT's Telecom Portal to view monthly invoices for its mobile devices and has implemented a monitoring process. Further, OCB re-evaluated the retention of spare phone lines in accordance with the Draft Audit Report's recommendation and will discontinue the use of one of the two spare phone lines, as recommended.

In the future, OCB will take the recommended measures to document its annual inventory of its entire inventory of computers and computer-related equipment in accordance with the DOI Standards. OCB also intends to continue to review its computer inventory procedures and policies to ensure that it is continually in compliance with all relevant policies and procedures.

We compliment the professionalism and courtesy of the audit team. If you or your audit team have any further questions or concerns regarding our response to the Draft Audit Report, please let me know.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Susan J. Panepento', is written over a horizontal line.

Susan J. Panepento
Director