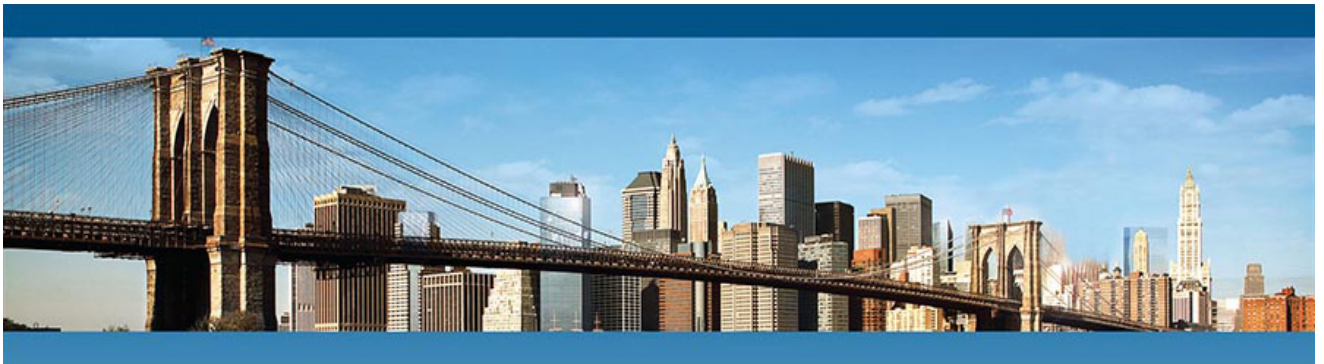




City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



MANAGEMENT AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Conflicts of Interest
Board's Controls over Its Inventory of
Computers and Related Equipment

MD19-083A

June 12, 2019

<http://comptroller.nyc.gov>



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

June 12, 2019

To the Residents of the City of New York:

My office has audited the Conflicts of Interest Board (COIB) to determine whether the agency has adequate controls in place over its inventory of computers and related equipment. We audit City operations such as this as a means of ensuring that agencies are accountable for City resources.

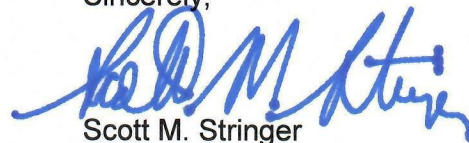
The audit concluded that the COIB needs to improve its controls over its inventory of computers and related equipment. The audit found that the COIB's inventory lists did not consistently identify all of its computers and related equipment and that its current list was missing some required information, including serial numbers for some items, the dates the items were issued, and the condition of the items. The auditors were also unable to verify whether all computers and related equipment items for a sample of purchases were recorded on the COIB's inventory list. In addition, the audit found that the COIB does not have an adequate segregation of duties with respect to its computer inventory, does not perform annual inventory counts as required, and has not established written policies and procedures for the accounting, safeguarding, and relinquishment of its computers and related equipment.

The audit made 10 recommendations including that the COIB should: (1) regularly review, reconcile, and update its inventory records to ensure that the information recorded is accurate; (2) ensure that all computers and related equipment items purchased are tagged and recorded on its inventory list; (3) conduct and document independent annual inventory counts of its computers and related equipment; (4) ensure that key tasks related to the inventory of computers and related equipment are adequately segregated or, if not feasible, institute compensating controls; and (5) develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment.

The results of the audit have been shared with COIB 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 e-mail my Audit Bureau at audit@comptroller.nyc.gov.

Sincerely,



Scott M. Stringer

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**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MANAGEMENT AUDIT**

**Audit Report on the Conflicts of Interest Board's
Controls over Its Inventory of Computers and Related
Equipment**

MD19-083A

EXECUTIVE SUMMARY

The Conflicts of Interest Board (COIB) is the independent New York City agency tasked with administering, enforcing, and interpreting Chapter 68 of the New York City Charter, the City's Conflicts of Interest Law, and the City's Financial Disclosure Law, set forth in section 12-110 of the City's Administrative Code. The COIB was established in 1990 under Chapter 68 of the City Charter, replacing the Board of Ethics. Through a combination of training, confidential advice, and enforcement, the COIB seeks to prevent ethics questions from becoming ethics problems for public servants. As part of its operation, the COIB is responsible for educating City employees regarding ethical standards and issuing advisory opinions. The COIB's five members are appointed by the Mayor, with the advice and consent of the City Council and serve staggered six-year terms.

During Fiscal Years 2016 through 2018, the COIB expended a net total of \$7,330,932, of which \$450,253 was for Other Than Personal Services (OTPS) items. Our review of the City's Financial Management System of OTPS expenditures during this period found that the COIB charged a total of \$38,968 to object code 3320 (Data Processing Equipment) and \$50,818 to object code 1990 (Data Processing Supplies)—totaling \$89,786.

The COIB's inventory of computers and related equipment is managed and tracked using Excel spreadsheets to capture item-specific information, including type, make/model, tag number, serial number, location, and to whom the item is assigned. As of January 30, 2019, the COIB's inventory list identified a total of 165 computers and related equipment items that were in use.¹

The objective of this audit was to determine whether the COIB has adequate controls in place over its inventory of computers and related equipment.

¹ The COIB's inventory list as of January 30, 2019 reflected a total of 643 items, consisting of computer-related and non-computer related items, including items that were salvaged. For audit testing and random selection purposes, we excluded items that were salvaged, non-computer related, or of inconsequential value (e.g., mouse devices), reducing the audit test population by 472 items. We also excluded an additional six items that were targeted for testing due to various reasons (e.g., duplicate tag numbers) described in more detail in the Detailed Scope and Methodology section of this report.

Audit Findings and Conclusion

The COIB needs to improve its controls over its inventory of computers and related equipment. Although we were able to account for the sampled computers and related equipment recorded on the COIB's inventory list, we found internal control and recordkeeping weaknesses that need to be addressed. The COIB's inventory lists did not consistently identify all of its computers and related equipment. Its current list was also missing some required information, including serial numbers for some items, the dates the items were issued, and the condition of the items, as prescribed by the New York City Department of Investigation's *Standards for Inventory Control and Management* (DOI Standards). We also were unable to verify whether all computers and related equipment items for a sample of purchases were recorded on the COIB's inventory list. In addition, we identified issues with the COIB's assignments of asset tag numbers to items; specifically, we found that tags were issued out of sequence, and certain tag numbers were unaccounted for. We also found that the COIB does not have an adequate segregation of duties with respect to its computer inventory and does not perform annual inventory counts as required.

We believe that many of the issues identified are due to the COIB's not having established written policies and procedures for the accounting, safeguarding, and relinquishment of its computers and related equipment.

Audit Recommendations

Based on the audit, we make 10 recommendations, including:

- The COIB should regularly review, reconcile, and update its inventory records to ensure that the information recorded is accurate.
- The COIB should ensure that an updated inventory list is maintained to record all of its computers and related equipment and that the list includes all of the required information for each item, such as the items serial number.
- The COIB should ensure that all computers and related equipment items purchased are tagged and recorded on its inventory list.
- The COIB should ensure that asset tag numbers are issued in sequential order and tracked and that any gaps in these numbers are investigated in a timely manner and the reasons for them adequately documented.
- The COIB should conduct and document independent annual inventory counts of its computers and related equipment.
- The COIB should ensure that key tasks related to the inventory of computers and related equipment are adequately segregated or, if segregation of responsibilities is not feasible, institute compensating controls.
- The COIB should develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment.

Agency Response

In its response, the COIB agreed to implement all 10 recommendations.

AUDIT REPORT

Background

The COIB is the independent New York City agency tasked with administering, enforcing, and interpreting Chapter 68 of the New York City Charter, the City's Conflicts of Interest Law, and the City's Financial Disclosure Law, set forth in section 12-110 of the City's Administrative Code. The COIB was established in 1990 under Chapter 68 of the City Charter, replacing the Board of Ethics. Through a combination of training, confidential advice, and enforcement, the COIB seeks to prevent ethics questions from becoming ethics problems for public servants. As part of its operation, the COIB is responsible for educating City employees regarding ethical standards and issuing advisory opinions. The COIB's five members are appointed by the Mayor, with the advice and consent of the City Council and serve staggered six-year terms.

During Fiscal Years 2016 through 2018, the COIB expended a net total of \$7,330,932, of which \$450,253 was for OTPS items. Our review of the City's Financial Management System of OTPS expenditures during this period found that the COIB charged a total of \$38,968 to object code 3320 (Data Processing Equipment) and \$50,818 to object code 1990 (Data Processing Supplies) —totaling \$89,786.

The COIB's inventory of computers and related equipment is managed and tracked using Excel spreadsheets to capture item-specific information, including type, make/model, tag number, serial number, location, and to whom the item is assigned. As of January 30, 2019, the COIB's inventory list identified a total of 165 computers and related equipment items that were in use.

Objective

To determine whether the COIB has adequate controls in place 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 scope period for the audit was July 1, 2016 through March 6, 2019.

Discussion of Audit Results with the COIB

The matters covered in this report were discussed with COIB officials during and at the conclusion of this audit. A preliminary draft report was sent to the COIB to be discussed at an exit conference. However, COIB officials elected to forgo an exit conference. On May 22, 2019 we submitted a

draft report to the COIB with a request for comments. We received a written response from the COIB on June 6, 2019. In its response, the COIB agreed to implement all 10 recommendations.

The full text of the COIB's response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The COIB needs to improve its controls over its inventory of computers and related equipment. Although we were able to account for the sampled computers and related equipment recorded on the COIB's inventory list, we found internal control and recordkeeping weaknesses that need to be addressed. The COIB's inventory lists did not consistently identify all of its computers and related equipment. Its current list was also missing some required information, including serial numbers for some items, the dates the items were issued, and the condition of the items, as prescribed by the DOI Standards. We also were unable to verify whether all computers and related equipment items for a sample of purchases were recorded on the COIB's inventory list. In addition, we identified issues with the COIB's assignments of asset tag numbers to items; specifically, we found that tags were issued out of sequence, and certain tag numbers were unaccounted for. We also found that the COIB does not have an adequate segregation of duties with respect to its computer inventory and does not perform annual inventory counts as required.

We believe that many of the issues identified are due to the COIB's not having established written policies and procedures for the accounting, safeguarding, and relinquishment of its computers and related equipment.

The details of our findings are discussed in the following sections of this report.

COIB's Inventory Record Weaknesses

Incomplete and Inaccurate Information Found in the COIB's Inventory Records

Section 28 of the DOI Standards require that

[p]ermanent records . . . [should be] maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued

In addition, as stated in the *Financial Integrity Statement Checklist*, issued under Comptroller's Directive #1, *Principles of Internal Control*,

inventory items require strong controls to ensure accurate record keeping and good security . . . detailed records [are] maintained for supplies and non-capital assets . . . positive identification is used to identify . . . equipment.

The inventory lists the COIB provided were incomplete and inaccurate. In response to our audit requests, the COIB provided us with multiple inventory and salvaged lists on December 20, 2018.² After we identified, and asked the COIB about gaps in the sequential tag numbers assigned to

² On December 20, 2018 the COIB provided us with an Excel spreadsheet entitled, *Technical Audit 2018*. This listing consisted of multiple tabs, each tab representing a category of items, such as: Server Room; Office PC; VoIP (Voice over Internet Protocol [desk phones]); Printers; Cell Phones; and Others. The COIB also provided us with an additional file entitled *Audit 2018 Salvage List* with seven tabs indicating the various categories of computers and related equipment that the agency had salvaged.

the listed items, COIB officials combined what had been multiple, separate logs for different categories of equipment into one file, which they provided to us on January 30, 2019. We used the updated, combined inventory list for our testing because it was the most current list. However, when we compared the multiple lists provided on December 20, 2018 with the updated inventory list provided on January 30, 2019, we noted a number of variances between them.

First, we found that 22 items that were not on the original lists appeared on the updated inventory list, including a printer, switches, network storage devices, and phones. The COIB stated that these items had not been previously tagged and were subsequently tagged and recorded on its updated inventory list.

In addition, the December 2018 lists included three items—two switches and a computer—that were not found on the updated January 2019 list. According to the COIB, these were old items not in use that were previously “discovered during an office clean-out,” and the COIB’s records indicate that these items had been salvaged. We also found three items that we targeted for testing because they were listed with duplicate asset tag numbers—numbers that were also assigned to other listed items. The duplication of asset tag numbers constitutes a discrepancy, in that each item should have its own unique asset tag number. According to COIB officials, two of the duplicate asset tag numbers reflected data entry errors, and they were unable to explain the remaining discrepancy. Finally, we identified four pairs of like items (two HP1320 printers, two HP M401DNE printers, two 3COM switches and two keyboards) where the items in each pair were listed with duplicate serial numbers, and a keyboard and a printer also listed with the same serial number. The COIB stated that incorrect serial numbers recorded for three of the items accounted for those discrepancies but was unable to explain the discrepancy for the switches and for the keyboard and printer.

We also found that some serial numbers were missing from the COIB’s updated inventory list. Of the 165 active items listed, 54 (33 percent) had no serial number documented on the updated list. Of the 54 items, the serial numbers for 48 items were documented in the original lists that the COIB provided. Further, we found that the COIB’s updated inventory list contained no entries indicating the date each item was issued or the condition of the item, as required by the DOI Standards.

Without the serial numbers, computer equipment purchased cannot be positively identified on the inventory list and reconciled with the purchasing records. In addition, the risk that purchased items may be replaced in inventory with older or inferior models, and that such replacements may go undetected, is increased.

Results of Auditors’ Physical Inventory Count

Although we were able to locate all 57 items sampled from the list and all 20 selected items from the office were recorded on the updated inventory list, we found that the COIB’s inventory records contained some minor discrepancies with regard to the location of the items and serial and model numbers. Specifically, we found the following:

- three items were in locations different than the ones listed on the records;
- three items had no model numbers recorded and
- one item was recorded with an incorrect serial number.

We also identified eight additional items with model numbers that did not reconcile with the numbers in the inventory list, as well as another six items with serial numbers that did not reconcile

with the numbers in the inventory list; however, these errors (e.g., a model number missing 1 to 3 characters and a serial number missing 1 of its 15 digits) appeared to be due to errors in the recording of the information.

The COIB did not ensure that it performed inventory counts and did not develop procedures for updating and reconciling equipment information to the information recorded on its inventory list.

The absence of complete and accurate inventory records reduces the COIB's ability to value its inventory for accounting purposes, determine whether items are eligible for relinquishment, and make prudent decisions when additional items need to be purchased. Errors in an agency's inventory records, such as those described above, also increase the risk that theft and misappropriation of its computers and related equipment could occur and go undetected.

Limited Assurance That Items Purchased Are Reflected on Inventory List

According to the DOI Standards, “[p]ermanent records . . . [should be] maintained, centrally, to track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance.”

However, we found that some newly purchased computer related equipment was not added to the COIB's inventory list, as required. Our review of a sample of the COIB's OTPS purchases from July 1, 2016 through June 30, 2018 revealed that 21 of the 63 items purchased were either computers or related equipment. We reviewed the COIB's inventory list to ascertain whether the items were included and found that four (19 percent) items were not listed on the inventory list—a camera, a camera lens, a phone, and a portable hard drive. When we asked about these items, The COIB provided us with the asset tag numbers it indicated were associated with them. However, the serial numbers on the invoices for three of the four items (camera, lens, and phone) did not match the serial numbers recorded on the inventory list for the asset tag numbers the COIB associated with them. In response to that observation, the COIB claimed that the serial numbers recorded on the purchase documents provided by the vendors for the three items were incorrect. However, officials provided no evidence that it contacted the vendors or took any other corrective action regarding these discrepancies, so we are unable to confirm their assertion. For the portable hard drive (the fourth item that had not been assigned a tag number), the COIB indicated that it will be added to the inventory list and tagged. We verified that this item was subsequently tagged and was added to the inventory list.

The COIB did not have a process in place to ensure that all items purchased were appropriately tagged and accurately recorded on the inventory list.

Failure to ensure that newly purchased equipment is accurately documented in the inventory records increases the risk of the items being misappropriated or stolen without detection. Further, we note that if items with incorrect serial numbers are determined to have deficiencies that would be covered under warranty, the COIB may have difficulty utilizing the warranty if the agency is unable to demonstrate that these were the items purchased as reflected in the purchase documents.

Recommendations

1. The COIB should regularly review, reconcile, and update its inventory records to ensure that the information recorded is accurate.
2. The COIB should ensure that an updated inventory list is maintained to record all of its computers and related equipment and that the list includes all of the required information for each item, such as the items' serial number.
3. The COIB should ensure that it accurately records the asset tag numbers assigned to each item.
4. The COIB should ensure that all computers and related equipment items purchased are tagged and recorded on its inventory list.
5. The COIB should ensure that it reconciles the purchased item's serial number with the serial number on the invoice for the item received. In instances when the serial number does not match, the COIB should notify the vendor and request a new invoice with the correct serial number. If the vendor is unable to provide a new invoice, then the COIB should indicate the correct serial number on the purchase documentation for the item received.

COIB Response: With regard to recommendations 1 through 5, the COIB stated, "COIB is implementing the ten recommendations made in the 2019 Audit."

Discrepancies Concerning Asset Tags

The DOI Standards state that "readable, sturdy property identification tags . . . with a sequential internal control number [should be] assigned and affixed to valuable items. An inventory log containing the internal control number assignments, updated to account for relocation, [should be] maintained."

However, we found that the COIB did not always issue asset tag numbers in sequential order. Our review of the COIB's updated inventory list, which included salvaged items, revealed nine gaps in the asset tag numbering sequence, encompassing a total of 19 missing/unaccounted for asset tag numbers. Further, of the 104 items on the inventory list that had purchase dates listed, we found four items purchased in 2011 for which the asset tag numbers (1135, 1159, 1161, and 1163) were lower than the asset tag numbers for 60 items (ranging from 1240-1443) that were purchased between 2005 and 2010. The COIB explained that some items were not tagged when they were originally purchased, an issue that the agency subsequently discovered, and that those items were then tagged and added to the inventory list, in some instances with estimated purchase dates.

Such identification tags, when properly issued, serve as an important additional control over the receipt and identification of items. Failure to properly assign asset tag numbers in sequential order and to track tag numbers nullifies the function of identification tags as a control mechanism. In the absence of adequate recordkeeping and assignment of sequential tag numbers, it is difficult for the COIB to monitor, track, and account for all computers and related equipment, especially those items that are relinquished or disposed of. In addition, the risk that computers and related equipment could be stolen or lost without detection is increased.

Recommendation

6. The COIB should ensure that asset tag numbers are issued in sequential order and tracked and that any gaps in these numbers are investigated in a timely manner and the reasons for them adequately documented.

COIB Response: “COIB is implementing the ten recommendations made in the 2019 Audit.”

No Annual Inventory Counts Performed

The DOI Standards state that

a count of all stored goods [should be] conducted at least once a year to ensure the accuracy of the perpetual inventory records. Physical inventory count totals [should be] compared with the perpetual inventory records. Auditors or those independent from the inventory operations investigate discrepancies before submitting reconciliation adjustments to management for approval.

Also, according to Comptroller’s Directive #1, *Principles of Internal Control*,

an agency must establish physical control to secure and safeguard vulnerable assets. Examples include . . . computers and other equipment, which might be vulnerable to risk of loss or unauthorized use. Periodic counting and comparison to control records for such assets is an important element of control of these assets.

However, the COIB does not perform annual inventory counts. The COIB officials stated that staff perform informal partial inventory counts when replacing computers and related items; however, they were unable to provide any evidence showing the dates of such counts, the names of the individual who conducted and oversaw them, or any other documentation reflecting such counts (such as count sheets).

Periodic inventory counts, properly documented, are an essential control to help ensure that discrepancies in the records and the physical inventory are promptly identified, investigated and corrected. When an agency does not regularly conduct independent physical inventory counts, it incurs an increased risk that items might be misappropriated or improperly disposed of without detection.

Recommendation

7. The COIB should conduct and document independent annual inventory counts of its computers and related equipment.

COIB Response: “COIB is implementing the ten recommendations made in the 2019 Audit.”

The COIB Did Not Maintain Evidence of the Destruction of Its Computer Hard Drives

Regarding sensitive information stored on salvaged computer equipment, the *Information Security Directive* issued by the City's Department of Information Technology & Telecommunications (DoITT) states that

City agencies must document the fact of destruction so that the agency can later demonstrate that the records were destroyed in accordance with standard procedures and that all legal requirements were met. . . . All information technology (IT) equipment must undergo a sanitization process appropriate to the classification of information stored within it prior to disposal or reuse. In particular, if the equipment is to be disposed of, the City agencies must remove the disk media and physically destroy the equipment.

The COIB provided us with records indicating that the hard drives for 20 computers were destroyed by an e-waste vendor on August 19, 2016. However, we identified another 12 computers on its updated inventory list that were salvaged (11 were salvaged on August 25, 2016 and one on May 30, 2018) for which the COIB was unable to provide evidence that the hard drives were destroyed or sanitized as required. The COIB stated that the hard drives were “erased manually in house by using DBAN destruction CD and low level formatting [tool].”³ However, they provided no supporting documentation such as the screenshots from these programs indicating that the hard drives had been wiped clean.

In the absence of evidence that its computer hard drives were destroyed, the COIB is hindered in demonstrating to interested parties that legal requirements were met and that there is no risk of disclosure of any sensitive information maintained on them.

Recommendation

8. The COIB should, when relinquishing items, ensure the physical destruction of the computer hard drives and maintain evidence of such.

COIB Response: “COIB has been advised by DoITT that the 2003 Directive is no longer in use; instead, DoITT has a ‘Digital Media Re-use and Disposal Policy,’ dated September 9, 2014. COIB will follow the guidelines articulated in the current DoITT policy. Otherwise, COIB is implementing the ten recommendations made in the 2019 Audit.”⁴

Lack of Segregation of Duties

According to Comptroller's Directive #1, *Principles of Internal Control*,

[k]ey duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating

³ Darik's Boot and Nuke (DBAN) is a free data destruction CD used to completely erase all the files on a hard drive. Low level formatting is a program used to delete all data on the hard drive.

⁴ The 2014 Digital Media Re-use and Disposal Policy requires, as did the prior policy, that all digital media undergo a data sanitization process prior to disposal or reuse and that data sanitization procedures be internally documented by each agency.

the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

In addition, the United States General Accounting Office's *Executive Guide, Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property* states that

adequate segregation of duties for the physical count process includes using personnel who do not have overlapping responsibilities in (1) custody or access to the inventory items for count, (2) recording transactions resulting from the count, and (3) authority for approving adjustments resulting from the count.

Our review disclosed that the individual responsible for maintaining the COIB's inventory list performed other key inventory-related tasks. Specifically, he is responsible for: (1) maintaining the pre-numbered inventory tags; (2) affixing the tag numbers to the items; (3) conducting limited informal inventory counts; (4) updating the inventory records; (5) maintaining and distributing the items; and (6) sometimes receiving the items. The COIB has not provided any evidence of any compensating controls (e.g., increased reviews of transactions at the supervisory or managerial level and formal independent inventory counts) to reduce the risk associated with the lack of segregation of duties.

This lack of segregation of duties combined with the absence of compensating controls creates an environment where the risk that errors and fraud can occur and go undetected is increased, since a number of the key mechanisms that would aid in identifying such instances are under the control of one individual.

Recommendation

9. The COIB should ensure that key tasks related to the inventory of computers and related equipment are adequately segregated or, if segregation of responsibilities is not feasible, institute compensating controls.

COIB Response: "COIB is implementing the ten recommendations made in the 2019 Audit."

Lack of Written Policies and Procedures for Managing Inventory of Computers and Related Equipment

According to the DOI Standards, agency management is required to ensure that policies and procedures are prepared (and distributed) that detail the agency's inventory control objectives, staff responsibilities, and inventory control methods, including the steps taken for the relinquishment of items determined to be obsolete.

However, the COIB has not developed written policies and procedures that provide guidance to the individuals responsible for managing the agency's inventory of computers and related equipment. Specifically, these procedures should include, at a minimum: how and when to perform inventory counts; an established dollar threshold for items to be tagged; the name of the employees responsible for tagging them; the types of information (such as model, serial, and asset tag numbers) that should be included on the inventory list; the steps for disposing of equipment, including the sanitization and destruction of computer hard drives; and the steps to be taken when an item is missing or stolen.

We believe that many of the issues identified throughout the report can be attributed to a large extent to the absence of written policies and procedures for staff to follow. Agency procedures are needed to, among other things, clearly define expectations of employees, provide a source of reference for employees to ensure they are meeting expectations, and help to ensure compliance with rules.

The absence of formal procedures can lead to staff confusion as to what their roles and responsibilities are concerning the safeguarding and tracking of the agency's computer-related assets. The lack of procedures also renders it more difficult to hold individuals accountable for their actions or failures to act.

Recommendation

10. The COIB should develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment.

COIB Response: "COIB is implementing the ten recommendations made in the 2019 Audit."

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 scope of the audit was July 1, 2016 through March 6, 2019.

In order to obtain an understanding of the COIB's controls over its inventory of computers and related equipment, we interviewed the Director of Information Technology, Director of Administration, and the Director of the Educational Training Unit regarding their inventory control duties and responsibilities.

To evaluate the controls over the COIB's management of computers and related equipment, we obtained and reviewed the following:

- The DOI Standards;
- Comptroller's Directive #1, *Internal Control Checklist* and *Principles of Internal Controls*;
- DOITT's *Information Security Policy*;
- *GAO Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property*; and
- The COIB's inventory, salvage, and cell phone records as of December 20, 2018 and the updated inventory list as of January 30, 2019.

To evaluate the accuracy and completeness of the COIB updated inventory list, we obtained an equipment inventory list from the COIB on January 30, 2019, which included 643 items, including computers, printers, laptops, and monitors and compared it to the inventory records provided on December 20, 2018. The 643 items consisted of computer-related and non-computer related items, including items that were salvaged. For audit testing and random selection purposes, we excluded items that were salvaged, non-computer related, or of inconsequential value (e.g., mouse devices), reducing the audit test population by 472 items. We also excluded an additional six items that were targeted for testing due to (1) the items being shared equipment; (2) items having duplicate tag numbers; and (3) items listed as both active and salvaged. Further, we reviewed the updated inventory list to determine whether the serial numbers, the date the items were issued and the condition of the item were recorded as required.

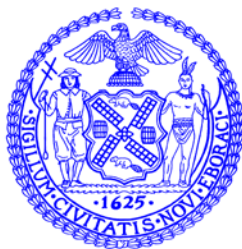
From the remaining 165 computer-related items, we randomly selected 50 items to determine whether they were located at the locations listed and whether the information for the items found matched the information recorded on the updated inventory list. We also judgmentally selected an additional 34 items: 20 items from 14 locations throughout the COIB's office; 7 cell phones; 2 items that were listed with duplicate tag numbers; 3 shared equipment items (a laptop and two external drives); and 2 items for which the status changed when comparing the December 20, 2018 and January 30, 2019 lists.

Based on the assertion of COIB officials that the asset tag numbers assigned to items that were tagged began with asset tag number 1000, we analyzed the updated inventory list as of January 30, 2019 to determine whether all of the assigned asset tag numbers issued by the COIB were accounted for, whether the numbers were issued sequentially, and whether duplicate tag numbers were used. In addition, we identified all items that had a status of “salvaged,” as reflected on the COIB’s inventory records, and reviewed related documentation to determine whether the items had in fact been disposed of and, if so, whether they had been disposed of in accordance with City procedures.

To determine whether computers and computer-related equipment purchased during Fiscal Years 2016 through 2018, as reflected in the City’s Financial Management System, were properly tagged and recorded in the COIB’s inventory records, we reviewed the documentation for 36 purchase packages consisting of 63 items purchased—21 of which were computers and related equipment.

To determine whether the agency performed annual physical inventory counts, we requested documentation of the agency’s annual inventory counts performed during the last three years.

The results of our tests, while not projectable to their respective populations, provided a reasonable basis for us to evaluate the COIB’s controls over the management of its inventory of computer and computer-related equipment.



CITY OF NEW YORK CONFLICTS OF INTEREST BOARD

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Richard Briffault
Chair

June 6, 2019

Fernando A. Bohorquez, Jr.
Board Member

Anthony Crowell
Board Member

Jeffrey D. Friedlander
Board Member

Erika Thomas
Board Member

Carolyn Lisa Miller
Executive Director

Ethan A. Carrier
General Counsel

Michele Weinstat
Director of Enforcement

Julia H. Lee
*Director of Annual
Disclosure &
Special Counsel*

Alex Kipp
*Director of Education &
Engagement*

Varuni Bhagwant
*Director of
Administration*

Derick Yu
*Director of Information
Technology*

BY E-MAIL

Marjorie Landa
Deputy Comptroller for Audit
New York City Office of the Comptroller
Municipal Building
One Centre Street, Room 1100
New York, New York 10007

Re: Audit Report on the Conflicts of Interest Board's Controls
Over Its Inventory of Computers and Related Equipment
MD19-083A

Dear Ms. Landa:

The Conflicts of Interest Board ("COIB") has reviewed the Comptroller's May 22, 2019, Draft Audit Report (the "2019 Report") on the Board's controls over its inventory of computers and related equipment.

The Comptroller's Office conducted an audit on the procurement and inventory practices of COIB, resulting in a report dated June 26, 2009 (the "2009 Report"). In its 2009 Report, the Comptroller's Office stated that COIB's "controls over inventory of computers and electronic equipment were adequate" (2009 Report at 8). Now, in the 2019 Report, the Comptroller's Office advises for the first time that COIB must follow the procedures outlined the New York City Department of Investigation "Standards for Inventory Control and Management," revised in July 1992 (2019 Report at 5, 7, 8, 9), and the New York City Department of Information Technology and Telecommunications (DoITT) Information Security Directive, dated April 29, 2003 (2019 Report at 9-10).

COIB has been advised by DoITT that the 2003 Directive is no longer in use; instead, DoITT has a "Digital Media Re-use and Disposal Policy," dated September 9, 2014. COIB will follow the guidelines articulated in the current DoITT policy. Otherwise, COIB is implementing the ten recommendations made in the 2019 Audit.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Carolyn Lisa Miller', with a stylized, cursive script.

Carolyn Lisa Miller
Executive Director