



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



AUDITS AND SPECIAL REPORTS

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the New York City
Campaign Finance Board's Controls
over Its Computer and Other Computer-
Related Equipment

SR17-077A

February 23, 2017

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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NEW YORK, NY 10007

SCOTT M. STRINGER
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February 23, 2017

To the Residents of the City of New York:

My office has audited the New York City Campaign Finance Board (CFB) to determine whether it is complying with certain inventory procedures as set forth in the Department of Investigation's (DOI) *Standards for Inventory Control and Management* and is maintaining effective internal controls over computer and computer-related equipment as required by New York City Comptroller's Directive #1. We audit City agencies such as the CFB as a means of increasing accountability and ensuring that City resources are used effectively, efficiently and in the best interest of the public.

The audit found that the CFB failed to adhere to DOI's *Standards for Inventory Control and Management* or to Comptroller's Directive #1. Overall, we found that the CFB's inventory records for office equipment were incomplete and inaccurate. While we were able to account for all 726 items listed in the CFB's inventory records, we identified 38 items purchased by the CFB that were physically located in the CFB's premises but not listed on its current inventory records. We also found 20 items that were not properly tagged. Thus, it appears that the CFB's inventory and inventory records have not been consistently and reliably updated to reflect the CFB's receipt of incoming items. We further identified one item that was purchased during Fiscal Year 2014 that could not be located during our visits to the CFB and that was not recorded on the inventory list. In addition, we found numerous instances of noncompliance with other inventory controls, including that the CFB failed to consistently record asset-control numbers and serial numbers, and that there were duplicate serial numbers and duplicate asset-control numbers in the CFB's records. Based on the inventory control weaknesses found during testing, we conclude that there is a potential risk of loss, misappropriation or theft.

Based on the audit, we made the following five recommendations to the CFB: (1) maintain complete and accurate records of all equipment; (2) update inventory records promptly and accurately when changes occur; (3) conduct an annual inventory count of all computer and computer-related equipment; (4) ensure that an annual inventory count of computer equipment is properly supervised; and (5) affix proper identification tags to all the electronic equipment and include a sequential internal control number.

The results of the audit have been discussed with CFB 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,

A handwritten signature in blue ink that reads "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER AUDITS AND SPECIAL REPORTS

Audit Report on the New York City Campaign Finance Board's Controls over Its Computer and Other Computer-Related Equipment

SR17-077A

EXECUTIVE SUMMARY

This audit of the New York City Campaign Finance Board (CFB) was conducted to determine whether the CFB is complying with certain inventory procedures as set forth in the Department of Investigation's (DOI) *Standards for Inventory Control and Management* and whether it is maintaining internal controls systems as required by the New York City Comptroller's Directive #1.

The CFB was established in 1988 as an independent, nonpartisan agency. It is charged with limiting the role and influence of private money in the political process, by matching small contributions with public matching funds to individuals running for public office. The CFB is also required to publish a voter guide and provide public disclosure of campaign finance information. Additionally, the CFB holds candidates accountable for using public funds responsibly by commencing post-election audits that could result in candidates having to repay the public funds received and additional penalties. It also publishes detailed public information about money raised and spent in city elections by candidates and independent spenders. The CFB also seeks to improve the voter experience by advocating for legislative changes to the registration and voting process.

Audit Findings and Conclusion

The CFB failed to adhere to DOI's *Standards for Inventory Control and Management* or to Comptroller's Directive #1. Overall, we found that the CFB's inventory records for office equipment were incomplete and inaccurate. While we were able to account for all 726 items listed in the CFB's inventory records, we identified 38 items purchased by the CFB that were physically located in the CFB's premises but not listed on its current inventory records. We also found 20 items that were not properly tagged. Thus, it appears that the CFB's inventory and inventory records have not been consistently and reliably updated to reflect CFB's receipt of incoming items. We further identified one item that was purchased during Fiscal Year 2014 that could not be located during our visits to the CFB and that was not recorded on the inventory list. In addition, we found numerous instances of noncompliance with other inventory controls, including that the

CFB failed to consistently record asset-control numbers and serial numbers, and that there were duplicate serial numbers and duplicate asset-control numbers in the CFB's records. Based on the inventory control weaknesses found during testing, we conclude that there is a potential risk of loss, misappropriation or theft.

Audit Recommendations

Based on the audit findings, we make the following five recommendations to the CFB:

1. Maintain complete and accurate records of all equipment in accordance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1.
2. Update its inventory records promptly and accurately when any inventory changes occur, including new purchases.
3. Conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items is properly recorded in the inventory records.
4. Ensure that the annual inventory count of computer equipment is properly supervised.
5. Affix proper identification tags marked "Property of the City of New York" to all electronic equipment items and include a sequential internal control number.

Agency Response

CFB officials agreed with the report's findings and recommendations and described steps it has taken or will take to implement the report's recommendations. Specifically, CFB officials stated, "Corrective actions have been taken to ensure that the deficiencies identified by the audit do not occur again. These corrective actions include revising our internal procedures, reassigning responsibility for inventory tasks, implementing a yearly audit process, and retraining staff on correct inventory procedures."

AUDIT REPORT

Background

The CFB was established in 1988. The independent, nonpartisan agency is charged with limiting the role and influence of private money in the political process, by matching small contributions with public matching funds to individuals running for public office. The CFB is also mandated to publish a voter guide and provide public disclosure of campaign finance information. Additionally, the CFB holds candidates accountable for using public funds responsibly by commencing post-election audits that could result in candidates having to repay the public funds received and additional penalties. It also publishes detailed public information about money raised and spent in city elections by candidates and independent spenders. The CFB also seeks to improve the voter experience by advocating for legislative changes to the registration and voting process.

From July 1, 2013 through June 30, 2016, the CFB spent approximately \$312,000 for electronic office equipment, such as computers, monitors, tablets and printers. Pursuant to Comptroller's Directive #1, all inventory items are required to have strong controls to ensure accurate recordkeeping. Further, DOI's *Standards for Inventory Control and Management* (the DOI Standards) set forth standards applicable to City agencies for the receipt, storage, distribution, and control of their inventories. Agencies are allowed to develop policies and procedures that are more stringent than DOI's but not less so.

Objectives

The objectives of this audit were to determine whether the CFB is: (1) complying with certain inventory procedures as set forth in the DOI Standards; and (2) maintaining internal control systems as required by the Comptroller's Directive #1.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. 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 this audit covered July 1, 2013, through December 5, 2016. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The findings in this report were discussed with CFB officials during and at the conclusion of this audit. A preliminary draft was sent to the CFB and was discussed at an exit conference held on January 27, 2017. On February 2, 2017, we submitted a draft report to the CFB with a request for comments. We received a written response from the CFB on February 16, 2017. In its

response, the CFB agreed with the report's findings and recommendations and described steps the office has taken or will take to implement the report's recommendations. Specifically, CFB officials stated, "Corrective actions have been taken to ensure that the deficiencies identified by the audit do not occur again. These corrective actions include revising our internal procedures, reassigning responsibility for inventory tasks, implementing a yearly audit process, and retraining staff on correct inventory procedures."

FINDINGS AND RECOMMENDATIONS

The audit found that the CFB failed to adhere to the DOI Standards or to Comptroller's Directive #1. Overall, we found that the CFB's inventory records for office equipment were incomplete and inaccurate. While we were able to account for all 726 items listed in the CFB's inventory records, we identified 38 items purchased by the CFB that were physically located in the CFB's premises but not listed on its current inventory records. We also found 20 items that were not properly tagged. Thus, it appears that the CFB's inventory and inventory records have not been consistently and reliably updated to reflect the CFB's receipt of incoming items. We further identified one item that was purchased during Fiscal Year 2014 that could not be located during our visits to the CFB and that was not recorded on the inventory list. In addition, we found numerous instances of noncompliance with other inventory controls, including that the CFB failed to consistently record asset-control numbers and serial numbers, and that there were duplicate serial numbers and duplicate asset-control numbers in the CFB's records. Based on the inventory control weaknesses found during testing, we conclude that there is a potential risk of loss, misappropriation or theft. These findings are described in detail below.

Incomplete and Inaccurate Inventory Records

Based on physical observations of all 726 computer and other computer-related equipment listed on the CFB's inventory list dated August 2016 as well as a review of the purchase documents of the 494 computer items purchased from July 1, 2013 through June 30, 2016 at a total cost of \$311,737, we found that the CFB did not maintain complete and accurate records as required by DOI's Standards. Specifically, we found that the CFB failed to include 38 items (10 computers, 16 monitors, 7 laptops, 3 printers, 1 television and 1 AV System) in its inventory records. In addition, we found that the CFB did not always include the item's agency control number and serial number on electronic equipment, as shown in the table below.

Section 28 of the DOI Standards requires that "[p]ermanent records are 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." Further, Section 18 of the DOI Standards states, "[a] count of all stored goods is conducted at least once a year to ensure the accuracy of the perpetual inventory records." Comptroller's Directive #1 states that all of the inventory items require strong controls to ensure accurate recordkeeping.

CFB officials said that they have not conducted an annual inventory count since May 2014. However, the DOI Standards require that such a count of office equipment be conducted at least once a year. The CFB's Director of Systems Administration stated that the Network Administrator conducts informal inventory checks on a regular basis, but no documentation was provided related to these checks or that reflected their results. Moreover a practice of periodic "inventory checks" is not a substitute for proper documentation of the receipt and disposal of inventory, as required by the DOI Standards.

In addition, any inventory checks that the CFB did conduct appear to have been inadequate since we found 38 items missing from the CFB's inventory records, 18 of which had been purchased as early as July 2013, more than three years before our audit observation. Had inventory checks been made any time after they were purchased and received, these 18 items should have been

identified, counted, and added to the existing inventory records.¹ The fact that none of these items is listed in CFB's inventory records appears to be the result of the CFB's failure to maintain a perpetual inventory system; all 18 of these items should have been included on relevant inventory lists.

Section 15 of the DOI Standards requires that "a perpetual inventory system is established to maintain an up-to-date count of all items in the inventory. A running balance of the goods on hand is maintained by the timely recording of the quantities of all incoming and outgoing orders." Moreover, properly supervised inventory checks should have ensured that any new purchases mistakenly omitted from the CFB's inventory records at the time of receipt would have been identified and subsequently added to the inventory list.

The following chart identifies the deficiencies we found in the CFB's inventory records:

Table I
Areas of Inventory Noncompliance
on Inventory List

CFB Inventory	Items Tested	Items Not Included on List	Items with the Same Tag # Reported on Inv. List	Items with Incorrect Serial No.	Items with the Incorrect Tag Number	Items with the same Tag number affixed	Items Lacking Tag Number on the Inventory List	Total Number of Discrepancies
Desktop and Laptops	645	32	20	17	11	13	23	116
Switches and Routers	27	0	4	3	1	3	0	11
Printers and Scanners	25	3	1	2	1	0	0	7
Servers	32	1	4	3	1	0	0	9
AV System	20	2	1	1	2	0	0	6
Mobile Devices	15	0	0	5	0	0	15	20
Total	764*	38	30	31	16	16	38	169

*764 comprises 726 items listed on the inventory list and 38 items not included.

¹ Of these 18 items not listed on the CFB's inventory records, 16 items (1 laptop, 9 computers and 6 monitors) were purchased during Fiscal Year 2014, and 2 monitors were purchased during Fiscal Year 2016.

Physical Inventory Does Not Comply with DOI Standards for Inventory Control and Management

We found that the CFB did not fully comply with the inventory controls required in the DOI Standards. Section 28 of the DOI Standards requires that “readable, sturdy property identification tags (reading ‘Property of the City of New York’) with a sequential internal control number are assigned and affixed to valuable items. An inventory log containing the internal control number assignments . . . is [to be] maintained.” However, we found that 20 items (18 computers, 1 monitor, and 1 television) lacked agency control number tags, which also identify the items as property of the City of New York. Seventeen of these items were reported on the inventory list, and three items were not on the list but were found during our inventory walkthrough.

The absence of appropriate identification markings will make the items more difficult to track if they are moved from their assigned locations or taken off the premises. Items without proper labels and numbers undercut the effectiveness of an inventory tracking system and increases the risk of theft. The CFB’s failure to comply increases the potential risk of loss, misappropriation, and theft.

Missing Equipment

During our visits to the CFB, we were unable to locate one monitor that was purchased during Fiscal Year 2014 at a cost of \$165. This monitor was received February 11, 2014. However, it was not included in the inventory list provided to us by the CFB. CFB officials stated that they did not know the location of the missing monitor.

Recommendations

The Campaign Finance Board should:

1. Maintain complete and accurate records of all equipment in accordance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1.

CFB Response: "Corrective Action: The Master Inventory list has been updated and reviewed by . . . [the] Chief of Staff, to ensure correctness. Since the audit process began we have developed processes and procedures for handling all inventory."

2. Update its inventory records promptly and accurately when any inventory changes occur, including new purchases.

CFB Response: "Corrective Action: Aside from establishing new procedures for handling all inventory, ensuring that all inventory records are now promptly and accurately updated when any changes occur, including new purchases, the administration of the inventory has been tasked to a person outside of the Administrative Services and Systems units to ensure proper controls."

3. Conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items is properly recorded in the inventory records.

CFB Response: "Corrective Action: The CFB has since conducted a full audit of all of its inventory against the findings of the audit. We have made all of the agreed upon corrections and have an up to date inventory. Moving forward the agency will conduct an annual audit in June, starting this year."

4. Ensure that the annual inventory count of computer equipment is properly supervised.

CFB Response: "Corrective Action: The Chief of Staff and administrative personnel will conduct the annual audit."

5. Affix proper identification tags marked "Property of the City of New York" to all electronic equipment items and include a sequential internal control number.

CFB Response: "Corrective Action: Procedures have been developed and implemented (please see attached) for the handling of all new equipment and property tags."

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. 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 of this audit covers July 1, 2013, through December 5, 2016.

To gain an understanding of the inventory procedures and regulations with which the CFB is required to comply, we reviewed relevant provisions of the DOI Standards and Comptroller's Directive #1: *Financial Integrity Statement* and Comptroller's Directive #1: *Principles of Internal Control*.

We interviewed the CFB's Chief of Staff, Director of Systems Administration and the Network Administrator. We conducted walkthroughs of the office to evaluate the controls in place and determine how physical assets are safeguarded.

Tests of Inventory Records

To determine whether the items listed on the CFB's inventory records were physically present, we reviewed the inventory records dated August 2016, selected all 726 computer and other computer-related equipment items present on the inventory list, and physically observed all equipment including computers, monitors, printers, scanners, laptops, fax machines, AV Systems and televisions at the CFB's office. During the inventory observations, which were conducted from November 14, 2016, through November 16, 2016, we also checked whether all items of computer equipment observed in the CFB's office were properly tagged as property of New York City and determined whether the items were listed in the CFB's inventory records. We also verified whether the inventory lists included the type of equipment, correct serial numbers, agency control number, and location. Finally, we ascertained whether non-consumable computer and other computer-related equipment items purchased during the audit period were properly recorded on the CFB's inventory list and were tagged as property of New York City.

During our observations at the office, we also observed and documented another 38 items (10 computers, 16 monitors, 7 laptops, 3 printers, 1 television and 1 AV System), which were not recorded on the CFB's inventory records.

We reviewed the purchase documents that the CFB used to purchase electronic equipment for Fiscal Years 2014 through 2017 to determine whether all 494 items purchased were properly recorded on either the inventory records and were purchased using correct object codes. We tested whether all 494 items were present at the CFB during the tests described in the preceding paragraph.



New York City Campaign Finance Board

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February 16, 2017

Ms. Marjorie Landa
Deputy Comptroller for Audit
Office of the Comptroller
1 Centre Street, Room 1100
New York, New York 10007

Dear Ms. Landa:

The Campaign Finance Board (“CFB”) has reviewed the Comptroller’s Draft Audit Report on the NYC Campaign Finance Board’s Controls over its Computer and Other Computer Related Equipment dated February 2, 2017. We would like to take this opportunity to thank the Comptroller’s Office for bringing to light a deficiency in the management of our equipment inventory. We take accountability very seriously and value the experience that the audit process has given us. As an agency, we were able to evaluate the controls we had in place and have made the needed corrections in compliance with the report’s recommendations. Please find responses to the corrective actions listed in the Preliminary Determination below.

Recommendation: Maintain complete and accurate records of all equipment in accordance with DOI’s *Standards for Inventory Control and Management* and Comptroller’s Directive #1.

Corrective Action: The Master Inventory list has been updated and reviewed by Kitty Chan, Chief of Staff, to ensure correctness. Since the audit process began we have developed processes and procedures for handling all inventory (please see attached), which was shared with the audit team.

Recommendation: Update its inventory records promptly and accurately when any inventory changes occur, including new purchases.

Corrective Action: Aside from establishing new procedures for handling all inventory, ensuring that all inventory records are now promptly and accurately updated when any changes occur, including new purchases, the administration of the inventory has been tasked to a person outside of the Administrative Services and Systems units to ensure proper controls.

Recommendation: Conduct an annual inventory count of all of its computer and computer related equipment, ensuring that accurate information regarding all such items is properly recorded in the inventory records.

Corrective Action: The CFB has since conducted a full audit of all of its inventory against the findings of the audit. We have made all of the agreed upon corrections and have an up to date inventory. Moving forward the agency will conduct an annual audit in June, starting this year.

Recommendation: Ensure that the annual inventory count of computer equipment is properly supervised.

Corrective Action: The Chief of Staff and administrative personnel will conduct the annual audit.

Recommendation: Affix proper identification tags marked "Property of the City of New York" to all electronic equipment items and include a sequential number control.

Corrective Action: Procedures have been developed and implemented (please see attached) for the handling of all new equipment and property tags.

In reviewing the findings of the audit, we have determined that several staff members were responsible for the events that led to the poor condition of the Master Inventory list. Corrective actions have been taken to ensure that the deficiencies identified by the audit do not occur again. These corrective actions include revising our internal procedures, reassigning responsibility for inventory tasks, implementing a yearly audit process, and retraining staff on correct inventory procedures. We thank the Comptroller's office for bringing these deficiencies to our attention.

The CFB strives to continuously improve its work practices and procedures. As such, I greatly appreciate the opportunity to fully participate in the audit process.

If you have any questions regarding our response please feel free to reach out to Ken O'Brien, Director of Systems, or Kitty Chan, Chief of Staff.

Sincerely,



Amy M. Loprest
Executive Director

Attachment