



City of New York

OFFICE OF THE COMPTROLLER

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MANAGEMENT AUDIT

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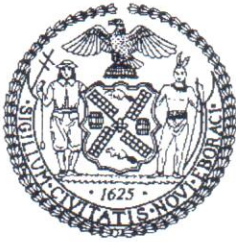
Deputy Comptroller for Audit

Follow-up Audit Report on the Controls
of the Department of Transportation
over City Disability Parking Permits

MD12-103F

November 29, 2012

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November 29, 2012

To the Residents of the City of New York:

My office has audited the Department of Transportation (DOT) to determine whether it has implemented the key recommendations made in the previous audit, *Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits* (Audit No. MD09-076A, issued February 5, 2010). We perform follow-up audits of City agencies as a means of ensuring that they operate efficiently and properly safeguard City funds and resources entrusted to them.

Of the 12 key recommendations made in the previous audit, the follow-up audit found that DOT implemented eight, partially implemented one, and did not implement one. For the remaining two, the current status of one recommendation could not be determined and one recommendation was no longer applicable.

The current follow-up audit disclosed that DOT has improved its controls over the issuance of City disability parking permits. However, the audit determined that DOT still does not conduct periodic physical inventory counts of all disability parking permit seal locations to ensure that its inventory records are accurate. In addition, there is no reconciliation between the number of seals given to its staff to finalize the disability parking permits with the actual number of permits finalized and mailed. Because there are no independent verifications that the number of seals distributed to the staff are all used to process permits, DOT has limited assurance that all seals are appropriately accounted for.

To address these issues, the audit recommended that DOT conduct periodic physical inventory counts of the working seals inventory to ensure that its inventory counts are accurate and that it conduct periodic reconciliations of the seals distributed to the staff each day to ensure that all seals are accounted for.

The results of the audit have been discussed with DOT 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,

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Follow-up Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits

MD12-103F

AUDIT REPORT IN BRIEF

The main function of the Department of Transportation (DOT) is to provide safe, efficient, and environmentally responsible movement of pedestrians, goods, and vehicular traffic on the streets, highways, bridges, and waterways of the City's transportation network. One of DOT's functions is the issuance of parking permits, which is performed by its Authorized Parking and Permits (AP&P) Division. The AP&P Division issues various types of parking permits, including parking permits for people with disabilities. DOT's Parking Permits for People with Disabilities (PPPD) unit, under the AP&P Division, is responsible for issuing parking permits for people with disabilities, including City disability parking permits.

To qualify for a City disability parking permit, individuals must submit an application to DOT, along with a certification by a personal physician, indicating a permanent disability that severely affects their ability to walk and requires the use of a private vehicle for transportation, which must also be certified by a New York City Health and Hospitals Corporation physician or other Department of Health and Mental Hygiene (DOHMH)-designated physician.

A prior audit report, *Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits* (Audit No. MD09-076A) issued in February 2010, found that DOT's controls over the issuance of disability parking permits were inadequate. We conducted this follow-up audit to determine whether DOT has implemented the 12 key recommendations made in the previous audit as well as the current implementation status of each of these recommendations.

Audit Findings and Conclusions

The follow-up audit disclosed that DOT has improved its controls over the issuance of City disability parking permits. Of the 12 key recommendations made in the previous audit, we found that DOT implemented eight, partially implemented one, and did not implement one. For the remaining two, the current status of one recommendation could not be determined and one recommendation was no longer applicable.

We determined that DOT does not conduct periodic physical inventory counts of the seals inventory stored at AP&P to ensure that its inventory records are accurate. Furthermore, we found that the PPPD unit does not reconcile the number of seals given to its staff to finalize the permits with the actual number of permits finalized and mailed. Because there are no independent verifications that the number of seals distributed to the staff are all used to process permits, DOT has limited assurance that all seals are appropriately accounted for.

Audit Recommendations

To address the issues that still exist, we recommend that DOT officials should:

- Conduct periodic physical inventory counts of the seals inventory stored at AP&P to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented.
- Conduct periodic reconciliations of the seals distributed to their staff each day with the printed permits that are mailed to ensure that all seals are accounted for.

Agency Response

In their response, DOT officials generally agreed with the audit's findings and recommendations.

INTRODUCTION

Background

The main function of DOT is to provide safe, efficient, and environmentally responsible movement of pedestrians, goods, and vehicular traffic on the streets, highways, bridges, and waterways of the City's transportation network. One of DOT's functions is the issuance of parking permits, which is performed by its AP&P Division. The AP&P Division issues various types of parking permits, including parking permits for people with disabilities, for clergy, for government agencies, and for not-for-profits.

DOT's PPPD unit, under the AP&P Division, is responsible for issuing parking permits for people with disabilities, including City disability parking permits. City disability parking permits allow people to park at most curbsides on City-owned streets, at parking meters without payment, and in areas where regular parking is prohibited, such as "No Standing Except Trucks Loading and Unloading" zones and all "No Parking" zones, except those marked as taxi stands. To qualify for a permit, individuals must submit an application to DOT, along with a certification by a personal physician, indicating a permanent disability that severely affects their ability to walk and requires the use of a private vehicle for transportation, which must also be certified by a New York City Health and Hospitals Corporation physician or other DOHMH-designated physician.

A prior audit report, *Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits* (Audit No. MD09-076A) issued in February 2010, found that DOT's controls over the issuance of disability parking permits were inadequate. We conducted this follow-up audit to determine whether DOT has implemented the 12 key recommendations made in the previous audit as well as the current implementation status of each of these recommendations. (See Appendix I for a complete list of the recommendations made in the prior audit report and whether they were addressed by this follow-up audit.)

Objective

The objective of the audit was to determine whether DOT implemented the key recommendations made in the prior audit report.

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 audit scope was January 1, 2010, through March 16, 2012. 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 matters covered in this report were discussed with DOT officials during and at the conclusion of this audit. A preliminary draft report was sent to DOT officials and discussed at an exit conference held on September 5, 2012. On September 17, 2012, we submitted a draft report to DOT officials with a request for comments. We received a written response from DOT officials on October 1, 2012. In their response, DOT officials generally agreed with the audit's findings and recommendations, stating that they were "pleased that the audit has noted improvements in DOT's controls over the issuance of the City disability parking permits."

The full text of the DOT response is included as an addendum to this report.

RESULTS OF FOLLOW-UP AUDIT

The follow-up audit disclosed that DOT has improved its controls over the issuance of City disability parking permits. Of the 12 key recommendations made in the previous audit, we found that DOT implemented eight, partially implemented one, and did not implement one. For the remaining two, the current status of one recommendation could not be determined and one recommendation was no longer applicable.

Previous Finding: “Inadequate Recordkeeping over the Inventory of Disability Parking Permit Seals”

The previous audit found that the PPPD unit did not maintain accurate inventory records of its disability parking permit seals (seals)¹. On the date of our count, the inventory records indicated that there were 49 rolls on hand, totaling 100,500 seals. However, we counted only 38 rolls for a total of 78,500 seals. Assuming that each missing roll contained 2,000 seals, the PPPD unit was unable to account for at least 22,000 seals (approximately 22 percent of the seals that DOT’s inventory records indicated should have been on hand).

Previous Recommendation #1: “Conduct an immediate investigation to determine the disposition of the 11 boxes of seals (totaling 22,000 disability parking permit seals) that were unaccounted for, as identified in this report.”

Previous DOT Response: “Authorized Parking and Permits (‘AP&P’) reconstructed their perpetual inventory records for both seals from July 3, 2007 through December 16, 2009 based on delivery receipts and issuances and found no discrepancy between the manual inventory record and the physical inventory on hand. On January 5, 2010, Parking’s Internal Security Unit which reports directly to Parking’s Assistant Commissioner conducted an investigation into the alleged discrepancy and concluded that ‘there is no evidence of any missing, misplaced, or misappropriated Disability Permit holographic seals.’ We believe that the alleged discrepancy was due to procedures for inventory record keeping at the time of the audit, rather than misuse, because we have tight physical security controls.”

Current Status: NOT IMPLEMENTED

We requested from DOT’s Internal Security Unit (ISU) a copy of the investigation results on the 11 boxes of missing seals cited in our prior audit report as well as a detailed description of the procedures performed to conduct the investigation and any supporting documents. We were only provided with a memorandum, dated January 11, 2010, from the former Director of ISU, stating that he conducted an investigation and detailing the results. However, DOT did not provide the requested supporting documentation that would enable us to evaluate the adequacy of his investigation.

Specifically, the former director stated in the above-mentioned memorandum that he obtained and analyzed “the Supply Inventory Input Sheets and both the hand written and computer generated inventories that . . . [AP&P used] . . . to track the storage and disbursement of the holographic seals for City Disability Permits” since their inception through the date of the audit.

¹ Disability parking permit seals are holographic seals that are placed on each City disability parking permit and are used to authenticate the permits.

However, he does not identify the particular computerized inventory record that he reviewed. During the course of the previous audit, we received two versions of AP&P's computerized inventory records. After we identified the aforementioned discrepancy during our physical inventory count in the previous audit, we learned that the Assistant Director of Records modified the computerized inventory records by inappropriately overriding the inventory balance (rather than taking the proper step of recording an adjusting entry to note the discrepancy). If this modified record was the document used by the former director in his investigation, it is to be expected that he would not find evidence of a discrepancy because the discrepancy had already been eliminated in the inventory record.

Further, the former director stated that a permit "would stand out as fraudulent should it lack the presence of both the Disability Permit holographic seal and the laminate with [the] embedded holographic seal." However, this is not true for temporary permits that are not processed using e-Permits. The temporary permits do receive a seal, but a plain laminate is used instead. Therefore, it is possible for a permit to appear valid with a seal alone without having the holographic laminate.

In the absence of documentation indicating the actual documents that the former director reviewed and the procedures he performed, we are unable to ascertain the appropriateness of DOT's conclusion that "there was no evidence of missing, misplaced or misappropriated Disability Permit holographic seals."

Previous Recommendation #2: "Ensure that inventory records of the disability parking permit seals are accurately maintained and that all seals and their storage location are included in its inventory records."

Previous DOT Response: "The inventory records currently maintained include all the parking permit seals on hand and their storage location. A log is now maintained where the AP&P Asst. Director signs when a roll of seals is issued. Additionally, the AP&P will have a 'working inventory' equivalent to two month's need that will be kept within the Unit. The rest, which is the bulk, of the inventory will be kept by the Internal Security Unit in the secure vault of the Meter Collection Facility. The SOP [Standard Operating Procedures] is being revised to incorporate the new inventory recordkeeping and safekeeping procedures to strengthen accountability."

Current Status: IMPLEMENTED

Our March 16, 2012, unannounced physical inventory count of the bulk inventory of seals at ISU and the working inventory of seals at AP&P found that the inventory records maintained by both units accurately reflected the number of unopened rolls of seals each unit had on hand. In addition, we determined that the number of seals that were on hand seemed reasonable based on our review of the various documents maintained by the ISU and AP&P to record the seal transactions, including purchases and issuances. (See Appendix II for the organizational chart of the Bureau of Parking and the associated seal-related documents maintained by each unit.)

Our review of the inventory records and the list of permits printed since the previous audit revealed an excess of more than 2,000 seals, which may be accounted for by the open rolls of seals that were in use by the PPPD unit at the time of our physical counts during the previous and current audit. Therefore, this difference is reasonable taking into consideration the two open rolls of seals in use. See Table I for the results of our analysis.

Table I
Results of Physical Count of Seals

Description	Number of Seals
Beginning Balance, as of 10/6/2009*	135,000
Add: Seals Purchased (from 10/6/2009 through 3/16/2012)	85,000
Total Number of Seals Available	220,000
Less: Number of Permits issued (from 10/6/2009 through 3/16/2012)	79,820
Expected Number of Seals Remaining	140,180
Physical Count of Seals	142,500
Difference	(2,320)

*The date of our physical inventory count conducted during the previous audit.

Previous Recommendation #3: “Conduct periodic physical inventory counts of the disability parking permit seals to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented.”

Previous DOT Response: “AP&P will revise its SOP to require that a semi annual inventory of all seals be conducted of working and bulk inventories. Senior AP&P staff will document the working inventory in writing while the Internal Security Unit will document the bulk inventory in writing as well. Completed inventory reports will be provided to the Assistant Commissioner and the Director of the Internal Security Unit within 30 days of completion. If any discrepancies are found, the AP&P Executive Director, for working inventory, and the Director of Security for bulk stock, must immediately notify the Assistant Commissioner of such occurrence for investigation.”

Current Status: PARTIALLY IMPLEMENTED

AP&P revised its Standard Operating Procedures (SOP) requiring that a semi-annual inventory count be conducted of the working and bulk inventories of seals. As of January 2010, AP&P only maintained a working inventory of seals, with the bulk stock of seals being maintained by ISU. According to the SOP, these inventories will be documented in writing by senior AP&P staff for the working inventory and the ISU staff will inventory the bulk stock. However, we found that this procedure was not being adhered to. Although we found that ISU has conducted quarterly inventory counts of the bulk inventory of seals it maintains, AP&P has not performed any inventory counts of the working inventory of seals it maintains.

In addition, we found that the PPPD unit does not reconcile the number of seals given to its staff to finalize the permits with the actual number of permits finalized and mailed. There are no independent verifications that the number of seals distributed to the staff are all used to process permits. Although the PPPD unit does maintain a seal log to record the daily seal distribution to its PPPD employees, there is no correlation between the number of seals given to its staff and the number of permits printed each day. PPPD does not reconcile the seals distributed to the staff on a given day with the printed permits that are mailed. Therefore, the log as presently used serves no apparent purpose, and DOT has limited assurance that all seals are appropriately accounted for.

Previous Recommendation #4: “Ensure that adjustments to inventory balances are made only after proper investigation, and that the adjustments are adequately justified, documented, and approved by management. Adjustments should be made by recording adjusting entries rather than by merely overwriting existing inventory figures.”

Previous DOT Response: “Any adjustments to inventory balances may only be made after the approval of the Executive Director of AP&P or his/her designee. Any such adjustments will only be made after the Internal Security Unit has conducted a thorough investigation.”

Current Status: UNABLE TO DETERMINE

AP&P modified its SOP requiring that all adjustments to inventory balances be approved by the AP&P Executive Director or designee and that ISU conduct a thorough investigation of any adjustments. However, we were unable to verify whether this procedure was being adhered to because no adjustments were made during the audit scope period.

Previous Recommendation #5: “Establish a realistic reorder point for when it is appropriate to replenish its inventory of seals.”

Previous DOT Response: “AP&P has established a reorder point of 40,000 when replenishment is warranted. As detailed to the auditors during the audit, the reason for the overstock of seals, was the anticipated delay in processing of medical appointments at Bellevue because one of the two doctors who conducted examinations for the PPPD program was to go on medical leave, which could have resulted in AP&P having to issue a large number of temporary permits. This anticipated delay never materialized and such temporary permits were not issued. An unintended positive benefit of our order was that AP&P received a discounted price due to its large order.”

Current Status: IMPLEMENTED

AP&P established a reorder point of 40,000 seals and revised its SOP to include this reorder point. In January 2012, however, AP&P purchased 85,000 City disability parking permit seals when there were at least 57,500 seals in inventory, an excess of 17,500 seals over the established reorder point. When we inquired about the reason for the purchase, a DOT official informed us that the seals were purchased as part of a citywide Mayoral initiative which involved DOT redesigning and streamlining the permits. As a result of the initiative, we were informed that the existing red seals would be replaced by green seals to mirror the DOT logo. This initiative was intended to take effect during the first quarter of 2012, but had not begun as of August 2012.

We requested further information regarding the details of the citywide Mayoral initiative and its anticipated effective date, but DOT provided no additional details or documentation describing this initiative. A DOT official merely responded that the permit is not being redesigned and that DOT is discussing with NYPD the possibility of updating its permits. Therefore, we are unable to verify whether the seal purchase was warranted at the time. According to a DOT official, as of August 8, 2012, the new seals purchased by DOT had not been opened. The official anticipates that the agency will start using the seals in November 2012.

Previous Finding: “Inadequate Monitoring of the Issuance of Permits”

The previous audit found that DOT did not effectively monitor the permit issuance processes. DOT had inadequate procedures for ensuring that all permits issued were legitimate and was unable to generate key reports on demand, e.g., a listing of permits issued with identifying information, such as applicants’ names and addresses. This was of concern during the previous audit because all City PPPD unit personnel had the same level of access within e-Permits and shared user identifications and passwords to process applicants’ medical certification assessment information. Without assigning unique user identifications, DOT could not identify the individuals who recorded the medical certification information into e-Permits, increasing the risk that unauthorized individuals could do so and remain undetected. A fraudulent permit could have been generated if one individual was able to record in e-Permits all necessary data, from the initial applicant information to the certification assessment information.

In the previous audit, we made six recommendations to DOT regarding its inadequate monitoring of the issuance of permits, four of which were addressed in this audit.

Previous Recommendation #6: “Periodically monitor e-Permits data (e.g., compare permits issued to applications) to ensure the accuracy and legitimacy of the permits being issued.”

Previous DOT Response: “AP&P supervisors have been instructed to implement an ongoing permit issuance quality assurance review by conducting a monthly sample inspection of ten (10) random permit files. A written report of each review will be prepared by the supervisors involved and submitted to the Executive Director. Additional random checks will be conducted by the Internal Security Unit.”

Current Status: IMPLEMENTED

DOT officials informed us that the AP&P “has implemented a check list for all City permits issued . . . [and that every] application for a permit issued via the e-Permits database is checked by a Supervisor before the permit is printed. The Supervisor ensures all paperwork is in order prior to the permit being sent to the print queue.” This checklist addresses the intent of the recommendation. As is discussed in greater detail below for Previous Recommendation # 8, we found that checklists with supervisory signatures were found for all 75 sampled applicant files.

In addition, we learned that ISU began conducting monthly quality assurance reviews of 10 randomly selected applicant files in January 2012. We received three Quality Assurance Reports of reviews performed in January 2012, February 2012, and March 2012 for permits issued in December 2011, January 2012, and February 2012, respectively. These reports indicate the results of ISU’s reviews of the selected applicant files, including the completeness and quality of the files and the length of time taken to issue a permit.

Previous Recommendation #7: “Develop reports to assist in their monitoring of e-Permit data and printed permits to identify duplicate permits that may have been processed and to ensure accuracy of the recorded data.”

Previous DOT Response: “Because AP&P already uses a wide array of forms and reports for processing, monitoring and tracking permits, we feel it is unnecessary to develop additional reports for monitoring. In fact, the auditors were provided with 15 such reports. AP&P will, however, review the current reports to see what reports can be consolidated or expanded to include additional relevant information and will also work

with IT&T in order to determine computerized methods for the identification of duplicate permits.”

Current Status: IMPLEMENTED

The above-mentioned checklist is used by AP&P as a compensating control to ensure that e-Permits is checked for duplicate permits and that the information recorded is accurate. The checklist includes steps that require the AP&P staff to review e-Permits to verify whether the applicant already exists in e-Permits. AP&P staff is required to initial each step when completed. An AP&P Supervisor is also required to review all applicant files to ensure that all steps included on the checklists were initialed by the staff indicating that the required steps were performed. In addition, an AP&P Supervisor ensures that the generated permit is accurate and that information recorded in e-Permits is correct and agrees with the applicant information, and signs the checklist indicating review.

Previous Recommendation #8: “Create a checklist of all steps required to process permit applications to be included in the applicant files as a method of control and an aid to assist the supervisors in the review of the permit issuance process. The employee performing each step should be required to certify that each step was performed by signing and dating each step.”

Previous DOT Response: “Prior to the inception of the e-Permit system, AP&P used a manual checklist of all steps in the process which was checked off after each step’s completion. This checklist was maintained in the applicant’s file. With the advent of the e-Permit system, this practice was discontinued and an automated check-off was performed. Pursuant to the recommendation, AP&P will reinstitute the manual checklist that will detail all the major steps entailed in permit issuance for both new applications/revisits, as well as for renewals. This checklist will again be maintained in each individual applicant’s folder. The format of the checklist will contain the initials of the staff member(s) performing each step and will also be reviewed by a supervisor. Each checklist must also contain the supervisor’s name, signature and date of review.”

Current Status: IMPLEMENTED

As previously mentioned, AP&P maintains checklists in applicants’ files that are used as a tool by its staff and supervisors to ensure that all steps in the permit issuance process are performed for each applicant. The checklist includes steps requiring the staff to review e-Permits to verify that an applicant does not already exist in e-Permits to help prevent duplicate permits from being processed and also to verify whether any judgments exist possibly preventing certain vehicles (license plate numbers) from being placed onto the permit. In addition, the checklist requires the signature of an AP&P Supervisor documenting his/her review ensuring that all required steps were performed, that the generated permit was accurate, and that information recorded in e-Permits was correct and agreed with the applicant information.

Our review of 75 sampled applicant files (50 new applications and 25 renewal applications) determined that all files included a checklist and that the checklists generally included the staff initials for all key steps listed and also had the signature of a supervisor certifying review.

Previous Recommendation #9: “Ensure that its employees document their review of the e-Permits system and applicant folders before processing a permit application to verify that no other permit has already been processed for the same permit period.”

Previous DOT Response: “This step is currently performed when AP&P processes State Hangtags; IT&T will be incorporating this function/feature into the e-Permit process as part of the system enhancement.”

Current Status: IMPLEMENTED

As previously mentioned, AP&P maintains checklists in the applicants’ files listing the steps performed by the AP&P staff when processing a permit application. As part of the checklist, there is a step asking whether e-Permits was reviewed to verify whether an applicant already existed. This step would aid AP&P in preventing duplicate permits from being processed.

Previous Finding: “Inadequate Controls over Personnel Access in the e-Permits System”

The previous audit found that the PPPD unit personnel shared computer user identifications and passwords to record applicants’ certification assessment information in e-Permits. The e-Permits system was designed to have the certification assessment information recorded by DOHMH or by a medical facility designated by DOHMH. However, we learned during the previous audit that that this procedure was not being performed because “DOHMH never picked up their responsibility for entering information into e-Permits, which was part of the original contract.” Therefore, the certification assessment results were recorded by PPPD unit personnel using generic user identifications and passwords that were established for use by DOHMH and by its designated medical facility. Consequently, if a permit was incorrectly or fraudulently issued, PPPD management would have been unable to determine who entered the certification assessment information and whether unauthorized personnel were entering certification information.

During the previous audit, we were informed by a PPPD unit official that prior to finalizing the permit for printing, someone other than the person who recorded the certification information in e-Permits reviewed the e-Permits data, including the certification assessment decision and the supporting documentation submitted by the applicant, to ensure the accuracy of the recorded information and the validity of the permit. However, there was no evidence of this review or of the identity of the person who was assigned this responsibility. If an employee erroneously or deliberately certified an applicant as stable instead of unstable, there was no assurance the error would have been discovered.

In the previous audit, we made three recommendations to DOT regarding its inadequate controls over personnel access to e-Permits, two of which were addressed in this audit.

Previous Recommendation #12: “Ensure that user identifications and passwords are not shared by its employees. User-specific identifications should be created for each employee authorized to record the certification assessment information in the e-Permits system.”

Previous DOT Response: “Effective October 23rd, 2009, this function is being done only by the Deputy Director and two Supervisors using their individual passwords so there will be a record of who took the action. Additionally, AP&P will work with DOHMH on their lack of access to the e-Permit program to resolve this password issue.”

Current Status: IMPLEMENTED

AP&P no longer shares user identifications and passwords to record the certification assessment information in e-Permits. There are presently only four supervisors in the PPPD

unit who can schedule medical appointments for the applicants and who can enter certification assessment information in e-Permits. Each of the four supervisors has a set of unique user identifications and passwords to enter the certification assessment information of applicants into e-Permits for each doctor who certifies the applicants. We reviewed the e-Permits data on certification for all 56 of the 75 sampled applicants requiring medical certification² and found that the certification assessment information was entered in e-Permits by someone using a supervisor's identification.

Previous Recommendation #13: "For permits other than renewal permits for stable applicants, ensure that one individual does not perform all aspects of processing the permits."

Previous DOT Response: "No action is necessary as this is the current procedure. As stated in our response to the Preliminary Draft, except for the stable permits renewal, all other permits are processed by multiple staff. No one individual performs all aspects of the process by himself/herself." (Emphasis in original.)

Current Status: Implemented

The application process is presently performed by multiple individuals. The PPPD unit staff (non-supervisory staff) are responsible for recording the applicant information into e-Permits and also verifying certain key information, including that no previous permits were issued and that the vehicle registrations were valid with no judgments. As previously mentioned, there are only four supervisors who are able to schedule medical appointments for the applicants and who can enter the certification information in e-Permits. To document the segregation of duties, as stated previously, the staff performing each step in the permit issuance process is required to initial the checklist upon completion of that step.

Previous Finding: "Noncompliance with DOT's Own Identity Requirement"

The previous audit found that the PPPD unit did not ensure that all applicants residing in New York City possessed a New York State Driver's License or Non-Driver's Identification card as required by its procedures. The PPPD unit accepted out-of-state driver's licenses as proof of identification for applicants who stated that they resided within New York City and who were not non-residents employed or attending school in the City, whereas DOT's procedures required applicants residing in New York City to possess a New York State Driver's License or Non-Driver's Identification card.

Previous Recommendation #16: "DOT officials should ensure that all applicants possess a New York State Department of Motor Vehicle Driver's License or New York State Non-Driver's Identification card before processing a City disability parking permit, as required by DOT procedures. If DOT changes the requirements for obtaining a disability parking permit, the procedures should be revised accordingly."

Previous DOT Response: "All applicants are required to provide a copy of a New York State Department of Motor Vehicles Driver's License or New York State Non-driver's Identification in order to apply for a PPPD. Dual residence applicants, must possess

² The 56 applicants requiring medical certification consisted of 50 new applicants and six renewal applicants. The remaining 19 of the 25 sampled renewal applicants had a "stable" condition (permanent disability) and did not require future medical certifications.

either a valid New York State Department of Motor Vehicles Driver's License or New York State Non-driver's Identification, or in the alternative, they must provide a valid driver's license or non-driver identification card from the state in which they reside as a dual resident. All applicants must also provide two (2) proofs of New York City residence."

Current Status: NO LONGER APPLICABLE

In June 2010, DOT expanded its disabled parking program to allow non-City residents who do not work or go to school full-time within New York City to apply on the same basis as residents. Accordingly, DOT revised its procedures, removing the residency requirement.

Recommendations

To address the issues that still exist, we recommend that DOT officials should:

1. Conduct periodic physical inventory counts of the seals inventory stored at AP&P to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented.

DOT Response: "To ensure an independent count and accuracy of the inventory records, ISU has commenced conducting periodic physical inventory counts of the seals stored at AP&P. Any discrepancies noted will be investigated and the results documented and reported to the Assistant Commissioner for information and/or appropriate action."

2. Conduct periodic reconciliations of the seals distributed to their staff each day with the printed permits that are mailed to ensure that all seals are accounted for.

DOT Response: "The Bureau of Parking has implemented a new seal issuance procedure to account for the number of permits printed with the number of seals distributed. Effective September 4, 2012, permits and seals are being counted and verified by both supervisors and other staff members. The number of permits, seals and laminates are documented and signed for in the seal issuance log book. Supervisors now track the number of permits sent to print with the actual printed permits. This procedure enables AP&P to address printer issues and allows them to perform daily reconciliation."

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 audit scope was January 1, 2010, through March 16, 2012. However, to obtain an understanding of DOT's current practices of its permit issuance process, the focus of our audit testing was on the permits printed during the period July 1, 2011, through March 16, 2012.

To obtain an understanding of the policies, procedures, and regulations governing the City disability parking permit issuance process and to determine the changes, if any, since our previous audit, we reviewed: Chapter 71 (Department of Transportation) of the City Charter; DOT's pamphlet entitled, "Parking Permits for People with Disabilities (PPPD);" the revised AP&P SOP, "Rules and Policies 2010-2011;" and ISU's SOP on holographic seals.

To obtain a general overview of PPPD unit operations and the permit issuance process and to determine if and how it has changed since our last audit, we conducted walk-through meetings with the AP&P Executive Director, the Deputy Director of the PPPD unit, the Deputy Director of the Special Permits unit, and personnel from DOT's Information Technology (IT) department. We also conducted walk-through meetings with the ISU's Acting Director of Security and Investigation and Chief Investigator.

We requested and received a list of City disability permits printed with the applicants' names and addresses from DOT's IT department for the period July 1, 2011, through March 16, 2012. In total, the PPPD unit reported issuing 21,546 City disability parking permits during this period. To provide a level of assurance that the provided list of City disability parking permits was complete, we first sorted the list by permit numbers to identify the first and last permit numbers issued and identified the gaps in the numbering sequence³. We identified 162 gap sequences that contained a total of 13,655 missing permit numbers. Because it was possible that these missing permit numbers were associated with one of the other two permit types processed by e-Permits (ABPP and AOSPP), we requested from DOT a listing of all permit numbers along with their associated permit type for all permits printed during the period of July 1, 2011, through March 16, 2012, to determine whether all sequence numbers were accounted for. The provided list contained 34,899 permit numbers, consisting of 21,546 City disability parking permits and 13,353 ABPP and AOSPP permits, as well as gaps within the sequence number accounting for 337 missing permit numbers⁴.

³ The e-Permits system automatically and sequentially assigns permit numbers to the printed permits. However, in addition to City disability parking permits, DOT uses e-Permits to issue two other permit types using the same numbering sequence— Agency Business Parking Permits (ABPP) and Agency On-Street Parking Permits (AOSPP).

⁴ According to DOT officials, there were no issued permits associated with the 337 missing permit numbers. Permit numbers are acquired before the actual printing takes place, and if a permit is not physically printed, such as when a printer jams or malfunctions, the assigned permit number is locked and cannot be used. The next permit number in the sequence will be used when the permit is printed.

To verify that the permit listing of all permits printed using e-Permits was accurate and complete, we randomly selected a total of 100 ABPP and AOSPP permit numbers and reviewed e-Permits to verify that the permit number was assigned to either an ABPP or AOSPP and not to a City disability parking permit. In addition, to obtain reasonable assurance that no permits were associated with the 337 permit numbers that were missing from the list, we randomly selected 35 permit numbers and reviewed e-Permits for each of the three databases (City, ABPP, and AOSPP).

To determine whether DOT conducted an investigation on the disposition of the unaccounted boxes of seals we identified in the previous audit, we requested the results of the investigation and related supporting documentation illustrating the steps conducted and documentation reviewed.

To determine whether DOT ensures that the inventory records of disability parking permit seals are accurately maintained and included all inventory locations, we conducted an unannounced physical inventory count on March 16, 2012, of the bulk seals inventory stored at the ISU and the working inventory of seals stored at AP&P and compared the number of rolls of seals counted with the number of rolls recorded in the inventory records. We also obtained and reviewed copies of the seal hand delivery receipts and ISU's *Quarterly Audit of Holographic Seals* reports for the period of March 1, 2010, through March 16, 2012, and the *Wheelchair Seals Transaction* report as of March 16, 2012, that recorded the running balance of the seals. We reconciled the number of rolls of seals that should have been on hand in ISU's bulk inventory on March 16, 2012, according to the above-mentioned documents to the actual number of rolls of seals in ISU's possession on March 16, 2012, to determine whether the number of rolls of seals that should have been on hand at ISU were actually on hand. Similarly, we reconciled the number of rolls of seals on hand at AP&P to the inventory log maintained by the AP&P staff that recorded the receipt of rolls of seals from the ISU and the disbursement of rolls of seals to the PPPD unit.

We also reconciled the number of seals identified from our physical inventory count to (1) the inventory records maintained by AP&P and ISU and (2) the list of permits printed since the physical inventory count that was conducted during the previous audit. In addition, we obtained and reviewed the seal log maintained by the PPPD unit that recorded the daily seal disbursement to its staff. To determine whether the seal log reconciled with the number of printed permits for a given day, we compared the number of seals distributed to the PPPD unit staff to the number of permits printed for 10 randomly selected dates.

To determine whether DOT conducted periodic physical inventory counts of the seals and whether any adjustments to its inventory balances were made and approved by authorized personnel, we requested supporting documentation on the physical inventory counts and any adjustments made from AP&P and ISU.

We reviewed the AP&P SOP to determine whether DOT established a reorder point to replenish its inventory of seals and requested information on AP&P's seal purchases made since the issuance of the previous audit. We also determined whether the total number of seals on hand at AP&P and ISU at the time of the seal purchases were within the established reorder point when the new seals were purchased.

To determine whether DOT created a checklist of all steps required to process permit applications to assist the supervisors in their review of the permit issuance process and to ensure that one individual was not performing all aspects of permit process, we randomly selected 50 new permits (from the 3,371 new permits printed) and 25 renewal permits (from the

15,719 renewal permits printed) from the period of July 1, 2011, through March 16, 2012, and reviewed the applicant files. We also reviewed the checklists and e-Permit data associated with the 75 sampled applications to ensure that the permits (other than for renewal permits for stable applicants) were not processed by one individual. In addition, to determine whether DOT conducts periodic reviews of e-Permits data to ensure that permits (other than renewal permits for stable applicants) were not processed by just one individual, we requested evidence of the reviews from AP&P and ISU.

We requested a list of employees with e-Permits access and their assigned user identifications to ensure that each authorized user had his/her own user identification to access e-Permits. In addition, we requested and reviewed a list of unique user identifications for the four supervisors in the PPPD unit who have authorization to enter applicants' medical certification information. Further, we reviewed e-Permits data for 56 of the above-mentioned 75 sampled applicants requiring medical certification (50 new applicants and six of the 25 renewal applicants) to verify that the medical certification information was only entered in e-Permits using the unique user IDs assigned to one of the four supervisors.

To determine whether any permit holder received multiple permits within the year, we reviewed the City disability parking permit list of permits printed during the period of July 1, 2011, through March 16, 2012. In total, we identified 568 permit holders for whom more than one permit of the same type was printed within the year. We randomly selected 57 (10 percent) permit holders and reviewed their e-Permit records to determine whether the processing of multiple permits within a year was justified and whether each of the multiple permits printed were valid and covered the same time period (had the same expiration date).

**List of Recommendations from the Previous Audit that are Addressed
in this Follow-up Audit**

	Is Prior Recommendation Addressed in this follow-up report?	
	YES	NO
Prior Recommendations		
DOT officials should:		
1. Conduct an immediate investigation to determine the disposition of the 11 boxes of seals (totaling 22,000 disability parking permit seals) that were unaccounted for, as identified in this report.	X	
2. Ensure that inventory records of the disability parking permit seals are accurately maintained and that all seals and their storage location are included in its inventory records.	X	
3. Conduct periodic physical inventory counts of the disability parking permit seals to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented.	X	
4. Ensure that adjustments to inventory balances are made only after proper investigation, and that the adjustments are adequately justified, documented, and approved by management. Adjustments should be made by recording adjusting entries rather than by merely overwriting existing inventory figures.	X	
5. Establish a realistic reorder point for when it is appropriate to replenish its inventory of seals.	X	
6. Periodically monitor e-Permits data (e.g., compare permits issued to applications) to ensure the accuracy and legitimacy of the permits being issued.	X	
7. Develop reports to assist in their monitoring of e-Permit data and printed permits to identify duplicate permits that may have been processed and to ensure accuracy of the recorded data.	X	
8. Create a checklist of all steps required to process permit applications to be included in the applicant files as a method of control and an aid to assist the supervisors in the review of the permit issuance process. The employee performing each step should be required to certify that each step was performed by signing and dating each step.	X	
9. Ensure that its employees document their review of the e-Permits system and applicant folders before processing a permit application to verify that no other permit has already been processed for the same permit period.	X	

	Is Prior Recommendation Addressed in this follow-up report?	
	YES	NO
Prior Recommendations		
DOT officials should:		
10. Review e-Permits data to determine whether any permit holder has more than one current permit and require the permit holder to return any additional permits.		X
11. Discuss with the IT department whether a control could be added to e-Permits to prevent the processing of multiple permits for a permit holder that cover the same time period.		X
12. Ensure that user identifications and passwords are not shared by its employees. User-specific identifications should be created for each employee authorized to record the certification assessment information in the e-Permits system.	X	
13. For permits other than renewal permits for stable applicants, ensure that one individual does not perform all aspects of processing the permits.	X	
14. Periodically review e-Permits data to ensure that permits (other than renewal permits for stable applicants) were not processed by just one individual. If it is discovered that one person processed all aspects of a permit, review the permit holder's file to check the legitimacy of the permit.		X
15. Should require applicants to provide the last four digits of their social security number to assist DOHMH in performing a more accurate computer match to identify applicants who are deceased.		X
16. Should ensure that all applicants possess a New York State Department of Motor Vehicle Driver's License or New York State Non-Driver's Identification card before processing a City disability parking permit, as required by DOT procedures. If DOT changes the requirements for obtaining a disability parking permit, the procedures should be revised accordingly.	X	
Total	12	4

Organization Chart of DOT's Bureau of Parking

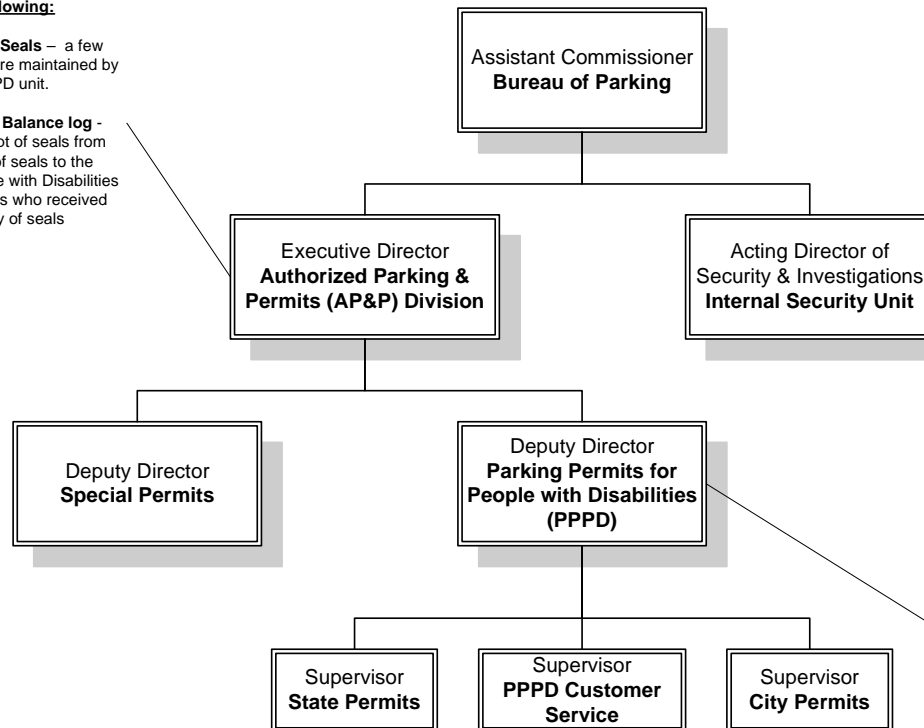
(as related to the Disability Parking Permits)

AP&P maintains the following:

- > **Working Inventory of Seals** – a few unopened rolls of seals are maintained by AP&P for use by the PPPD unit.
- > **Wheel Chair Running Balance log** - this log records the receipt of seals from ISU and the distribution of seals to the Parking Permit for People with Disabilities (PPPD) Unit and indicates who received the seals and the quantity of seals provided.

ISU maintains the following:

- > **Bulk Inventory of Seals** - unopened rolls of seals that are distributed to AP&P upon request.
- > **DOT "Wheelchair Seals" Transaction Report** - this report maintains a running balance of the amount of rolls of seals since January 2010 (when ISU took possession of the bulk inventory of seals from AP&P).
- > **Hand Delivery Receipt Form** - this form records the number of rolls of seals and the quantity of seals delivered to AP&P from ISU.
- > **Quarterly Audit Report of Holographic Seals** - this report is prepared on a quarterly basis and summarizes the number of seals distributed to AP&P and the number of seals on-hand at ISU.
- > **Manual Log** - this log documents the quantity of seals on-hand every 2 months; the on-hand amount is verified by two ISU personnel.



PPPD maintains the following:

- > **Opened Roll of Seals** - one opened roll of seals is maintained by the PPPD unit at a time; the required number of seals are distributed to the staff to finalize the permits each day.
- > **Wheelchair Seal Log** - this log records the names of the PPPD unit staff that were provided with seals, the date the seals were provided and the quantity of seals provided.



Department of Transportation

JANETTE SADIK-KHAN, Commissioner

October 1, 2012

Ms. Tina Kim
Deputy Comptroller
Audits, Accountancy & Contracts
City Comptroller's Office
1 Centre Street
New York, NY 10007

Re: Draft Follow-up Audit Report on the Controls of the Department of Transportation over City Disability Parking Permits

Dear Ms. Kim:

The Department of Transportation (DOT) has reviewed the Draft Audit Report and is pleased that the audit has noted improvements in DOT's controls over the issuance of the City disability parking permits.

As the Report stated, except for one recommendation, DOT implemented all of the recommendations which were applicable. On the recommendation that was reported as "Partially Implemented" because DOT's Authorized Parking and Permits Division ("AP&P") "has not performed any inventory counts of the working inventory of seals it maintains", we would like to state that to ensure accuracy of AP&P's inventory records, AP&P's Internal Security Unit ("ISU") has started a periodic physical inventory count of seal inventory stored at AP&P. The first of such counts was on June 29, 2012 when ISU conducted a physical inspection and seal count of Authorized Parking and Permit Seals, please see attached Memorandum.

Our comments on the audit recommendations are:

1. Conduct periodic physical inventory counts of the seals inventory stored at AP&P to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented.

DOT Response:

To ensure an independent count and accuracy of the inventory records, ISU has commenced conducting periodic physical inventory counts of the seals stored at AP&P. Any discrepancies noted will be investigated and the results documented and reported to the Assistant Commissioner for information and/or appropriate action.

DOT Response to PPPD Follow-up Audit MD12-103F
October 1, 2012
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2. Conduct periodic reconciliations of the seals distributed to their staff each day with the printed permits that are mailed to ensure that all seals are accounted for.

DOT Response:

The Bureau of Parking has implemented a new seal issuance procedure to account for the number of permits printed with the number of seals distributed. Effective September 4, 2012, permits and seals are being counted and verified by both supervisors and other staff members. The number of permits, seals and laminates are documented and signed for in the seal issuance log book. Supervisors now track the number of permits sent to print with the actual printed permits. This procedure enables AP&P to address printer issues and allows them to perform daily reconciliation.

We assure your office that DOT will continue its efforts to further strengthen its controls over its seals inventory for the City disability parking permits. We thank you for this opportunity to respond to the Draft Audit Report.

Very truly yours,


LUCITA C. ANDRES
Auditor General

Attachments

cc: Comm. J. Sadik-Khan; FDC L. Ardito; DC B. Schaller; AC G. Leiva; EC E. Martell