

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Follow-up Audit Report on Computer Equipment Installed at the Human Resources Administration

7F03-150

September 19, 2003



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has reviewed the implementation status of five recommendations made in an earlier audit, issued June 29, 2001, entitled *Audit Report of Computer Equipment Installed at the Human Resources Administration*. The results of our audit, which are presented in this report, have been discussed with Human Resources Administration officials, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that City agencies maintain complete and accurate records for computer equipment and that equipment is properly safeguarded from theft, damage, or unauthorized use.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my Audit Bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in cursive script that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.

WCT/GR

Report: 7F03-150
Filed: September 19, 2003

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit
EDP Audit Division*

**Follow-up Audit Report on
Computer Equipment Installed at the
Human Resources Administration**

7F03-150

SUMMARY OF FOLLOW-UP FINDINGS

This is a follow-up audit to determine whether the Human Resources Administration (HRA) implemented the five recommendations made in a previous audit, *Audit Report of Computer Equipment Installed at the Human Resources Administration* (Audit No.7A01-101, issued June 29, 2001). The earlier audit, which evaluated the adequacy of HRA inventory procedures for installed computer equipment, identified deficiencies in computer equipment inventory control, and noted that approximately \$2.5 million in equipment was missing. In the current audit, we discuss the recommendations we made earlier, as well as the implementation status of those recommendations.

In the previous audit, we made five recommendations to HRA, of which four have not been implemented and one is no longer applicable. The details of these recommendations and their current implementation status follow.

1. “Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate; (2) timely; and (3) encompassing.”
NOT IMPLEMENTED.
2. “Refer all significant and unresolved discrepancies to DOI [Department of Investigation] for further investigation, if HRA has not done so.”
NOT IMPLEMENTED.
3. “Immediately assign more data entry personnel to enter the results of the physical inventory count.” **NOT APPLICABLE.**
4. “Include all Sun Microsystems equipment on the inventory database.”
NOT IMPLEMENTED.
5. “Follow the existing procedures to ensure that all equipment records are accurately recorded.” **NOT IMPLEMENTED.**

To address the issues that still exist, we recommend that HRA:

1. Reassign the inventory project team to report to the Commissioner.
2. Ensure that the project team develops an inventory control system for installed computer equipment that is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).
3. Refer any unresolved discrepancies to DOI for further investigation.
4. Include all Sun Microsystems equipment in the inventory database.
5. Record equipment information in the database accurately and completely.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

INTRODUCTION

Background

The Human Resources Administration helps individuals and families to achieve their highest level of self-reliance. It is committed to enhancing the quality of life for all New Yorkers through the effective administration of a broad range of programs and services that strengthen families; reduce dependency and increase self-sufficiency; and promote community responsibility.

Within HRA, the Office of Management Information Systems (MIS) is responsible for the inventory control over computer equipment. This equipment consisted of approximately 20,000 computers and computer-related equipment installed at 133 HRA user sites and approximately 2,800 uninstalled computers stored in three stockrooms.

Objectives, Scope, and Methodology

This follow-up audit was initiated to determine whether the five recommendations contained in a previous audit, *Audit Report of Computer Equipment Installed at the Human Resources Administration* (Audit No. 7A01-101 issued June 29, 2001), were implemented.

Audit fieldwork began in March 2003 and ended in April 2003. To meet our objectives, we:

- interviewed HRA officials;

- examined the HRA computer inventory control system;
- evaluated the audit program prepared by the HRA Bureau of Internal Audit (BIA);
- observed the BIA physical inventory count for installed equipment;
- tested HRA compliance with DOI inventory standards.

We used the Department of Investigation's *Standards for Inventory Control and Management* as the criterion for this audit.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with HRA officials during and at the conclusion of this audit. A preliminary draft report was sent to HRA officials and was discussed at an exit conference held on June 5, 2003. On June 12, 2003, we submitted a draft report to HRA officials with a request for comments. We received a written response from HRA on June 26, 2003. HRA disagreed with the audit's findings, but agreed with four of the five audit recommendations. The specific issues raised by HRA and our rebuttal are included in the body of this report. The full text of HRA's comments is included as an Addendum to this report.

FOLLOW-UP RESULTS AND RECOMMENDATIONS

PREVIOUS FINDING: “HRA did not perform annual physical inventory counts between 1995 and 2000; \$2.5 million in equipment cannot be accounted for.”

Previous Recommendation #1: “Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).”

Previous HRA Response: “HRA is only in partially agreement with this recommendation. HRA is in agreement that a new inventory system is needed, and has already developed a project plan for the development of such a system. The plan includes

- Creating a dedicated inventory team within HRA/MIS.
- Contracting with a vendor to verify inventory of all installed systems and stock on hand.
- Contracting with a vendor to perform yearly inventory audits and reconciliation.
- Customizations of Magic Solutions software to contain inventory records and reflect receipts and disbursements of all hardware and software.

“MIS does not agree that this project should report to the Commissioner’s Office.”

Previous Auditor Comment: “The Commissioner has ultimate responsibility for all HRA programs, procedures, property, and operations. As indicated in the audit, there is a strong possibility that a substantial amount of inventory may have been lost or stolen, resulting in a substantial loss to the City. In addition, our June 27, 2001, follow-up fieldwork revealed that there is a ‘not found’ rate of 15.5 percent. Therefore, in light of our subsequent tests the need for MIS to report to the Commissioner is imperative.”

Current Status: NOT IMPLEMENTED

Although the Deputy Commissioner in charge of MIS has assembled an inventory project team consisting of six individuals from various units of HRA, the team does not report to the Commissioner of the agency, as recommended in the prior audit. Moreover, the project team has not addressed all of the weaknesses in the agency’s computer inventory system. Even though HRA now has written inventory procedures, it still does not ensure: that all computer equipment is included on the inventory list; and that inventory records contain purchase order numbers, bar-code numbers, costs, locations, and user names. Finally, since the last audit, HRA has not conducted annual inventory reconciliations of its computer inventory.

Our prior audit, issued approximately two years ago, indicated that there was a strong possibility that a substantial amount of HRA inventory may have been lost or stolen, resulting in a substantial loss to the City. To date, with the exception of creating an inventory project team

and some procedures, HRA has taken no steps to safeguard its computer inventory. Therefore, we consider recommendation #1 not implemented.

HRA Response:

“We disagree, and believe the status of this finding should be designated ‘Partially Implemented.’

“An Inventory Committee was formed in January 2002, which reports to the Deputy Commissioner of Management Information Systems (MIS). As stated in the response to the Comptroller’s previous audit, MIS has responsibility for all computer technology for the Agency, thus the inventory of equipment must be managed by MIS.

“The Agency has already taken several actions in response to the auditor’s report. We have let a contract for the provision of inventory management and control services. The winning vendor will conduct a physical inventory of all of the Agency’s microcomputer equipment, reconciliation of the new data to existing records, bar coding of all devices and creation of a new database. Once the contract, which is in the final stages of the procurement process, is awarded, we will work with the vendor on reengineering the procedure and reconciling the inventory.

“Additional measures and improvements implemented include relocating stockroom items to a larger facility at 260 11th Avenue, enhancing the existing inventory system to prevent duplicate serial numbers, implementing program changes to distribution forms, and revising the procedure manual to comply with applicable New York City Department of Investigation (DOI) standards.”

Auditor Comment:

Although HRA claims that several actions have been taken in response to the prior audit, it did not provide any evidence that the inventory system had been redesigned in accordance with the recommendation. Specifically, HRA has not conducted annual physical inventory reconciliations; it does not maintain complete inventory receiving logs to account for new computer items purchased and received; and it does not issue equipment disbursement forms sequentially, which would provide an audit trail and would help ensure that equipment is properly accounted for on the agency’s inventory records. Consequently, the inventory system is still not up-to-date, accurate, and useful in terms of being able to track items received, disbursed from the storeroom and installed at the agency. Therefore, we maintain that recommendation #1 has not been implemented.

Previous Recommendation #2: “Refer all significant and unresolved discrepancies to DOI for further investigation, if HRA has not done so.”

Previous HRA Response: “HRA agrees with this recommendation and will refer all significant and unresolved discrepancies to DOI for further investigation.”

Current Status: NOT IMPLEMENTED

HRA still has not referred any unresolved discrepancies to DOI. Therefore, we consider recommendation #2 not implemented.

HRA Response:

“We disagree, and believe the status of this finding should be designated ‘Partially Implemented.’

“We do adhere to the policy of reporting thefts to the Office of Inspector General (OIG) for follow-up, and, as the review by the Agency’s Bureau of Internal Audit has found, we referred 61 incidents to OIG during calendar year 2002.

“Pertaining to the specific 3,128 items valued at \$1,594,838 reported as unaccounted for in the Comptroller’s previous audit, we have accounted for 2,714 of these items, with a total value \$1,361,921. The corrective action plan for resolving the remaining discrepancies involves contracting with an outside vendor who will conduct a physical survey of all equipment installed at the Agency’s locations. While we await the finalization of this contract, we continue to search for the remaining items and feel confident that they will be located either by our own internal efforts or during the aforementioned reconciliation. Should any equipment remain unaccounted for once the reconciliation is completed, we will notify the Office of the Inspector General in accordance with DOI standards for inventory management.”

Auditor Comment:

To date, HRA has not provided documentation showing that any unresolved discrepancies from the previous audit have been referred to DOI for further investigation. Therefore, we maintain that this recommendation has not been implemented. Further, HRA states it “continues to search for the remaining items” two years after the initial audit. Accordingly, we believe it is time for HRA to submit the list of unaccounted for items to DOI for investigation.

Previous Recommendation #3: “Immediately assign more data entry personnel to enter the results of the physical inventory count.”

Previous HRA Response: “HRA agrees with this recommendation.”

Current Status: NOT APPLICABLE

The results of the HRA 2001 physical inventory count have been entered in HRA's database by the existing data entry personnel. Therefore, recommendation #3 is no longer applicable.

PREVIOUS FINDING: "The inventory database is incomplete because HRA does not enter all of its equipment on the system."

Previous Recommendation #4: "Include all Sun Microsystems equipment on the Inventory Database."

Previous HRA Response: "HRA agrees with this recommendation."

Current Status: NOT IMPLEMENTED

Our inventory tests disclosed that Sun Microsystems equipment that cost HRA approximately \$1.34 million has not been included in the database. This represents approximately 11 percent of the equipment tested. Therefore, we consider recommendation #4 not implemented.

HRA Response:

"We disagree, and believe that the status of this finding should be designated 'Implemented.'

"The basis for this finding is that the auditors could not identify records in the Agency's inventory system for Sun equipment included on two purchase orders. However, on further review, we found that the equipment listed on these purchase orders was indeed recorded and is accounted for, as described below:

- "PO 00000018478 was issued for a Sun 420R server and internal components. A record of the server was in the inventory system. However, the purchase order number was entered in the serial number field. The serial and purchase order numbers now appear in the correct fields.
- "PO 00000012336 was issued for six servers. Records were included in the inventory system with the correct serial numbers; however, the purchase order field was blank. The purchase order number has now been entered into the correct fields.

"Consequently, all Sun equipment included in the Comptroller's test sample for this audit is recorded and accounted for. An independent team from the Agency's

Bureau of Internal Audit has also verified that Sun equipment is included in the inventory system and is accounted for to the same degree as other computer equipment maintained by the Agency.”

Auditor Comment:

At the time of the audit, the Sun Microsystems equipment could not be located in the database. Therefore, the prior recommendation was considered not implemented. In any case, we are pleased that HRA has investigated the discrepancies noted in the audit, and has taken steps to correct its database. Had HRA taken these steps prior to the issuance of the draft report, we would have adjusted the report accordingly.

PREVIOUS FINDING: “HRA does not always follow its procedures. Consequently, HRA’s inventory database contains many duplicated entries and entries with improper serial numbers.”

Previous Recommendation #5: “Follow the existing procedures to ensure that all equipment records are accurately recorded.”

Previous HRA Response: “HRA agrees with this recommendation.”

Current Status: NOT IMPLEMENTED

HRA still does not maintain complete and accurate inventory records for its installed computer equipment. Specifically, the records do not always contain purchase order numbers, bar-code numbers, costs, locations, and user names. Moreover, we noted that the records contain duplicate entries and incorrect serial numbers for the equipment. Therefore, we consider recommendation #5 not implemented.

HRA Response:

“We disagree, and believe the status of this finding should be designated ‘Partially Implemented.’

“The Agency has taken several steps to improve the process. The inventory system has been modified to prevent duplicate entries of serial numbers. User names are often not available at the time of installation and are subject to frequent changes due to staff reassignments and transfers. To provide an improved means of identification of the system, we now include the computer name as the identifier. The computer name consists of location prefix, floor and jack or office number. Controls have thus been tightened and additional training for staff has been provided.”

Auditor Comment:

As stated above, during this audit we found that HRA's inventory records still do not contain critical information such as purchase order numbers, locations and user names, and that the records contain duplicate information and inaccurate serial numbers. These results indicate that additional steps need to be taken to improve the agency's inventory system.

RECOMMENDATIONS

We recommend that HRA:

1. Reassign the inventory project team to report to the Commissioner.

HRA Response: "We disagree with this recommendation, and, as stated above in our response to Current Status #1, an Inventory Committee was formed in January 2002, which reports to the MIS Deputy Commissioner. Further, as stated in the response to the Comptroller's previous audit, MIS has responsibility for all computer technology for the Agency, thus the inventory of equipment must be managed by MIS."

Auditor Comment: Since many of the weaknesses identified in our prior audit are still not resolved, we question the effectiveness of the HRA inventory committee. As stated in the prior report, the Commissioner has ultimate responsibility for all HRA programs, procedures, property, and operations; therefore, the Commissioner should be an integral part of ensuring that the system is corrected.

2. Ensure that the project team develops an inventory control system for installed computer equipment that is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).

HRA Response: "We agree with this recommendation and have already taken steps to address this issue. We are in the process of letting a contract for the maintenance of our inventory. Once this contract is finalized, the vendor will be responsible for effecting the controls indicated in the report."

3. Refer any unresolved discrepancies to DOI for further investigation.

HRA Response: "We agree with this recommendation and will refer to DOI all discrepancies that remain unresolved after the completion of the planned reconciliation described above."

4. Include all Sun Microsystems equipment in the inventory database.

HRA Response: “We agree with this recommendation, and as stated above, have already addressed this issue. We will continue to include in our inventory records all equipment that is received by the Agency.”

5. Ensure that the computer inventory records contain complete and accurate information.

HRA Response: “We agree with this recommendation and, as stated above, have contracted with a vendor to assist us in managing and controlling our inventory.”



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VERNA EGGLESTON
Administrator/Commissioner

DAN LEHMAN
Executive Deputy Commissioner

June 26, 2003

Mr. Greg Brooks
Deputy Comptroller
Policy, Audit, Accountancy & Contracts
The City of New York
Office of the Comptroller
1 Centre Street – Room 530
New York, NY 10007-2341

Re: Follow-up Audit Report on the
Computer Equipment Installed at the
Human Resources Administration
Audit No. 7F03-150

Dear Mr. Brooks:

Thank you for the opportunity to respond to the draft report on the above referenced audit. The report has assisted us in our ongoing efforts to improve the operations of our Agency.

Following are our specific responses to the follow-up findings and recommendations:

Current Status Of Previous Findings and Recommendations

Previous Auditors' Finding:

“HRA did not perform annual physical inventory counts between 1995 to 2000; \$2.5 million in equipment cannot be accounted for.”

Previous Auditors' Recommendation #1:

“Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfer and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).”

Previous Auditors' Comments:

"The Commissioner has ultimate responsibility for all HRA programs, procedures, property, and operations. As indicated in the audit, there is a strong possibility that a substantial amount of inventory may have been lost or stolen, resulting in a substantial loss to the City. In addition, our June 27, 2001, follow-up fieldwork revealed that there is a 'not found' rate of 15.5 percent. Therefore, in light of our subsequent tests the need for MIS to report to the Commissioner is imperative."

Current Status. NOT IMPLEMENTED

The Deputy Commissioner in charge of MIS assembled an inventory project team consisting of six individuals from various units of HRA. However, the team does not report to the Commissioner of the agency, as recommended in the prior audit. Moreover, the project team has not addressed all of the weaknesses in the agency's computer inventory system. Even though HRA now has written inventory procedures, it still does not ensure that all computer equipment is included on the inventory list, or that inventory records contain purchase order numbers, bar-code numbers, costs, locations, and user names. Finally, since the last audit, HRA has not conducted an annual inventory reconciliation of its computer inventory.

Our prior audit, issued approximately two years ago, indicated that there was a strong possibility that a substantial amount of HRA inventory may have been lost or stolen, resulting in a substantial loss to the City. To date, with the exception of creating an inventory project team and some procedures, HRA has taken no steps to safeguard its computer inventory. Therefore, we consider recommendation #1 not implemented.

Agency's Response To Current Finding:

We disagree, and believe the status of this finding should be designated "Partially Implemented."

An Inventory Committee was formed in January 2002, which reports to the Deputy Commissioner of Management Information Systems (MIS). As stated in the response to the Comptroller's previous audit, MIS has responsibility for all computer technology for the Agency, thus the inventory of equipment must be managed by MIS.

The Agency has already taken several actions in response to the auditor's report. We have let a contract for the provision of inventory management and control services. The winning vendor will conduct a physical inventory of all of the Agency's microcomputer equipment, reconciliation of the new data to existing records, bar coding of all devices and creation of a new database. Once the contract, which is in the final stages of the procurement process, is awarded, we will work with the vendor on reengineering the procedure and reconciling the inventory.

Additional measures and improvements implemented include relocating stockroom items to a larger facility at 260 11th Avenue, enhancing the existing inventory system to prevent duplicate serial numbers, implementing program changes to distribution forms, and revising the procedure manual to comply with applicable New York City Department of Investigation (DOI) standards.

Previous Auditors' Recommendation #2:

“Refer all significant and unresolved discrepancies to DOI for further investigation, if HRA has not done so.”

Current Status: NOT IMPLEMENTED

“HRA still has not referred the unresolved discrepancies to DOI. Therefore, we consider recommendation #2 not implemented.

Agency's Response To Current Finding:

We disagree, and believe the status of this finding should be designated “Partially Implemented.”

We do adhere to the policy of reporting thefts to the Office of Inspector General (OIG) for follow-up, and, as the review by the Agency's Bureau of Internal Audit has found, we referred 61 incidents to OIG during calendar year 2002.

Pertaining to the specific 3,128 items valued at \$1,594,838 reported as unaccounted for in the Comptroller's previous audit, we have accounted for 2,714 of these items, with a total value \$1,361,921. The corrective action plan for resolving the remaining discrepancies involves contracting with an outside vendor who will conduct a physical survey of all equipment installed at the Agency's locations. While we await the finalization of this contract, we continue to search for the remaining items and feel confident that they will be located either by our own internal efforts or during the aforementioned reconciliation. Should any equipment remain unaccounted for once the reconciliation is completed, we will notify the Office of the Inspector General in accordance with DOI standards for inventory management.

Previous Auditors Recommendation #3:

“Immediately assign more data entry personnel to enter the results of the physical inventory count”

Current Status: NOT APPLICABLE

The results of the HRA 2001 physical inventory count had been entered in HRA's database with existing data entry personnel. Therefore, recommendation #3 is no longer applicable.

Agency's Response To Current Finding:

We agree with this finding.

Previous Auditors' Finding:

“The inventory database is incomplete because HRA does not enter all of its equipment in the system.”

Previous Auditors Recommendation #4:

“Include all Sun Microsystems equipment on the inventory Database.”

Current Status: NOT IMPLEMENTED

Our inventory tests disclosed that Sun Microsystems equipment costing HRA approximately \$1.34 million has not been included in the database. This represents approximately 11 percent of the equipment tested. Therefore, we consider recommendation #4 not implemented.

Agency's Response To Current Finding:

We disagree, and believe that the status of this finding should be designated "Implemented."

The basis for this finding is that the auditors could not identify records in the Agency's inventory system for Sun equipment included on two purchase orders. However, on further review, we found that the equipment listed on these purchase orders was indeed recorded and is accounted for, as described below:

- PO 00000018478 was issued for a Sun 420R server and internal components. A record of the server was in the inventory system. However, the purchase order number was entered in the serial number field. The serial and purchase order numbers now appear in the correct fields.
- PO 00000012336 was issued for six servers. Records were included in the inventory system with the correct serial numbers; however, the purchase order field was blank. The purchase order number has now been entered into the correct fields.

Consequently, all Sun equipment included in the Comptroller's test sample for this audit is recorded and accounted for. An independent team from the Agency's Bureau of Internal Audit has also verified that Sun equipment is included in the inventory system and is accounted for to the same degree as other computer equipment maintained by the Agency.

Previous Auditors' Finding:

"HRA does not always follow its procedures. Consequently, HRA's inventory database contains many duplicated entries with improper serial numbers."

Previous Auditors' Recommendation #5:

"Follow the existing procedures to ensure that all equipment records are accurately recorded."

Current Status: NOT IMPLEMENTED

HRA still does not maintain complete and accurate inventory records for its installed computer equipment. Specifically, the records do not always contain purchase order numbers, bar-code numbers, costs, locations, and user names. Moreover, we noted that the records contain duplicate entries and incorrect serial numbers for the equipment. Therefore, we consider recommendation #5 not implemented.

Agency's Response To Current Finding:

We disagree, and believe the status of this finding should be designated "Partially Implemented."

The Agency has taken several steps to improve the process. The inventory system has been modified to prevent duplicate entries of serial numbers. User names are often not available at the time of installation and are subject to frequent changes due to staff reassignments and transfers. To provide an improved means of identification of the system, we now include the computer name as the identifier. The computer name consists of location prefix, floor and jack or office number. Controls have thus been tightened and additional training for staff has been provided.

Current Auditors' Recommendation #1:

We recommend that HRA reassign the inventory project team to report to the Commissioner.

Agency's Response To Current Recommendation:

We disagree with this recommendation, and, as stated above in our response to Current Status #1, an Inventory Committee was formed in January 2002, which reports to the MIS Deputy Commissioner. Further, as stated in the response to the Comptroller's previous audit, MIS has responsibility for all computer technology for the Agency, thus the inventory of equipment must be managed by MIS.

Current Auditors' Recommendation #2:

We recommend that HRA ensure that the project team develops an inventory control system for installed computer equipment that is: (1) accurate (i.e., installed computer equipment is accounted for); records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).

Agency's Response To Current Recommendation:

We agree with this recommendation and have already taken steps to address this issue. We are in the process of letting a contract for the maintenance of our inventory. Once this contract is finalized, the vendor will be responsible for effecting the controls indicated in the report.

Current Auditors' Recommendation #3:

We recommend that HRA refer any unresolved discrepancies to DOI for further investigation.

Agency's Response To Current Recommendation:

We agree with this recommendation and will refer to DOI all discrepancies that remain unresolved after the completion of the planned reconciliation described above.

Current Auditors' Recommendation #4:

We recommend that HRA include all Sun Microsystems equipment in the inventory database.

Agency's Response To Current Recommendation:

We agree with this recommendation, and as stated above, have already addressed this issue. We will continue to include in our inventory records all equipment that is received by the Agency.

Current Auditors' Recommendation #5:

We recommend that HRA ensure that the computer inventory records contain complete and accurate information.

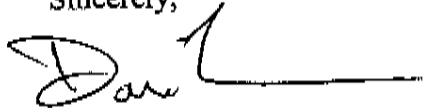
Agency's Response To Current Recommendation:

We agree with this recommendation and, as stated above, have contracted with a vendor to assist us in managing and controlling our inventory.

We appreciate the opportunity to respond to this draft report and believe that the corrective actions outlined above will address the findings and recommendations identified by the auditors.

Should you have any questions or concerns, please contact Hope Henderson, Director of the Agency's Bureau of Audit Coordination at (212) 331-3522.

Sincerely,



Dan Lehman

C: Commissioner Verna Eggleston
Patricia M. Smith