AUDIT REPORT

Follow-up Audit Report on Department of Homeless Services Controls over Computer Equipment

7F07-078

January 31, 2008
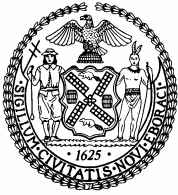
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WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has followed up an earlier audit of the controls of the Department of Homeless Services (DHS) over its computer equipment.

The DHS Office of Information Technology (OIT) is responsible for providing information and technology services to DHS administrative sites and homeless shelters. OIT purchases, receives, inventories, safeguards, installs, repairs, and disposes of computer equipment. We audit the oversight of systems and technological resources by City agencies such as this to ensure that equipment is safeguarded, accounted for, and properly utilized.

The results of our audit, which are presented in this report, have been discussed with officials of the Department of Homeless Services, and their comments have been considered in preparing this report. Their complete written responses are attached to this report.

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

Very truly yours,

William C. Thompson, Jr.

WCT/fh

Report: 7F07-078
Filed: **January 31, 2008**

Table of Contents

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

Follow-up Audit Report on
Department of Homeless Services Controls
Over Computer Equipment

7F07-078

AUDIT REPORT IN BRIEF

This follow-up audit determined whether the Department of Homeless Services (DHS) implemented the three recommendations made in the previous audit entitled *Audit Report on Controls of the Department of Homeless Services over Its Computer Equipment* (Audit No.FL03-131A, issued June 30, 2003). In this report, we discuss the three recommendations from the prior audit in detail as well as the implementation status of each recommendation.

<u>Audit Findings and Conclusions</u>

The earlier audit reviewed the controls that DHS maintained over its computer equipment and determined whether this equipment was properly safeguarded from theft, damage, and unauthorized use. That audit found that DHS had widespread problems with its inventory controls over computer equipment. As a result of its poor inventory management and control practices, $1,841,015 in computer equipment purchased during the audit period was not listed on DHS inventory records. Moreover, DHS could not account for approximately $1,640,180 of the $1,841,015 in computer equipment purchases. At the conclusion of that audit, DHS stated in its response, that it had accounted for all but 325 items with a value of $333,003.

This follow-up audit found that of the three recommendations made in the previous audit report, DHS has implemented two. We consider the third recommendation only partially implemented. Although DHS has developed a set of inventory policies and procedures, major weaknesses still exist in DHS inventory-management process. Moreover, the inventory management procedures do not fully address Department of Investigation (DOI) inventory standards.

On August 7, 2002, DHS purchased the Lockwood Asset Management Life Cycle Software Application Suite, Large Enterprise Edition (Asset Management Technology (AMT)), a turnkey software package, to automate the computer inventory process. This software became operational on March 2003. During the current audit, we reviewed and analyzed how this application affected the process and found that there were significant delays in updating and maintaining current inventory records in Asset Tracker (a module in AMT; that the data is incomplete; and that the

application is not being used to its fullest capacity. Finally, DHS has not consistently followed its inventory management and control procedures over computer equipment.

Audit Recommendations

We make a total of nine recommendations to DHS.

To address the issues from the previous audit that still exist, we recommend that DHS officials:

- Update DHS procedures to ensure that these procedures comport with DOI Inventory Standards.

To address the new issues noted in this follow-up audit report, we recommend that DHS officials:

- Improve the DHS inventory process by fully utilizing all the capabilities available in AMT, such as tracking back orders and identifying reorder points in advance. Further, DHS should include in Asset Tracker all acquisition dates, the value of each item of inventory, and the movement of inventory items.

- Create a procedure that will allow data from the City's Financial Management System (FMS) to be utilized by AMT.

- Maintain the storage areas and physically organize the assets, thereby making it easier to keep the storage areas usable and safe.

- Place asset tags on assets and the boxes that maintain the assets.

- Replace faded asset tags after a specific period of time to enable easy identification of the asset.

- Conduct weekly meetings with the Gatekeepers, Inventory Administrator, and all responsible employees to obtain feedback on problems and request suggestions for improving the inventory process.

- Contact the Department of Citywide Administrative Services and request the disposal of surplus DHS equipment.

- Incorporate AMT into the DHS disaster recovery plan.

INTRODUCTION

Background

      The Department of Homeless Services, in partnership with public and private agencies, is responsible for providing temporary emergency shelter for eligible homeless people in a safe, supportive environment. DHS provides outreach services to people living in public places, determines eligibility for emergency housing services, assesses client service needs, and offers services to enable people to assume responsibility for achieving independent living.

      This audit follows up an earlier audit entitled, *Audit Report on Controls of the Department of Homeless Services over Its Computer Equipment* (Audit No.FL03-131A, issued June 30, 2003) that reviewed the controls that DHS maintained over its computer equipment and whether this equipment was properly safeguarded from theft, damage, and unauthorized use. That audit found the DHS had widespread problems with its inventory controls. It had no written policies and procedures for recording, reporting, and safeguarding computer inventory. New computer equipment items, such as network equipment, monitors, and printers, were stored in hallways and in other unsecured areas of the agency. As a result of its poor inventory management and control practices, $1,841,015 in computer equipment purchased during the audit period was not listed on DHS inventory records. Moreover, DHS could not account for approximately $1,640,180 of the $1,841,015 in computer equipment purchases. At the conclusion of that audit, DHS stated in its response, that it had accounted for all but 325 items with a value of $333,003.

      The DHS Office of Information Technology (OIT) is responsible for providing information and technology services to administrative sites and shelters operated by DHS. OIT purchases, receives, inventories, safeguards, installs, repairs, and disposes of computer equipment. As a result of the previous audit, DHS purchased AMT to correct the inventory deficiencies found earlier. AMT was to take the place of a Scanventory system, which was not Windows 2000-compliant, and track electronically the whereabouts of computer equipment through its life cycle—from the point of purchase, receipt, and installation through obsolescence and salvage.

Objectives

      The objective of this audit was to determine whether DHS implemented the three recommendations made in the previous audit entitled *Audit Report on Controls of the Department of Homeless Services over Its Computer Equipment* (Audit No.FL03-131, issued June 30, 2003).

Scope and Methodology

      This audit covered the period June 2006 through February 2007. We reviewed prior audit report #FL03-131A to determine the findings and recommendations of that audit.

      We used the DOI *Standards for Inventory Control and Management* (Inventory Standards), dated July 1992, as a criterion for this audit. In addition, we also reviewed and used the DHS *Computer Equipment Inventory Tracking System* (procedure manual), dated October 24, 2006. This

document, which was released during the course of our audit, contains DHS policies and procedures concerning computer inventory. To determine the implementation status of the three recommendations, we:

- Interviewed various DHS officials, including the Computer Inventory Clerk, the Inventory Administrator, and the Director of Administration, who are responsible for purchasing, receiving, inventorying, safeguarding, installing, repairing, and disposing of computer equipment.

- Documented the current flow of work and prepared flowcharts to gain an understanding of DHS internal controls over its computer inventory.

- Reviewed the work-papers from the prior audit report.

- Reviewed job titles and job descriptions within DHS to gain an understanding of job responsibilities.

To determine the capabilities of AMT and how its functionalities would improve the inventory process, we:

- Visited the user site of Lockwood Technologies,[1] the manufacturer of AMT, to learn about the AMT application (modular), its functionality, and how it could be used at DHS.

- Reviewed the *Asset Tracker User Manual, 2005* and Lockwood Asset Management Life Cycle Software Application Suite 2006 to gain an understanding of how AMT functions and the capability of its applications.

- Reviewed the AMT contract and maintenance and support-renewal documentation to gain an understanding of what was purchased and the support and maintenance that is provided by Lockwood Technologies.

- Requested the disaster recovery plan for AMT from the Director of Administration.

To determine whether the data in Asset Tracker was recorded in a timely manner and whether the data is reliable, we had DHS prepare a list of all its purchase orders for the audit period, a total of 85 purchase orders totaling $3,896,858, and allowed DHS management to randomly select 30 purchase orders. We:

- Reviewed the 30 purchase orders selected by DHS, which totaled $477,916, to assess the compliance of DHS personnel with DHS policies and procedures.

- Reviewed these 30 purchase order packages to determine whether all

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[1] http://www.lockwoodtechnology.com/asset_tracking.htm

documentation required by DOI standards was maintained appropriately and had the required signatures, i.e., requisition request, purchase order, packing slip, and invoices.

- Tracked the 343 items of computer equipment that were obtained through these purchase orders to the Asset Tracker using serial numbers from the purchase orders or using the specific purchase order number when serials numbers or invoice numbers were not included on the purchase orders.

- Compared the vendor invoice numbers or the purchase order numbers from these voucher packages to the inventory list to determine whether items reportedly delivered by the vendors were recorded in the DHS inventory database by either purchase order or invoice number.

- Performed a match of the 343 items from these 30 purchase orders to the October 18, 2006 inventory list given to us by DHS. A resulting list of equipment that could not be confirmed was compiled and sent to DHS for further investigation.

DHS compiled a transaction list with an ending date of January 5, 2007, from AMT, which provided us detailed summary of the movement of the computer equipment through its life cycle. Using this transaction list, we:

- Calculated whether data was being entered into Asset Tracker in a timely manner by comparing the date the 343 items were entered into Asset Tracker, as recorded on the transaction list, to the date the actual receipt was signed by a DHS employee indicating that the item had been received.

DHS also gave us an updated inventory list that it compiled from AMT, with an ending date of January 4, 2007; we:

- Compared the January 4 inventory list to the October 18 inventory list, to determine whether the items that we could not locate on the October list had been found and whether Asset Tracker had been updated.

- Judgmentally selected six DHS sites[2] from the 63 DHS sites with computer equipment; the six sites accounted for approximately 35 percent of the listed DHS computer equipment. We conducted on-site visits[3] to corroborate the information on the list and to verify the existence of the recorded inventory items.

- Observed, during the on-site visits conducted at each site, the security measures in place to safeguard computer equipment and the storing of these assets.

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[2] The sites selected were at 33 Beaver Street, specifically the 12th floor, 13th floor, 14th floor, 20th floor, Network area, and Storage area.
[3] We visited three sites on January 26, 2007, and the remaining three on February 28, 2007.

- Ran computer queries (programs) on the field "Counted" to determine the pieces of computer equipment that had not been physically counted since December 2005.

- Ran computer queries on the field "Status" to determine the pieces of computer equipment that had been deemed relinquished but still maintained in inventory.

- Ran computer queries to determine whether any critical fields, as defined in the DOI Inventory Standard #24, were not included in the Asset Tracker and if any were not included, identified them.

- Compared the equipment locations recorded in the January 4, 2007 inventory list with two HEAT[4] forms to determine whether the location of items of computer equipment on the HEAT forms had been properly recorded in DHS inventory records.

- Requested and reviewed police reports received from DHS covering the period June 2006 through February 2007 to determine whether any computer equipment reported as stolen was recorded properly.

- Requested the five most recent *Authorization for Disposal of Surplus Material* forms from DHS and compared the 880 items listed on those forms to the February 2007 inventory list to ascertain whether computer equipment designated as "to be salvaged"[5] had been properly recorded in inventory in accordance with DHS policies and procedures.

- Reviewed the contract for Stellar, the third-party computer-warehousing vendor that DHS uses for large (500 or more items) computer orders, to understand its responsibilities in the inventory process.

The results of the above tests, while not projectable to the respective populations from which the samples were drawn, provided a reasonable basis for us to satisfy our audit objectives.

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 audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

Discussion of Audit Results

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[4] HEAT, Help Desk Expert Automation Tool, gives a detailed account of user requests for equipment to be relocated.

[5] Equipment considered for salvage are items that while being older are still capable of use by a different group of users, i.e. schools, senior citizen facilities, the general public.

The matters covered in this report were discussed with DHS officials during and at the conclusion of this audit. A preliminary draft report was sent to DHS officials on September 13, 2007, and was discussed at an exit conference held on October 5, 2007. On November 29, 2007, we submitted a draft report to DHS officials with a request for comments. We received a written response from DHS on December 20, 2007. In response to the recommendation addressing existing issues from the previous audit, DHS stated that it follows all applicable DOI guidelines but will review variances cited in the audit for applicability. DHS officials agreed with the audit's eight new recommendations and stated that they have already implemented six. They added that DHS "is committed to ensuring that its inventory system is devoid of weaknesses through its stated course of actions as outlined in [the] response to the audit recommendations. The Comptroller's Office audit report assists DHS in focusing on areas that require improvement and as with the prior audit, steps have been taken to remedy weaknesses."

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

RESULTS OF THE FOLLOW-UP AUDIT

Of the three recommendations made in the previous audit report, the current audit disclosed that DHS has implemented two. We consider the third recommendation only partially implemented. Although DHS has developed a set of inventory policies and procedures, major weaknesses still exist in DHS inventory-management process. Moreover, the inventory management procedures do not fully address DOI inventory standards.

Despite the fact that DHS purchased AMT, software designed to improve the process to ensure all computer equipment has been recorded and tracked in its inventory database, there were significant delays in updating and maintaining the current inventory records in Asset Tracker. Also, the application is not being used to its fullest capacity. Finally, DHS has not consistently followed its inventory management and control procedures over computer equipment. Consequently, the data in Asset Tracker is incomplete and not reliable.

Previous Finding: "Inventory System Weaknesses"

In the previous audit, the following weaknesses were found in the DHS computer inventory process: DHS had no written policies and procedures for maintaining an inventory of its computer equipment, did not safeguard its equipment, and did not maintain complete and accurate inventory records for its computer equipment. As a result of its poor inventory management and control practices, $1,841,015 in computer equipment purchased during the audit period was not listed on DHS inventory records. Moreover, DHS could not account for approximately $1,640,180 of the $1,841,015 in computer equipment purchases. At the conclusion of that audit, DHS stated in its response, that it had accounted for all but 325 items with a value of $333,003.

> *Previous Recommendation #1*: "Create an inventory project team, reporting to the Commissioner whose ultimate goal would be to develop computer inventory policies and procedures and to ensure that the inventory control system is: (1) accurate (all computer equipment is accounted for); (2) timely (records are adjusted to immediately reflect receipts, transfers, and relinquishments); and (3) encompassing (the system tracks all items received)."

> *Previous Department Response:* "DHS already had an inventory team in place, reporting to the Director of the DHS Office of Information Technology (OIT). DHS inventory policy and procedures have also already been put into place. The inventory team will continue to be responsible for ensuring that regular inventories are conducted, in accordance with the policy and procedures. Oversight of the function will continue to be performed by the Deputy Commissioner for Policy and Planning (to whom OIT reports)."

> **Current Status:**   PARTIALLY IMPLEMENTED

DHS has created a team reporting to the Deputy Director of OIT, and it has developed a process and a set of procedures described in its *NYC Department of Homeless Services, Computer*

Equipment Inventory Tracking System, dated October 24, 2006. However, although DHS has tried to implement the recommendation from the previous audit, weaknesses still exist in DHS inventory-management process: the inventory records are not updated in a timely manner, and the records are inaccurate, as discussed later in this report. Moreover, the inventory management procedures do not fully address DOI inventory standards. These weaknesses continue to put the agency at risk that computer equipment may be stolen and that the theft may go undetected; therefore, we consider the recommendation to be only partially implemented.

> ***Previous Recommendation #2***: "Ensure that all computer equipment is properly safeguarded. In that regard, all uninstalled items of computer equipment should be secured in locked rooms."
>
> ***Previous Department Response:*** "DHS secures all new and usable computer equipment in secured locked rooms."
>
> **Current Status***:*   IMPLEMENTED

DHS has secured all new and unused computer equipment under lock and key and has given the keys to authorized personnel only. We consider the recommendation to be implemented.

Previous Finding: **"**Unaccounted Computer Equipment"

DHS could not account for $1,640,180 in computer equipment that it purchased during the audit period. This represented approximately 70 percent of the equipment purchased from the nine vendors reviewed.

> ***Previous Recommendation #3:*** "Refer all significant unresolved discrepancies to DOI for further investigation."
>
> ***Previous Department Response:*** "It has always been the policy of DHS to report any theft or loss of computer equipment to DHS Security Administration. The loss or theft is then reported to the local NYPD precinct. Incidents are investigated by DHS Security Administration and referred, if necessary, to DOI."
>
> **Current Status:**   IMPLEMENTED

On inventory lists received from DHS dated October 18, 2006 and January 4, 2007, DHS reported the theft of two items (a printer and an item defined as "other"). DHS provided documentation verifying that a report had been filed with both DOI and NYPD concerning stolen equipment, as required by DOI Inventory Standards. As a result, we consider the recommendation to be implemented.

Procedures Issues Need To Be Addressed

As noted previously, DHS has procedures in place; however, in the course of this follow-up audit, we found that DHS staff does not always follow these procedures, that some procedures were never implemented, and that some procedures either violate or do not address DOI Inventory Standards. Further, implementing AMT has changed users' responsibilities, rendering those responsibilities contradictory to existing DHS procedures.

DHS Staff Does Not Follow DHS Procedures

DHS procedure §1.4, control #6, states, "Cycle counts of trackable, capital assets will occur once every three months and will be used to measure (and adjust) the effectiveness of the computer equipment inventory system." DHS has performed inventory counts, although the inventory list dated January 4, 2007, indicates that from a total of 6,990 items of computer equipment recorded, a total of 2,469 have not been counted. We found that 1,159 items have not been counted since 2005; 628 have not been counted since 2004; 565 have not been counted since 2003; and 104 have not been counted since 2002, while thirteen items have never been counted. DOI Inventory Standard #18 specifically states, "A count of all stored goods [i.e., computer equipment] is conducted at least once a year to ensure the accuracy of the perpetual inventory records. Physical inventory count totals are compared with the perpetual inventory records."

DHS procedure §1.4, control #1, convention #2, specifically states that "all computer equipment must receive an (bar-coded) asset label." When we conducted on-site visits to six DHS sites to verify the location of 307 pieces of computer equipment we found that some computers need to have their asset tags replaced because the tags have faded, have become difficult to read, and could easily be altered. Specifically, eight asset tags had faded and could not be read, and two laptops had no asset tags.

Procedure Never Implemented

DHS procedure §1.4, "Capitalization," has not been implemented. Specifically, this DHS procedure states that all computer equipment and software is to be recorded as a fixed asset in AMT by entering the license number (for software) as well as a value into the librarian feature. DHS has a paper trail for its equipment; however, the paper trail is not available in AMT. If implemented, this procedure would make the paper trail available in AMT.

DHS Procedures Are Contradictory

DHS procedure §1.4 states that the Gatekeepers[6] perform the cycle count under the

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[6] A Gatekeeper is a specific individual with direct responsibility for the handling and processing of DHS computer equipment assets. Gatekeepers receive incoming assets and process outgoing assets. They have specific training in DHS rules and regulations.

direction of the Inventory Administrator; §2.2 states that an inventory specialist conducts the inventory count; and §2.3 indicates that the system administrator conducts the cycle count.

DHS procedure §2.1 states that the Gatekeepers perform the updates to the Asset Tracker, however we found that the system administrator performs these updates.

Specific DOI Inventory Standards Violated by DHS Procedures

DOI Inventory Standard #18 states that during a physical inventory "inventory locations are closed and normal operations suspended for the duration of the count." However, the DHS procedure "Physical Inventory," control # 5, states, "The inventory is of the 'open' nature. That is business operations are not suspended during the inventory process."

DOI Inventory Standards Are Not Addressed by DHS Procedures

DOI Inventory Standard #4 states that "supervision must be adequate." However, the DHS procedures do not address the provision of formal training. The communication of these policies and procedures from management to staff are major components of adequate supervision.

DOI Inventory Standard #5 states that agencies should "establish an independent auditing capability" to perform "annual and unannounced audits of the major inventory functions . . . by an independent internal or external audit groups" to ensure the integrity of the agency's inventory management system and to ensure the safeguarding of valuable resources. While DHS has an audit group in place, its formal role in ensuring the application of the controls over inventory is not addressed in the DHS procedures.

DOI Inventory Standard #17 states that "goods must be available when needed" so that the agency can achieve its overall mission. DHS inventory procedures do not address safety stock levels, reorder points, reorder amounts or a valuation policy for goods on hand. Further, as we report later in a separate section, AMT has these capabilities but they are not used.

DOI Inventory Standard #26 states the need to "establish controls at end-user [i.e., user] locations to safeguard security." Security where inventoried computer equipment is installed is not addressed in the DHS procedures.

DOI Inventory Standard #27 states that the "End-User manager must certify yearly usage, receipt of equipment, and reasonable usage." However, the required certification is not being performed at the locations where the users are, and such certification is not discussed in the DHS procedures. We found no evidence that this standard had been addressed in any way.

DOI Inventory Standard #28 states that "an inventory of durable goods[7] must be maintained by each end-user." This requirement is also not discussed in the DHS procedures,

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7 Durable goods are defined as products whose usefulness continues for a number of years and that are not consumed or destroyed through use.

nor did we receive any evidence that a durable goods inventory existed.

Data Reliability Issues

The information contained in AMT plays an integral part in maintaining current and accurate inventory records so that management knows the exact amount of resources that are at the agency's disposal. DOI Inventory Standard #24 states, "The agency maintains within the Control Unit a single, safeguarded and complete set of accounting records that accurately record all authorized additions to, and depletions from, the inventory. The accounting record is reconciled to perpetual and physical inventory records." This audit revealed significant data reliability issues. Specifically, computer equipment is not correctly recorded, inventory records are not up to date, obsolete equipment is not deleted from inventory records, and the equipment stored at the DHS third-party vendor, Stella Services, is not adequately monitored.

Computer Equipment Not Correctly Recorded

We performed a series of queries against all computer equipment records extracted from Asset Tracker, with an ending date January 19, 2007. These queries were to determine whether major fields, such as asset tag number, purchase order number, invoice number, status, acquired date, location, room, and values, were correctly recorded in Asset Tracker. These tests revealed that of the 4,623 "Active" items (items in use) that were examined, all 4,623 items had no dollar value associated with the record; 4,342 items had no purchase order number noted; 3,679 items had no invoice number noted; 2,241 items had no acquisition date noted; 4 items had no location noted; 87 items had no assigned asset tag number recorded; and 19 items had no status type noted.

We also requested that DHS provide us with the five most recent 'Authorization for Disposal of Surplus Material' forms: one form dated October 16, 2006, three forms dated April 14, 2006, and the remaining form dated September 7, 2005. The forms had a total of 880 items considered relinquished by the Department of Citywide Administrative Services (DCAS). (They were deemed no longer needed by the agency.) However, using a February 2007 inventory list, we found that the status code for 513 of the 880 items had not been changed from "salvaged" [8] to "relinquished," even though the items were to be disposed of and should not appear in Asset Tracker.

In addition, we conducted on-site visits to six DHS sites to verify that the 307 of the 2,093 pieces of equipment on the January 4, 2007 inventory list that were assigned to these six sites were actually present. Our observations found that 235 items were not recorded with: the correct site (e.g., Beaver Street), the proper status, the proper type, the correct room where the item is situated, and the correct floor. However, 215 of the 235 items were later found in a different place or were recorded with an incorrect status code, i.e., listed as inventory when the equipment was actually relinquished, or salvaged. We could not find the remaining 20 units of the 235 items[9] listed in the inventory; the 20 missing items had a total value of $18,089.

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[8] Meaning the items still have value and could be used for a simpler task.
[9] The 20 items missing were 3 laptops, 6 central processing units, and 11 monitors.

In the storage areas, we found that items of equipment were stacked dangerously on top of each other, with their asset tags facing the wall and not visible to the observer. The storage areas were not organized and were jammed with relinquished items that should have been removed from the premises. Tags were placed on the assets but not on the boxes containing them, which required us to take items out of their boxes for identification. At the exit conference, DHS officials stated that this problem was corrected and requested that we re-inspect these storage area. On October 12, 2007, our auditors revisited these sites and found that DHS had corrected this situation.

Obsolete Equipment Not Deleted from Inventory Records

In addition to the relinquished items discussed above, we found that there were 1,007 computer equipment items that have been declared obsolete by DCAS on the DHS inventory list dated as of January 4, 2007, and therefore still are recorded Asset Tracker. Some of these items date back to September 23, 2002; consequently, the DHS inventory records are incorrect. Specifically, DHS procedure §2.1 states that "all trackable computer equipment must be tracked and accounted for"; while DOI Inventory Standard #9 states, "An agency salvage officer is designated to inspect and certify the obsolescence of goods presented for relinquishment. . . . Relinquished items are *deleted* [emphasis added] from inventory log."

Inventory Records Not Up to Date

DOI Inventory Standard §15 states, "A running balance of the goods on hand is maintained by the timely recording of the quantities of all incoming and outgoing orders." Our tests revealed significant recording and timeliness issues. Specifically, it took more than three months to post equipment to Asset Tracker; purchase orders, invoice numbers, and serial numbers are not consistently recorded; and equipment information was not consistently updated.

We compared the items from 30 purchase orders sampled to the January 5, 2007 transactions list and found that it took three or more months to post 139 of the 343 items of computer equipment (40.5 percent) to the inventory records of Asset Tracker.

In addition, vendor invoice numbers and/or purchase order numbers from these voucher packages were not consistently recorded in the inventory database. Our comparison found that 169 items of the 343 items (49.3 percent) could not be verified as received and present. We subsequently contacted DHS requesting documentation for the 169 pieces of equipment purchased that we could not reconcile to its October 18, 2006 inventory list, and DHS provided documentation for 161 of the items. For five of the remaining eight items, DHS stated that "the digits in the serial numbers for five of these items had been transposed making it difficult to verify." However, three pieces of equipment, totaling $8,240.81, were not recorded in inventory, one item because of an oversight, and two items because of a site emergency. We were never shown these items.

Further, our review of the HEAT forms, which provide a detailed account of user requests for the relocation of equipment, found that information for 7 out of 13 pieces of equipment that subsequently had been relocated was never updated in the AMT database;

therefore, the current location of the equipment was incorrectly recorded on the inventory list.

As a consequence of the aforementioned tests, we conclude that inventory records are not current; and items of computer equipment could be stolen and the theft remained undetected for a significant period of time. Consequently, DHS has been unsuccessful in accurately maintaining the information for its computer equipment in its inventory database.

DHS's Implementation of AMT Hindered The Improvement of Its Inventory Process

DHS, responding to the previous audit's recommendation to improve its inventory process, purchased the AMT to replace a manual process and track electronically the whereabouts of computer equipment from the point of purchase and receipt through obsolescence and salvage. The original DHS plan called for the integration of AMT with the City's Financial Management System (FMS), but DHS never completed this task, which would have greatly enhanced the inventory tracking process. In addition, DHS does not use the Poller module, which would also simplify asset reconciliation by allowing DHS to find active computer assets by simply scanning its network. Meanwhile, DHS purchased Remote Link, which provides Internet accessibility to the suite's master database in the form of: record viewing, report generation, property tracking, and information import/export for its remote sites; however, in an e-mail dated January 19, 2007, a DHS representative indicated that DHS does not use this module.

DHS procedure §3.3, "Reconciliation," states: "In practice, the reports referenced in this section of the Asset Tracker documentation do not work." The procedure discusses the steps to be followed by either the Gatekeeper or the system administrator to reconcile the data. We are concerned that reports that are available from Asset Tracker have not been generated since the application was installed three years ago. Further, the Inventory Administrator has indicated that the vendor has not been responsive to requests to correct technical issues and make updates; however, the documentation provided by the Inventory Administrator as proof of these requests is more than two years old. Had DHS taken the effort to utilize fully the capabilities of AMT, we feel that the issues addressed in this report may have been corrected.

Incomplete Disaster Recovery Plan

The AMT software has not been incorporated into the DHS disaster recovery plan. In addition, DHS has no documented disaster recovery plan for AMT to ensure business continuation. A disaster recovery plan would preserve access to and availability of this application in the event of a disaster. Comptroller's Directive #18, §10, states: "A formal plan for the recovery of agency operations and the continuation of business after a disruption due to a major loss of computer processing ability is an important part of the information protection plan." Without a disaster recovery plan for AMT, DHS is vulnerable to the loss of mission-critical information in the event of a disaster.

RECOMMENDATIONS

To address the issues from the previous audit that still exist, we recommend that DHS officials:

1. Update DHS procedures to ensure that these procedures comport with DOI Inventory Standards.

DHS Response: "DHS follows all applicable DOI guidelines. However, in FY 08 we will review the variances cited in the audit for applicability."

Auditor Comment: As previously stated, although DHS has tried to implement the recommendations from the previous audit, weaknesses still exist in the DHS inventory-management process. We found instances where the inventory records are not updated in a timely manner and instances where the records were inaccurate. Moreover, the inventory management procedures do not fully address DOI inventory standards. These weaknesses continue to put the agency at risk that computer equipment may be stolen and that the theft may go undetected.

To address the new issues noted in this follow-up audit report, we recommend that DHS officials:

2. Improve the DHS inventory process by fully utilizing all the capabilities available in AMT, such as tracking back orders and identifying reorder points in advance. Further, DHS should include in Asset Tracker all acquisition dates, the value of each item of inventory, and the movement of inventory items.

DHS Response: "These capabilities are not available in Asset Tracker version 6.1 which is what DHS used at the time of the audit. DHS plans to upgrade to Asset Tracker version 7 in FY08. Prior to the upgrade, we will investigate if this version can track reorder and back order data and inventory values; if not, we will seek to acquire an alternative AMT."

3. Create a procedure that will allow data from the City's Financial Management System (FMS) to be utilized by AMT.

DHS Response: "In 2002, when DHS purchased Asset Tracker – Large Enterprise Edition, the Financial Information Services Agency (FISA) was not receptive to integrating FMS with other systems. DHS will revisit this issue in the future if there is interest at FISA and a decision has been made to continue using Asset Tracker or to switch to another package. In the meantime, DHS will investigate the possibility of using Crystal Reports to link tables from both systems for reporting purposes."

4. Maintain the storage areas and physically organize the assets, thereby making it easier to keep the storage areas usable and safe.

DHS Response: "DHS has implemented this recommendation."

5. Place asset tags on assets as well as the boxes that contain them and ensure that the tags are visible to observers.

DHS Response: "DHS has implemented this recommendation. All DHS assets in storage have been tagged as per DHS procedures. As new computer assets are received, DHS is continuing to tag them along with their boxes."

6. Replace faded asset tags after a specific period of time to enable easy identification of the asset.

DHS Response: "DHS began implementing this recommendation in FY '07. FYTD, 66% of DHS assets have been inventoried and retagged as part of the yearly physical inventory process that will be completed this March 08."

7. Conduct weekly meetings with the Gatekeepers, System Administrator, and all responsible employees to obtain feedback on problems and to obtain suggestions for improving the inventory process.

DHS Response: "DHS has implemented this recommendation. Pending approval to a new level in title, the Inventory Administrator has been promoted to help with the implementation of this recommendation and to augment supervision of the Gatekeepers."

8. Contact DCAS and request the disposal of surplus and relinquished DHS equipment.

DHS Response: "In FY 08, 1,244 assets have been submitted for relinquishment. DHS will continue to identify and collect obsolete assets from all sites throughout the year, and will work with DCAS to relinquish these assets on a regular, ongoing basis."

9. Incorporate AMT into the DHS disaster recovery plan.

DHS Response: "Asset Tracker resides on a primary SQL server and is included as a mission critical system into the DHS Disaster Recovery Plan."

NYC Department of Homeless Services

December 20, 2007

John Graham
Deputy Comptroller for Audits
Office of the Comptroller
1 Centre Street
New York, N.Y. 10007

RE: NYC Comptroller's Office Draft Follow-up Audit Report
        on the Department of Homeless Services
        Controls over Computer Equipment (7F07-078)

Dear Mr. Graham:

Enclosed are the Department of Homeless Services (DHS) responses to the above-mentioned New York City Comptroller's draft audit report.
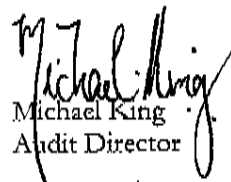
DHS is pleased that the Comptroller's Office acknowledges that two of the three prior report's recommendations are implemented, with the recommendation concerning Inventory System Weaknesses being partially implemented. We continue in our efforts to update our inventory records not only in a timely manner but to ensure their accuracy.

DHS generally agrees with the nine new audit recommendations and has already implemented six of the nine recommendations. By FY 09, DHS will implement the remaining three recommendations (2, 3, and 9).

DHS is committed to ensuring that its inventory system is devoid of weaknesses through its stated course of actions as outlined in our responses to the audit recommendations.

The Comptroller's Office audit report assists DHS in focusing on areas that require improvement and as with the prior audit, steps have been taken to remedy weaknesses.

Sincerely,

Michael King
Audit Director

Enclosures

cc: Linda Gibbs   Robert Hess   Fran Winter
        Maryanne Schretzman Steve Pock   Lula Urquhart
        Dilip Kulkarni

Audit Implementation Plan **Form A**

Department of Homeless Services
Audit Services

RESPONSE DATE: 12-11-07

AUDIT TITLE:	Follow-Up Audit Report on Department of Homeless Services Controls over Computer Equipment
AUDITING AGENCY:	NYC Comptroller's Office
DIVISION:	Office of Information Technology
DRAFT REPORT DATE:	11-29-07
AUDIT NUMBER:	7F07-078

A. RECOMMENDATION WHICH THE AGENCY HAS IMPLEMENTED

1. Update DHS procedures to ensure that these procedures comport with DOI Inventory Standards.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

DHS follows all applicable DOI guidelines. However, in FY 08 we will review the variances cited in the audit for applicability

IMPLEMENTATION DATE

2007

RESPONSIBILITY CENTER

OIT

Signature: D. Kulkarni

Print Name: DILIP KULKARNI

Date: 12/17/07

Print Title: CIO

Audit Implementation Plan **Form C**

Department of Homeless Services
Audit Services

PAGE 2_____OF ___9___

RESPONSE DATE: 12-11-07

AUDIT TITLE:

Follow-Up Audit Report on
Department of Homeless Services
Controls over Computer Equipment

AUDITING AGENCY:

NYC Comptroller's Office

DIVISION:

Office of Information Technology

DRAFT REPORT DATE:

11-29-07

AUDIT NUMBER:

7F07-078

C. RECOMMENDATION WHICH THE AGENCY AGREES WITH BUT IS PENDING IMPLEMENTATION

2. Improve the DHS inventory process by fully utilizing all the capabilities available in AMT, such as tracking back orders and identifying reorder points in advance. Further, DHS should include in Asset Manager all acquisition dates, the value of each item of inventory, and the movement of inventory items.

RESPONSE TO RECOMMENDATION

These capabilities are not available in Asset Tracker version 6.1 which is what DHS used at the time of the audit. DHS plans to upgrade to Asset Tracker version 7 in FY08. Prior to the upgrade, we will investigate if this version can track reorder and back order data and inventory values; if not, we will seek to acquire an alternative AMT.

TARGET IMPLEMENTATION DATE

2008

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

Print Name: _DILIP KULKARNI_

Print Title: _CIO_

Date: 12/17/07

Department of Homeless Services
Department of Homeless Services
Audit Services

PAGE __3__ OF __9__

RESPONSE DATE: 12-11-07

AUDIT TITLE: Follow-Up Audit Report on
Department of Homeless Services
Controls over Computer Equipment

AUDITING AGENCY: NYC Comptroller's Office

DIVISION: Office of Information Technology

DRAFT REPORT DATE: 11-29-07

AUDIT NUMBER: 7F07-078

C. RECOMMENDATION WHICH THE AGENCY AGREES WITH BUT IS PENDING IMPLEMENTATION

3. Create a procedure that will allow data from the City's Financial Management System (FMS) to be utilized by AMT.

RESPONSE TO RECOMMENDATION

In 2002, when DHS purchased Asset Tracker – Large Enterprise Edition, the Financial Information Services Agency (FISA) was not receptive to integrating FMS with other systems. DHS will revisit this issue in the future if there is interest at FISA and a decision has been made to continue using Asset Tracker or to switch to another package. In the meantime, DHS will investigate the possibility of using Crystal Reports to link tables from both systems for reporting purposes.

TARGET IMPLEMENTATION DATE

FY 2008-FY 2009

RESPONSIBILITY CENTER

Signature: _D. Kulkarni_

Print Name: _DILIP KULKARNI_   Date _12/17/07_

Print Title: _CIO_

Department of Homeless Services
Audit Services

PAGE __4__ OF _9___

RESPONSE DATE: 12-11-07

AUDIT TITLE: Follow-Up Audit Report on
                             Department of Homeless Services
                             Controls over Computer Equipment

AUDITING AGENCY: NYC Comptroller's Office

DIVISION: Office of Information Technology

DRAFT REPORT DATE: 11-29-07

AUDIT NUMBER: 7F07-078

A. RECOMMENDATION WHICH THE AGENCY HAS IMPLEMENTED

4.Maintain the storage areas and physically organize the assets, thereby making it easier to keep the storage areas usable and safe.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

DHS has implemented this recommendation.

IMPLEMENTATION DATE

Ongoing

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

DILIP KULKARNI   _12/17/07_
Print Name: Date

Print Title: ____CIO_____

Department of Homeless Services
Audit Services

PAGE __5__ OF __9__

RESPONSE DATE: 12-11-07

AUDIT TITLE: Follow-Up Audit Report on
Department of Homeless Services
Controls over Computer Equipment

AUDITING AGENCY: NYC Comptroller's Office

DIVISION: Office of Information Technology

DRAFT REPORT DATE: 11-29-07

AUDIT NUMBER: 7F07-078

A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED

5.Place asset tags on assets and the boxes that contain them and ensure that the tags are visible to observers.

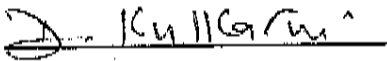## RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

DHS has implemented this recommendation. All DHS assets in storage have been tagged as per DHS procedures. As new computer assets are received, DHS is continuing to tag them along with their boxes.

IMPLEMENTATION DATE

Ongoing

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

DILIP KULKARNI   _12./17/07_
Print Name: Date

Print Title: _CIO_

Department of Homeless Services
Audit Services

PAGE __6__ OF __9__

RESPONSE DATE: 12-11-07

AUDIT TITLE: Follow-Up Audit Report on
Department of Homeless Services
Controls over Computer Equipment

AUDITING AGENCY: NYC Comptroller's Office

DIVISION: Office of Information Technology

DRAFT REPORT DATE: 11-29-07

AUDIT NUMBER: 7F07-078

A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED

6.Replace faded asset tags after a specific period of time to enable easy identification of the asset.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

DHS began implementing this recommendation in FY '07. FYTD, 66% of DHS assets have been inventoried and retagged as part of the yearly physical inventory process that will be completed this March 08.

IMPLEMENTATION DATE

Ongoing

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

____DILIP KULKARNI____   ___12/17/07___
Print Name: Date

Print Title: ___C IO___

Department of Homeless Services
Audit Services

RESPONSE DATE: 12-11-07

AUDIT TITLE:	Follow-Up Audit Report on Department of Homeless Services Controls over Computer Equipment
AUDITING AGENCY:	NYC Comptroller's Office
DIVISION:	Office of Information Technology
DRAFT REPORT DATE:	11-29-07
AUDIT NUMBER:	7F07-078

A. RECOMMENDATION WHICH THE AGENCY HAS IMPLEMENTED

7. Conduct weekly meetings with the Gatekeepers, System Administrator, and all responsible employees to obtain feedback on problems and request suggestions for improving the inventory process.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

DHS has implemented this recommendation. Pending approval to a new level in title, the Inventory Administrator has been promoted to help with the implementation of this recommendation and to augment supervision of the Gatekeepers.

IMPLEMENTATION DATE

8/07

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

Print Name: _DILIP KULKARNI_

Date: _12/17/07_

Print Title: _CIO_

Department of Homeless Services
Audit Services

PAGE __8__ OF _9___

RESPONSE DATE: 12-11-07

AUDIT TITLE: Follow-Up Audit Report on
                Department of Homeless Services
                Controls over Computer Equipment

AUDITING AGENCY: NYC Comptroller's Office

DIVISION: Office of Information Technology

DRAFT REPORT DATE: 11-29-07

AUDIT NUMBER: 7F07-078

A. RECOMMENDATION WHICH THE AGENCY HAS IMPLEMENTED

8.   Contact DCAS and request the disposal of surplus and relinquished DHS equipment.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

In FY 08, 1,244 assets have been submitted for relinquishment. DHS will continue to identify and collect obsolete assets from all sites throughout the year, and will work with DCAS to relinquish these assets on a regular, ongoing basis.

IMPLEMENTATION DATE

Ongoing

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

Print Name: _DILIP KULIKARNI_   _12/17/07_
                                        Date

Print Title: ___CIO___

Audit Implementation Plan **Form A**

Department of Homeless Services
Audit Services

PAGE __9__ OF __9__

RESPONSE DATE: 12-11-07

AUDIT TITLE: Follow-Up Audit Report on
                        Department of Homeless Services
                        Controls over Computer Equipment

AUDITING AGENCY: NYC Comptroller's Office

DIVISION: Office of Information Technology

DRAFT REPORT DATE: 11-29-07

AUDIT NUMBER: 7F07-078

A. RECOMMENDATION WHICH THE AGENCY
HAS IMPLEMENTED

9. Incorporate Asset Manager into the DHS disaster recovery plan.

RESPONSE TO RECOMMENDATION - IMPLEMENTATION PLAN

Asset Tracker resides on a primary SQL server and is included as a mission critical system into the DHS Disaster
Recovery Plan.

IMPLEMENTATION DATE

FY 08

RESPONSIBILITY CENTER

OIT

Signature: _D. Kulkarni_

Print Name: _DILIP KULKARNI_   _12/10/07_
                                       Date

Print Title: ___CIO___