

# AUDIT REPORT



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

## **Follow-up Audit Report on the Financial Controls of the Brooklyn Public Library**

*FS08-101F*

**May 23, 2008**



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 responsibilities of the Comptroller contained in Chapter 5, § 93, of the New York City Charter, my office has done a follow-up audit of the Brooklyn Public Library.

The Brooklyn Library is a private, not-for-profit corporation that receives major support for its operations through City and State appropriations, in addition to support from private donations, book fine revenues, and other sources. We audit entities such as this to ensure that they operate in a cost-effective, efficient manner and are accountable for the use of public funds.

The results of our audit, which are presented in this report, have been discussed with officials of the Brooklyn Public Library, and their comments have been considered in preparing this report. Their complete written response is 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](mailto:audit@Comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

William C. Thompson, Jr.

WCT/fh

**Report: FS08-101F**  
**Filed: May 23, 2008**

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

**Follow-Up Audit Report on the Financial Controls of  
The Brooklyn Public Library**

**FS08-101F**

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**AUDIT REPORT IN BRIEF**

This follow-up audit determined whether the Brooklyn Public Library (Library) implemented the three recommendations made in a previous audit entitled *Audit Report on the Financial Controls of the Brooklyn Public Library* (MD05-059A), issued June 22, 2005. This audit also determined the Library's current position on one recommendation that was not implemented in an earlier, 2001, audit, *Follow-up Audit on the Financial and Operating Practices of the Brooklyn Public Library*, (MD01-071F, issued June 6, 2001). In this report, we discuss the current implementation status of the recommendations made in the prior audits.

The 2005 audit disclosed that in general, Library expenditures funded by City appropriations were valid and accurate. However, this previous audit noted concerns with certain computer equipment inventory practices in the Library's Finance Department. With regard to these questionable inventory practices, the auditors noted there was no evidence of supervisory review and approval of the computer equipment inventory list, and the computer equipment inventory list contained errors (missing and duplicate items). The auditors also found that none of the sampled computer equipment was tagged to denote Library ownership or was listed in inventory records with its location.

**Audit Findings and Conclusions**

The current follow-up audit disclosed that the Library implemented the three recommendations made in the June 22, 2005 audit, and did not implement the one recommendation made in the June 6, 2001 audit. The recommendation not implemented concerned the amendment and updating of the 1903 agreement with the City to more clearly define the duties, the obligations, and the responsibilities of each party. In regard to that recommendation, we were informed that the Library "continues to maintain that it is unnecessary to change in any way its existing agreement with New York City."

During the current audit, we identified new issues concerning certain inventory management practices of computer equipment installed in the Library's Finance Department. Specifically, the Library assigns only one "asset tag" to an entire system consisting of a central

processing unit (CPU), computer monitor, keyboard, and mouse. In addition, there were no records that documented employees' receipt of computer equipment (laptops) and outlined their responsibilities for safeguarding the equipment during long-term use in their homes.

### **Audit Recommendations**

To address the issue from 2001 audit that still exists, we recommend that:

- The Library and the Office of Management and Budget should ensure that their officials, together with the Mayor's Office of Operations, seek to amend and update the 1903 agreement with the City. The new agreement should more clearly define each party's duties, obligations, and responsibilities. In addition, the agreement's statement of the Comptroller's audit authority should include full and detailed access to all Library records.

To address the new issues identified in the current audit, we recommend that the Library:

- Affix asset tags to its computer monitors in addition to its CPUs so that at a minimum, the main components of computer systems are tagged as property of the Library. Also, the newly tagged monitors need to be included separately on the Library's asset listing.
- Develop and use a form for documenting employees' receipt of computer equipment (laptops) and their responsibilities for safeguarding the equipment during long-term use by employees in their homes.

## INTRODUCTION

### **Background**

The Library is one of three separate and independent library systems serving the City. On June 5, 1903, the City, through the Board of Estimate, entered into an agreement with the Library to make it the free public library system in the borough of Brooklyn.

The Library has a Central Library, a Business Library, and 58 branches that offer free, open access to books, periodicals, electronic resources, and non-print materials, as well as career services and education, cultural, and recreational programs. The Library is a private, not-for-profit corporation that receives major support for its operations through City and State appropriations, in addition to support from private donations, book fine revenues, and other sources.

The previous 2005 audit determined that in general, Library expenditures funded by City appropriations were valid and accurate. Specifically, Other Than Personal Service (OTPS) expenditures were documented, reasonable, and necessary for Library operations; purchase orders had proper approvals, and vendor invoices were on file to substantiate the amounts paid; and compensation was paid to bona-fide employees. However, the previous review also disclosed concerns with certain computer equipment inventory practices within the Finance Department: the physical computer equipment inventory list was not adequately reviewed and approved by a supervisor; discrepancies cited required investigation, and the computer equipment inventory list required correction and updating; and asset tags were not assigned to computer equipment inventory to denote Library ownership and location, or did the Library ensure that this information was recorded in the physical computer equipment inventory list.

### **Objectives**

This follow-up audit determined whether the Library implemented the three recommendations contained in a previous audit, *Audit Report on the Financial Controls of the Brooklyn Public Library* (MD05-059A, issued June 22, 2005), and also determined the Library's current position on one recommendation that was not implemented from an earlier audit, *Follow-up Audit on the Financial and Operating Practices of the Brooklyn Public Library*, (MD01-071F, issued June 6, 2001).

### **Scope and Methodology**

This follow-up audit included a review of the Library's asset listing as of February 12, 2008. To address the Library's current position on the recommendations made in the earlier audits issued by our office, and to obtain an understanding of the policies and procedures governing the Library's handling of inventory in the Finance Department, we reviewed relevant documents, interviewed appropriate Library officials, and used the following sources of information:

- The prior audit report issued by the Comptroller's Office, *Audit Report on the Financial Controls of the Brooklyn Public Library* (MD05-059A, issued June 22, 2005);
- The Department of Investigation *Standards for Inventory Control and Management* (July 1992, Revised);
- The Library's *Financial Procedures Manual For Financial Planning and Management* (revised October 2006);
- The Library's *Technology Asset Listing for Fiscal Year 2008* (dated February 6, 2008);
- The Library's Audit Implementation Plan (AIP) dated December, 1, 2005;
- Correspondence with the following Library personnel: Deputy Director for Business Administration/Chief Financial Officer (CFO), Controller, and Manager of Technology Support;
- The Library's Finance Department organization chart; and
- The Library's Web site.

To assess whether the Library had implemented the corrective procedures outlined in its AIP and whether the implementation of those procedures corrected the weaknesses in its Finance Department's computer inventory practices cited in the previous report, we reviewed manuals, conducted interviews, and performed a physical observation of the Finance Department's computer equipment.

We reviewed the Library's *Financial Procedures Manual For Financial Planning and Management* and interviewed Library officials to ascertain whether written inventory procedures and controls were in place and being followed.

We obtained the Library's most recent asset listing to determine whether the listing was adequately reviewed and approved by a supervisor. From the listing we abstracted the Finance Department's 49 computer inventory items and tested to see whether there was any duplication of items on the listing.

On February 12, 2008, to determine whether the items on the Library's asset listing were accurately recorded and tagged, we performed a physical inventory of all 49 (100%) computer inventory items designated on the asset listing as assigned to the Finance Department. For 24 of the items listed, we compared the asset tag numbers, model numbers, and serial numbers from the asset listing to the corresponding numbers on the computer equipment installed in the Finance Department. To check whether any items were omitted from the asset listing, for the remaining 25 items of computer equipment installed in the Finance Department, we tested whether the asset tag numbers, model numbers, and serial numbers on the equipment agreed with the corresponding numbers on the asset listing.

Finally, to obtain the Library's current position regarding the recommendation to amend and update the 1903 agreement with the City to more clearly define the duties, the obligations, and the responsibilities of each party, we corresponded with the Library's Deputy Director for Business Administration/CFO.

### **Independence Disclosure**

The Comptroller is one of three City ex officio trustees of the Library. The ex officio trustees, in conjunction with the other 22 appointed trustees, comprise the Board of Trustees of the Library. A representative designated by the Comptroller sits on the Board. Neither the Comptroller nor his representative was involved in the planning or conduct of this audit or in the writing or review of the audit report.

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**

The matters covered in this report were discussed with Library officials during and at the conclusion of this audit. A preliminary draft report was sent to Library officials and discussed at an exit conference held on March 28, 2008. On April 2, 2008, we submitted a draft report to Library officials with a request for comments. We received a written response from the Library's officials on April 18, 2008, in which the Library "continues to maintain that it is unnecessary to change in any way its existing agreement with the City of New York." However, the Library agreed to comply with the two new recommendations.

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



## RESULTS OF FOLLOW-UP AUDIT

The current audit disclosed that the Library implemented the three recommendations made in audit MD05-059A, issued June 22, 2005. Our review of the Library's "Technology Asset Listing for Fiscal Year 2008" found evidence of supervisory review and approval. Our physical inventory of the Finance Department's 49 items of computer equipment noted no discrepancies on the current asset listing and noted that all items tested had asset tags affixed. In addition, we determined through correspondence with Library officials that the Library's position has not changed regarding amending and updating the 1903 agreement with the City.

However, we did note that the Library affixes only one asset tag to the CPU of an entire computer system (consisting of a CPU, a computer monitor, a keyboard, and a mouse), and that the CPU was the only component of equipment that was included on the asset listing. Also, the Library does not require employees to complete a form documenting their acceptance of responsibilities for safeguarding Library computer equipment used at home and their receipt of the equipment.

### **Previous Finding: "Physical Inventory List Errors"**

"The Library's December 2004 computer equipment inventory list for the Finance Department contained some errors. Four items were not recorded and two items were recorded twice — one of these items was recorded with an incorrect model number and the other was recorded with an incorrect serial number.

"We found no evidence of supervisory review and approval of the computer equipment inventory list. Without supervisory review, accurate data entry on inventory records is not assured. Conducting an accurate physical inventory is important in confirming the accuracy and completeness of the Library's fixed assets of computer equipment. Further, unrecorded items can be misplaced or stolen without being detected."

***Previous Recommendation #1:*** Library officials should ensure that the "physical computer equipment inventory list is adequately reviewed and approved by a supervisor."

***Previous Library Response:*** "Computer equipment inventory records will be maintained by the Information Technology Department and reviewed by the Director of Information Technology. The computer equipment inventory records will be forwarded to the Finance Department and, as an added control, independently verified annually by the Controller (or designee)."

### **Current Status: IMPLEMENTED**

Our review of the Library's "Technology Asset Listing for Fiscal Year 2008" found evidence of supervisory review and approval. Therefore, we consider this recommendation to be implemented.

***Previous Recommendation #2:*** Library officials should ensure that the “discrepancies cited in this report are investigated and that the Finance Department’s computer equipment inventory list is corrected and updated accordingly.”

***Previous Library Response:*** “The discrepancies noted in this report have been investigated and the computer equipment inventory has been corrected and updated accordingly.”

**Current Status:** IMPLEMENTED

Our physical inventory of the computer equipment installed in the Finance Department and our tests performed on the Finance Department’s current asset listing noted no discrepancies. The 49 items we tested were found in the Finance Department as designed on the asset listing, and there was no duplication of items on the listing. Therefore, we consider this recommendation to be implemented.

**Previous Finding: Computer Equipment Not Tagged**

“None of the sampled computer equipment in the Finance Department was affixed with a tag to denote Library ownership and the equipment’s location.

“Although Library officials stated that, since October 2004, they have begun to assign an asset tag to each computer (consisting of a PC, monitor, keyboard, and mouse), the December 2004 physical inventory list, which includes such items, has only the manufacturer’s serial numbers of each computer listed for identification.”

***Previous Recommendation #3:*** “Library officials should ensure that asset tags are assigned to computer equipment inventory to denote Library ownership and location, and ensure that this information is recorded on the physical computer equipment inventory list.”

***Previous Library Response:*** “In Fiscal Year 2005, the Library implemented a major technology upgrade program. . . . As part of this upgrade, all new and existing computers were assigned an asset tag.

“The computer equipment inventory maintained by the Information Technology Department contains the following data for each computer: serial number, asset tag #, location, make, model # and cost. . . . The computer equipment inventory records are forwarded to the Finance Department to become part of the complete physical inventory.”

**Current Status:** IMPLEMENTED

We found that all 49 items of computer equipment listed as assigned to the Finance Department had asset tags affixed denoting Library ownership, and the locations of these tagged

items corresponded with those listed on the current asset listing. However, the Library affixes an asset tag to only the computer processing unit (CPU), one of the components of a computer system, which consists of a CPU, computer monitor, keyboard, and mouse. While this may address the previous recommendation, we believe that, at a minimum, the CPU and the monitor, should be labeled and accounted for, as discussed later in this report.

#### **Status of Recommendation Not Implemented in Audit MD01-071F, Issued June 6, 2001**

***Earlier Recommendation #4 (from Audit MD05-059A, issued June 22, 2005):*** “The Library and the Office of Management and Budget should ensure that their officials, together with the Mayor’s Office of Operations, seek to amend and update the 1903 agreement with the City. The new agreement should more clearly define each party’s duties, obligations, and responsibilities. In addition, the Comptroller’s audit authority should include full and detailed access to all Library records.”

***Earlier Library Response (from Audit MD05-059A, issued June 22, 2005):*** “BPL [the Library] continues to maintain that it is unnecessary to change in any way its existing agreement with New York City.”

#### **Current Status:** NOT IMPLEMENTED

In our correspondence with Library officials inquiring about their current position regarding this recommendation, the officials reiterated that the Library “continues to maintain that it is unnecessary to change in any way the existing agreement with New York City.”

#### **New Issues**

#### **Library Procedures Need to Be Updated**

During the current audit, we noted that the Library affixes an asset tag to only the CPU of a computer system that consists of a CPU, computer monitor, keyboard, and mouse. We also discovered that the CPU was the only component included on the Library’s asset listing. In order to better safeguard the main components of each computer system, the Library should treat its computer monitors as separate items, affix them with asset tags, and include the appropriate information from the newly tagged monitors in its asset listing.

As noted in the previous audit, “Library officials stated that, since October 2004, they have begun to assign an asset tag to each computer (consisting of a PC, monitor, keyboard, and mouse).” However, DOI’s *Standards for Inventory Control and Management* (Standards for Inventory), Standard No. 28 states: “Permanent records are maintained, centrally, to track all non-consumable goods<sup>1</sup> . . . establishing property identification for items of significant value.”

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<sup>1</sup> A commodity is considered non-consumable if it has a life expectancy of more than a year.

### **The Library Did Not Require Check-Out Forms For Laptops Used at Home**

Our review of the Library's Technology Asset Listing for Fiscal Year 2008 (dated February 6, 2008) noted that there were two laptop computers that were listed as assigned to employees for use in their homes. When we requested records that documented the employees' receipt of the equipment and the acknowledgment of their responsibilities for safeguarding the equipment, we were told by Library officials that no such documentation existed. The Library does use a "Laptop Check-out Form" for temporary use Laptop computers of not more than 10 consecutive days. However, DOI's Standards for Inventory, Standard No. 26 states: "The manager responsible for inventory at the end-user location safeguards the goods from receipt through distribution . . . Goods are released to individuals and units only upon the presentation of properly authorized requisitions bearing true signatures."

### **RECOMMENDATIONS**

To address the issue from the earlier audit MD01-071F, dated June 6, 2001, that still exists, we recommend that:

1. The Library and the Office of Management and Budget should ensure that their officials, together with the Mayor's Office of Operations, seek to amend and update the 1903 agreement with the City. The new agreement should more clearly define each party's duties, obligations, and responsibilities. In addition, the agreement's statement of the Comptroller's audit authority should include full and detailed access to all Library records.

***Library Response:*** "BPL continues to maintain that it is unnecessary to change in any way its existing agreement with the City of New York."

To address the new issues identified in the current audit, we recommend that the Library:

2. Affix asset tags to its computer monitors, in addition its CPUs, so that at a minimum, the main components of computer systems are tagged as property of the Library. Also, the newly tagged monitors need to be included separately on the Library's asset listing.

***Library Response:*** "The Library will comply with the recommendation to tag all flat panel monitors in addition to CPUs."

3. Develop and use a form for documenting employees' receipt of computer equipment (laptops) and their responsibilities for safeguarding the equipment during long-term use by employees in their homes.

***Library Response:*** "The Library will comply with the recommendation to have all employees who are issued BPL owned lap tops for long term offsite use, sign a Laptop Offsite Use Form."

**Brooklyn  
Public  
Library**

April 18, 2008

Mr. John Graham  
Deputy Comptroller  
Audits, Accountancy & Contracts  
The City of New York  
Office of the Comptroller  
1 Center Street  
New York, NY 10007-2341

**RE:** DRAFT REPORT  
Follow-up Audit Report on the Financial Controls of the  
Brooklyn Public Library  
FS08-101F

Dear Mr. Graham:

Thank you for providing Brooklyn Public Library with a copy of the above draft report. Thank you too for the opportunity to add our comments before a final version of the report is released to the public. These comments are noted below:

**Previous Recommendation No. 4 (p. 8 of the DRAFT Report):**

BPL's Current Response – BPL continues to maintain that it is unnecessary to change in any way its existing agreement with the City of New York.

**New Recommendation No. 1 (p. 9 of the DRAFT Report):**


BPL's Response – The Library will comply with the recommendation to tag all flat panel monitors in addition to CPUs. Special asset tags beginning with the letter "M" followed by an incremental number will be purchased. The Library expects to complete this implementation over a six month period – July through December 2008.

**New Recommendation No. 2 (p. 9 of the DRAFT Report):**

BPL's response - The Library will comply with the recommendation to have all employees who are issued BPL owned lap tops for long term offsite use, sign a Laptop Off Site Use form. This process will be implemented in July 2008 and continued thereafter.

Again, thank you for this draft report and for the opportunity to express our comments regarding its findings and recommendations.

Yours truly,

A handwritten signature in black ink that reads "Dionne Mack-Harvin" followed by a horizontal line.

Dionne Mack-Harvin  
Executive Director

DM-H/jrw