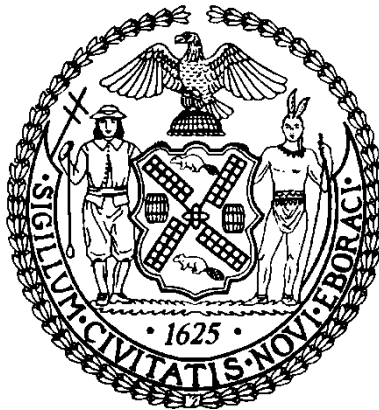


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

BUREAU OF MANAGEMENT AUDIT

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Deputy Comptroller for Audit**



**Audit Report on the Controls of the
Department of Transportation over City
Disability Parking Permits**

MD09-076A

February 5, 2010



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

John C. Liu
COMPTROLLER

To the Residents of the City of New York:

In accordance with the responsibilities of the Comptroller contained in Chapter 5, §93, of the New York City Charter, my office has conducted an audit to determine whether the New York City Department of Transportation (DOT) has adequate controls over the issuance of City disability parking permits. We audit City agencies as a means of ensuring that they operate efficiently and properly safeguard City funds and resources entrusted to them.

The audit determined that DOT's controls over the issuance of disability parking permits are inadequate. Although the audit did not find any instances of permits being issued to non-eligible individuals, DOT's poor procedures and controls create an environment that could allow for the issuance of fraudulent permits without detection. DOT's recordkeeping practices over its inventory of permit seals are grossly deficient, resulting in a discrepancy of at least 22,000 seals that were unaccounted for, which if used fraudulently would not only result in lost revenue to the City but undermine DOT's efforts to ensure that only those who need and qualify for permits receive them. DOT does not monitor the permits being generated, nor does it reconcile the generated permits with applicants' files to ensure that all printed permits are valid and warranted. DOT's inability to generate key reports on demand contributes to its lack of monitoring of permit issuance. Finally, DOT cannot identify the individuals who record applicant medical certification assessment information in the computer system because they share user identifications and passwords.

The results of the audit have been discussed with officials from DOT, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@Comptroller.nyc.gov or call my office at 212-669-3747.

Sincerely,

A handwritten signature in black ink, appearing to read "JCL".

John C. Liu

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ADDENDUM DOT Response

*The City of New York
Office of the Comptroller
Bureau of Management Audit*

**Audit Report on the Controls of the
Department of Transportation over
City Disability Parking Permits**

MD09-076A

AUDIT REPORT IN BRIEF

The Department of Transportation's (DOT's) mission is to provide for the safe, efficient, and environmentally responsible movement of people and goods in New York City and to maintain and enhance the transportation infrastructure crucial to the economic vitality and quality of life of City residents. One of DOT's functions is the issuance of parking permits. DOT's Parking Permits for People with Disabilities (PPPD) unit is responsible for the issuance of both the City and State disability parking permits. The focus of this audit was the issuance of City disability parking permits.

City disability parking permits are issued to eligible individuals at no cost to the applicant. To be eligible, an applicant must be a New York City resident or a non-resident who is either employed full-time or attending school in New York City. In addition, the applicant must be certified by a New York City physician designated by the Department of Health and Mental Hygiene (DOHMH) as having a disability that severely and permanently, or temporarily, impairs the applicant's mobility, requiring the use of a private vehicle for transportation. A City disability parking permit allows individuals to park at most curbsides on City-owned streets, to park at meters without using an authorized payment method, and to park in areas where regular parking is prohibited. It should be noted that State disability parking permits, not City permits, cover parking places designated "Handicapped Parking" found in most parking lots. During Fiscal Year 2008, the PPPD unit reported that it issued a total of 24,369 City disability parking permits.

Audit Findings and Conclusions

DOT's controls over the issuance of disability parking permits are inadequate. Although we did not find any instances of permits being issued to non-eligible individuals, the PPPD unit's poor procedures and controls create an environment that allows for the issuance of fraudulent permits without detection. The audit found that:

- DOT's recordkeeping practices over its inventory of permit seals are grossly deficient. We found at least 22,000 seals unaccounted for, which is a problem since anyone can create fraudulent permits using these seals. Fraudulent permits would undermine DOT's efforts to ensure that only those who need and qualify for permits receive them and would also result in lost revenue to the City;
- DOT does not monitor the permits it generates, nor does it reconcile the generated permits with applicants' files to ensure that all printed permits are valid and warranted;
- DOT is not capable of generating key reports on demand, contributing to its inability to monitor permit issuance;
- PPPD personnel share user identifications and passwords in e-Permits (DOT's computerized processing system) to record applicants' medical certification assessment information. As a result, DOT is unable to track the identities of those who recorded the certification information and is, therefore, unable to determine whether the information was recorded only by authorized personnel;
- Permits of living individuals were deactivated by the PPPD unit because DOT's match procedure to identify deceased permit holders is inadequate; and
- DOT does not comply with its own procedures by accepting out-of-state driver's licenses as proof of identification for applicants who state that they reside within New York City and who are not non-residents employed or attending school in the City.

Audit Recommendations

Based on our findings, we make 16 recommendations to the DOT, some of which we highlight here:

- Conduct an immediate investigation to determine the disposition of the 11 boxes of seals (totaling 22,000 disability parking permit seals) that were unaccounted for, as identified in this report;
- Ensure that inventory records of the disability parking permit seals are accurately maintained and that all seals and their storage location are included in its inventory records;
- Conduct periodic physical inventory counts of the disability parking permit seals to ensure that its inventory records are accurate. If discrepancies are identified between the physical inventory counts and the inventory records, they should be investigated and the results of the investigation documented;

- Ensure that user identifications and passwords are not shared by its employees. User-specific identifications should be created for each employee authorized to record the certification assessment information in the e-Permits system;
- Periodically monitor e-Permits data (e.g., compare permits issued to applications) to ensure the accuracy and legitimacy of the permits being issued;
- Develop reports to assist in their monitoring of e-Permit data and printed permits to identify duplicate permits that may have been processed and to ensure accuracy of the recorded data;
- Ensure that all applicants possess a New York State Department of Motor Vehicle Driver's License or New York State Non-Driver's Identification card before processing a City disability parking permit, as required by DOT procedures. If DOT changes the requirements for obtaining a disability parking permit, the procedures should be revised accordingly.

DOT Response

DOT officials generally agreed with the audit's recommendations. However, they disagreed in part with the finding related to the missing disability parking permit seals.

INTRODUCTION

Background

The Department of Transportation's (DOT's) mission is to provide for the safe, efficient, and environmentally responsible movement of people and goods in New York City and to maintain and enhance the transportation infrastructure crucial to the economic vitality and quality of life of City residents.

One of DOT's functions is the issuance of parking permits, which is performed by its Authorized Parking and Permits (AP&P) Division. The AP&P Division issues various types of parking permits, including City and State disability parking permits, Agency Business Parking Permits (ABPPs) for government agencies, and Annual On-Street Parking Permits (AOSPPs) for not-for-profit organizations. Within the AP&P Division is the Parking Permits for People with Disabilities (PPPD) unit that is responsible for the issuance of both the City and State disability parking permits. The focus of this audit was the issuance of City disability parking permits.

City disability parking permits are issued to eligible individuals at no cost to the applicant. To be eligible, an applicant must be a New York City resident, or a non-resident who is either employed full-time or attending school in New York City. In addition, the applicant must be certified by a New York City physician designated by the Department of Health and Mental Hygiene (DOHMH) as having a disability that severely and permanently, or temporarily, impairs the applicant's mobility, requiring the use of a private vehicle for transportation. A City disability parking permit allows individuals to park at most curbsides on City-owned streets, to park at meters without using an authorized payment method, and to park in areas where regular parking is not normally allowed, such as "No Standing" zones—including "No Standing Except Trucks Loading and Unloading" and "No Standing Except Authorized Vehicles"—and "No Parking" zones, including alternate-side parking and those marked "except authorized vehicles." It should be noted that State disability parking permits, not City permits, cover parking places designated "Handicapped Parking" found in most parking lots.

To apply for a City disability parking permit, an applicant must complete an application either online or on paper. In addition to providing personal information, an applicant must request a personal physician to complete a disability history sheet. The application must be returned to the PPPD unit with required supporting documentation, including a copy of the applicant's valid New York State Driver's License or a Non-Driver's Identification card.¹ Additionally, the applicant must submit copies of the current vehicle registrations of the vehicles (up to a maximum of 10) to be listed on the permit. A non-resident applicant who is employed full-time or who is self-employed, and whose office or work address is in the City, has to provide proof of employment, such as a letter on company letterhead signed by the president or personnel officer, or proof of ownership of the business and a copy of the current lease agreement or two current utility bills. A non-resident applicant attending school full-time in the City must provide proof of school attendance, such as a letter signed by the school registrar's office.

¹ The applicant does not have to be a driver or registered owner of a vehicle to obtain a permit.

When the PPPD unit receives a complete application, the information is entered into e-Permits, DOT's independent computerized processing system. After the application is entered into e-Permits, it is sent to either DOHMH or the Bellevue Hospital Center (BHC), as selected by the applicant, which will designate a physician to examine the applicant. In addition, the PPPD unit will check the identification of the applicant and the car registrations against the State Department of Motor Vehicles (DMV) database for validity of residency, and will also review the Department of Finance's Summons Tracking and Accounts Receivable System (STARS) database to verify that the license plates to be added to the permit do not have any unpaid summonses.² If the applicant is found eligible by the DOHMH or BHC physician, and all required documentation is in order, the PPPD unit will process and issue a City Disability Parking Permit to the applicant. Permits are valid for one year. To renew the permit, the permit holders must submit a completed renewal form.

At the examination by the DOHMH or BHC physician, if found eligible, the applicant is designated as either a stable or unstable applicant. A stable applicant has a permanent disability and does not need any future evaluations by a DOHMH or BHC physician to renew the permit. Applicants who are designated unstable require periodic examinations by DOHMH or BHC physicians before a permit can be renewed. If the physician feels that the applicant has not met the disability criteria, the applicant is denied the City permit. However, the applicant has the right to appeal a denial and to be examined by a different DOHMH or BHC physician. If denied twice in one year, the applicant has to wait one full year after the second denial to reapply.

During Fiscal Year 2008, the PPPD unit reported that it issued a total of 24,369 City disability parking permits.

Objective

The objective of this audit was to determine whether the DOT has adequate controls over the issuance of City disability parking permits.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was Fiscal Year 2008.

² No permit will be issued if an applicant has any outstanding amount of unpaid summonses, except if the vehicle registration is in the applicant's name and the vehicle's plate is the only one listed on the permit.

To obtain an understanding of the policies, procedures, and regulations governing the process of issuing disability parking permits, we reviewed and used as criteria: Chapter 71 of the City Charter, the pamphlet entitled *Parking Permits for People with Disabilities* (PPPD), the AP&P Standard Operating Procedures, Rules and Policies 2008-2009, and an AP&P document with City disability parking permit information and the documentation requirements.

To obtain a general overview of PPPD unit operations and the permit issuance process, we interviewed the AP&P Executive Director, Deputy Director of the PPPD unit, Deputy Director of the Special Permits unit, and the DOT Information Technology (IT) department’s Management Information Systems Application Director and Application Coordinator. Additionally, we conducted a walkthrough of PPPD unit activities. We also interviewed and observed key PPPD unit employees who are directly involved in the issuance of permits to obtain a further understanding of their responsibilities and the tasks they perform.

The PPPD unit provided a report generated from e-Permits, DOT’s computer-based permit processing system, that listed all the permits issued during Fiscal Year 2008. However, this report did not contain applicants’ names and addresses. The only identifying information available on this report was the application identification number and permit number. Since the information was not obtainable from the PPPD unit, we requested a list of permits with the applicants’ names and addresses from the IT department, and on June 26, 2009, we received the list with that information for Fiscal Year 2008 permits. We compared the list from the IT department with the list we obtained from the PPPD unit to verify that both lists contained the same population of permit numbers. In total, the PPPD unit issued 24,369 City disability parking permits during Fiscal Year 2008, consisting of new permits, renewal permits, permits resulting from an appeal (appeal permits), permits that were issued to replace a lost or stolen permit (lost or stolen permits), permits to replace those that were never received by the applicant (never received permits), and permits that were issued to update the license plates resulting from permanent-vehicle change requests (PVC permits). The breakdown of the 24,369 permits, including the respective sample size selected for each, is listed below.

Type of Permit	Number of Permits Issued in FY 2008	Randomly Selected Sample Sizes
New Permits	3,283	75
Renewal Permits	18,094	75
Appeal Permits	166	25
Lost or Stolen Permits	255	25
Never Received Permits	142	25
PVC Permits to Update License Plates	2,429	25
Total Issued	24,369	250

During the audit, we were informed that e-Permits automatically and sequentially assigns permit numbers to the printed permits. However, in addition to City disability parking permits, e-Permits issues two other permit types using the same numbering sequence—ABPPs and AOSPPs. To provide a level of assurance that the provided list of permits was complete, we first sorted the list by permit numbers to identify the first and last permit numbers issued. The list of

permits started with permit number 142467 and ended with the permit number 180062. We then reviewed e-Permits to identify the last permit number issued during Fiscal Year 2007 and the first permit number issued during Fiscal Year 2009 to ensure that we had the correct beginning and ending permit numbers issued during Fiscal Year 2008. Using the first and last permit numbers issued, a total of 37,596 permit numbers were issued during Fiscal Year 2008—(180062-142467) + 1 account for the first permit number issued. Since the PPPD unit reported that it issued 24,369 City disability parking permits during Fiscal Year 2008, there were an additional 13,227 permit numbers (37,596-24,369) that were issued. To determine whether these 13,227 permit numbers were assigned to either AOSPP or ABPP and not to City disability parking permits, we judgmentally selected and reviewed against the e-Permits records a sample of 85 of these permit numbers.

To determine whether the applicant files were complete and contained all necessary documentation required to process a permit, and if the permits were processed in a timely manner, we randomly selected 150 City disability parking permit numbers (75 permit numbers each from the lists of new and renewal permits) issued during Fiscal Year 2008 and reviewed the applicant files. For the 75 renewal permits, we also reviewed the initial permit applications to determine whether they were complete and all necessary documentation was provided by the applicant to process the first permit. In addition, we reviewed the summons history in the Department of Finance's Summons Tracking and Accounts Receivable System (STARS) database for all the vehicle license plates associated with the sampled permits to determine whether there were summonses for these vehicles that remained unpaid when the plate numbers were added to the permits.

We also reviewed and compared the records of the permit holders in e-Permits with the file documentation to determine the accuracy of e-Permits data. Furthermore, we requested DOHMH to provide us with an independent verification that medical certification assessments were performed, and the results of such assessments for the 82 permit holders of the sampled 150 who required a medical assessment—the 75 new applicants and 7 unstable permit holders who requested their permit be renewed. (The remaining 68 sampled permit holders who requested their permit be renewed were either deemed stable and required no further medical assessments or deemed unstable and did not require a medical assessment during the reviewed period.)

To determine whether replacement permits (permits issued to replace lost or stolen and never-received permits and PVC requests) and appeals were processed in a timely manner and whether all required documentation was provided to the PPPD unit to process the permit, we reviewed the files of the permit holders for a randomly selected sample of 25 permit numbers from each of the three replacement permit categories, as well as 25 permits issued as a result of an appeal. We also reviewed the initial applications for these permits for completeness and the inclusion of all documentation necessary for the processing of initial permits. In addition, we reviewed the summons history in the Department of Finance's STARS database for all the vehicle license plates associated with the sampled PVC permits to check whether there were summonses for these vehicles that remained unpaid when the plate numbers were added to the permit. Further, we reviewed and compared the records of the permit holders in e-Permits with the file documentation to determine the accuracy of its data.

We reviewed the list of permits to determine whether City disability parking permits were issued to any PPPD unit employee. We identified three PPPD unit employees who received a permit during Fiscal Year 2008 and reviewed their files to determine whether the permits were appropriately issued and contained all the necessary documentation and the required medical certification assessment.

We reviewed the list of permits for duplicates to determine whether any permit holder received multiple permits within the year. There were a total of 825 permit holders who were issued more than one permit within the year—193 permit holders who received at least two permits within 60 days and 632 permit holders who received a second permit between 60 days and one year. We randomly selected 50 permit holders (25 permit holders from each category) and reviewed their e-Permit records to determine whether the processing of multiple permits within a year was justified, and whether each of the multiple permits issued were valid and covered the same time period (had the same expiration date).

We also reviewed the list of permits to identify numerous permits issued to the same address and judgmentally selected three addresses (each having 13 or more permits issued to that address) to ascertain whether the permits were legitimate and whether the individuals provided State-issued identification as evidence that they resided at the address.

During Fiscal Year 2008, DOT processed two DOHMH computer matches³ to identify and cancel the permits of deceased permit holders in e-Permits. In total, 675 permit holders were identified by DOHMH as being deceased. There were 381 names resulting from the first match that was performed on September 11, 2007, and 301 names resulting from the second match that was performed on May 16, 2008. However, there were seven names that appeared on both lists, and these duplicate names were removed. To determine whether the permits of deceased permit holders were deactivated in a timely manner, we reviewed the e-Permits record for a randomly selected sample of 50 deceased permit holders—25 permit holders from each of the two matches. In addition, we selected for further review 23 names whose dates of death were earlier than July 1, 2007, to determine why these names were included in the current match lists and not identified during prior matches.

The PPPD unit maintains a “Hot List” that includes the names of permit holders who frequently submit permanent-vehicle change requests and who take a long time to return a permit that is being replaced through a PVC request. As of March 17, 2009, the PPPD unit had 66 permit holders on the “Hot List.” We randomly selected a sample of 10 permit holders from the “Hot List” and reviewed their files to determine whether completed PVC applications were submitted for the permits and whether the old permits were canceled in e-Permits.

During Fiscal Year 2008, the PPPD unit received 94 written complaints and inquiries regarding City disability parking permits, including complaints from applicants awaiting doctors’ appointments or requests concerning the status of their applications. We reviewed the correspondence for all 94 to ascertain what steps, if any, were taken by the PPPD unit to address these concerns and determined whether the unit followed up on the complaints.

³ DOT performs a match by providing a listing of all permit holders to DOHMH to compare to its database of deceased individuals to identify deceased permit holders.

To determine whether the PPPD unit maintains accurate inventory records of the holographic seals and laminating pouches that are used to finalize City disability parking permits, we performed physical inventory counts of the holographic seals and laminating pouches on March 17, 2009 and of the holographic seals on October 6, 2009, in the presence of the Assistant Director of Records. We compared our count to the amounts recorded in the PPPD unit's inventory records.

The results of our tests, while not projected to the respective different populations of permits from which the samples were drawn, provided a reasonable basis for us to determine whether the PPPD unit had adequate controls over the issuance of City disability parking permits.

Discussion of Audit Results

The matters covered in this report were discussed with DOT officials during and at the conclusion of this audit. A preliminary draft report was sent to DOT officials and discussed at an exit conference on December 15, 2009. On December 29, 2009, we submitted a draft report to DOT officials with a request for comments. We received a written response from DOT officials on January 19, 2010. In their response, DOT officials generally agreed with the audit's recommendations. However, they disagreed in part with the finding related to the missing disability parking permit seals.

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

FINDINGS AND RECOMMENDATIONS

DOT's controls over the issuance of disability parking permits are inadequate. Although we did not find any instances of permits being issued to non-eligible individuals the PPPD unit's poor procedures and controls create an environment that could allow the issuance of fraudulent permits without detection. DOT's recordkeeping practices over its inventory of permit seals are grossly deficient. We found at least 22,000 seals unaccounted for, which if used fraudulently would undermine DOT's efforts to ensure that only those who need and qualify for permits receive them and result in lost revenue to the City. This is of great concern since anyone can create fraudulent permits using these seals. In addition, DOT does not monitor the permits being generated, nor does it reconcile the generated permits with applicants' files to ensure that all printed permits are valid and warranted. Further, DOT is not capable of generating key reports on demand, contributing to its inability to monitor permit issuance.

Moreover, when processing permit applications, PPPD personnel share user identifications and passwords when they record applicants' medical certification assessment information. As a result, DOT is unable to track the identities of those who recorded the certification information and is therefore unable to determine whether the information was recorded only by authorized personnel.

In addition to the above, we noted the following weaknesses that should be rectified:

- DOT's match procedure to identify deceased permit holders is inadequate. Permits of living individuals were deactivated by the PPPD unit; and
- Permits are issued to applicants who do not possess the required New York State Driver's License or Non-Driver's Identification card and who were not non-residents employed or attending school in the City. Although the permits appeared to be legitimate, the PPPD unit is accepting driver's licenses issued by other states.

These issues are discussed in detail in the following sections of this report.

Inadequate Recordkeeping over the Inventory of Disability Parking Permit Seals

PPPD does not maintain accurate inventory records of its disability parking permit seals (seals). On March 17, 2009, we compared the on-hand inventory of the seals (as indicated on the AP&P Supply Inventory records⁴) to the actual physical count and determined that the inventory reports did not match the physical count. There was a shortage of 11 rolls of seals. On the date of our count, the inventory records indicated that there were 49 rolls on hand, totaling 100,500

⁴ The AP&P Supply Inventory record is a Microsoft Access database that was created by one of the AP&P employees and has been in use since October 2008.

seals.⁵ However, we counted only 38 rolls, for a total of 78,500 seals.⁶ Assuming that each missing roll contained 2,000 seals, PPPD was unable to account for at least 22,000 seals (approximately 22% of the seals that DOT's inventory records indicated should have been on-hand).

Accurate inventory records are necessary to maintain sufficient control over inventory levels. Poor record-keeping makes it possible for missing or stolen items to go undetected. As stated in Standard #8 of the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (DOI Standards), "Records present a complete picture of the 'who, what, when and why' of a transaction from initiation through completion. Records demonstrating less than this are not adequate. All authorized changes to the stock (additions or depletions) have corresponding (automated or manual) transaction records that identify the persons who authorize, move and record the data."

After our physical count, when we asked the Assistant Director of Records the reason for the discrepancy of the 11 rolls of seals, he informed us that the discrepancy was a result of the inventory of parking meter seals used to authenticate City agency and special business permits being included in the inventory records of the disability parking permit seals. The Assistant Director was unable to provide us with any documentation to substantiate this assertion, but he later changed the inventory records to reflect the inventory on hand, based on our physical count. However, rather than making an adjusting entry, he merely changed the "inventory startup" amount (dated "10/23/2008") from 54 rolls to 43 rolls to reflect the 11-roll difference. This change made the on hand inventory count agree with our physical count of 38 rolls. Such a change constitutes a falsification of the inventory records and is an indication of the absence of controls over the records. As stated previously, DOI Standard #8 requires that each transaction have appropriate and adequate documentation to indicate the steps that have transpired. By extension, adjustments to inventory balances should be adequately justified and documented. Changing the inventory records in such a manner causes it to appear that the start-up inventory amount was always 43 rolls and that no discrepancy existed—one would not know that the start-up inventory amount was ever changed. Table I on the next page illustrates the discrepancy of seals identified and the effect of the "adjustment" on the inventory records.

⁵ The AP&P inventory records do not accurately indicate how many seals are present in each roll. According to the AP&P Executive Director, the vendor shipped only one roll with 1,000 seals, and the remaining rolls had either 2,000 or 2,500 seals each. When examining the rolls on hand, we identified the one roll with 1,000 seals and 7 rolls with 2,500 seals each. As a conservative approach, we used 2,000 to quantify the number of seals contained within each of the remaining rolls reported to be in inventory.

⁶ Includes 30 rolls with 2,000 seals each, 7 rolls with 2,500 seals each, and 1 roll with 1,000 seals.

Table I
Discrepancy of Seal Inventory Records

	Number of Rolls, per Inventory Records (prior to our physical count)	Number of Rolls, per Inventory Records (subsequent to our physical count)
Inventory Start-up (dated 10/23/2008)	54	43
<u>Less:</u> Use (from 10/2008 through 2/19/2009)	5	5
Units on Hand (per Inventory Records)	49	38
Units on Hand (per physical inventory count)	38	38
Discrepancy	(11)	0
Number of Seals	(22,000)*	0

*The AP&P inventory records do not accurately indicate how many seals are present in each roll. We observed rolls in their inventory having 2,000 seals and 2,500 seals. As a conservative approach, we used 2,000 seals per roll to quantify the total shortage of 22,000 seals (11 rolls at 2,000 seals per roll).

To justify the amount of seals that were on hand on March 17, 2009, the date of our physical count, the Deputy Director of Administration provided us with a reconciliation of the seal inventory figures. The reconciliation identified a “theoretical” amount of 130,000 seals on hand between January 2007 and March 2009 and an estimated use of 54,600 seals during the same time period, for an “estimated theoretical balance” of 75,400 seals. However, as part of the reconciliation, the Deputy Director included 75,000 seals (30 rolls, each having 2,500 seals) from the most recent purchase received during September 2007, which, after our physical count, we found were not placed in inventory and were not included in the seal inventory records. Therefore, the 75,000 seals should not have been included in the reconciliation to account for the discrepancy, which causes us to question whether DOT is aware of the number of seals it has on hand and whether anyone is actually tracking their use—or detecting their misuse.

DOT Response: “We reiterate that at the time of the audit, there were two systems that kept track of the seals—the manual record and the computer based system (ACCESS) which was developed by AP&P staff and is still being tested and revised. *As such, the staff did not use it.* [Emphasis in original.] When the ACCESS inventory system was created, it included both the Meter Head Seals and the Wheel Chair Seals for the PPPD permits, without making any notation or distinction. The Auditors were informed about this.

“The auditor’s physical count of 38 rolls matched our manual inventory record for Wheel Chair seals. Thus, in an effort to separate the two inventories in the ACCESS system, the Assistant Director reduced the inventory start-up count for the Wheel Chair seals by 11

rolls which were for the Meter Heads. The seals are easily distinguished from each other. DOT's Information Technology & Telecommunication (IT&T) is currently reviewing the ACCESS-based inventory system to determine if this will meet the requirements of AP&P. Until IT&T installs the application that will fully meet our requirements, the Unit will use a manual log book with a running balance and location of all seals as its perpetual inventory record."

Auditor Comment: At no point during the fieldwork were we informed that the ACCESS inventory system was not being used. On March 17, 2009, prior to our inventory count, we asked DOT officials for the inventory records for the disability parking permit seals. We were provided printouts from the computerized ACCESS inventory records as well as manually recorded Supply Inventory Input Sheets. In addition, while DOT maintained both computerized and manual records, only the computerized ACCESS records contained an inventory start-up quantity of seals along with a running balance. The manual records only included details on the issuance of seals from the inventory. It did not include an inventory start-up balance or a running balance of seals on hand. As a result, it is unclear how, without this key information, DOT was able to determine that our physical count of 38 rolls *matched* its manual inventory records.

DOT Response: "Although we have determined that the seals are accounted for, we want to emphasize that there are several layers of security built into the production of City Disability Parking Permits. In addition to paper, ink color, font and print size that are unique to this permit, any fraudulent permit would stand out if it lacks both the Disability Permit holographic seal and the laminate with embedded holographic seal. DOT uses the laminates with embedded holograms on every permit issued and has done so for several years preceding the audit."

Auditor Comment: DOT's statement that the laminates with the embedded holograms are used on every permit issued is incorrect. On more than one occasion during the course of the audit, we were informed that plain laminates without a hologram are used for temporary permits. Therefore, a permit with a seal that is laminated with a plain pouch would still be considered a valid permit.

It is important for DOT to maintain accurate inventory records and adequate controls over the seals because they authenticate City disability parking permits. They are valuable assets that require appropriate safeguards. An environment with weak or lax oversight presents opportunity for fraud. For instance, although DOT uses holographic pouches to laminate the permits as an additional authentication device, there are instances when it uses plain pouches (without a hologram) to laminate them, such as when issuing temporary permits. Therefore, a permit laminated with a plain pouch could be valid, but it would be indistinguishable from a fraudulent permit with a plain pouch covering a misappropriated seal.

Since the permits offer a premium parking benefit in a City whose congested areas generally lack adequate available parking, there is a huge potential for the abuse of these permits. As stated previously, these permits allow an individual to park in areas where regular parking is prohibited and at meters without using an authorized payment method (among other places).

Accordingly, an individual who parks at a meter from Monday to Friday using a fraudulent permit does not have to pay at the meter. If that individual uses the fraudulent permit to park at a meter for seven hours a day, and the regular meter fee for that period is \$2 an hour, the City would lose \$70 a week (\$2 multiplied by 7 hours, multiplied by five days) in revenue. Over one year, that would amount to \$3,640 (\$70 multiplied by 52 weeks) in lost revenue from just one fraudulent permit. If only 100 fraudulent permits were used in such a manner, the lost revenue could be as much as \$364,000 annually. DOT should, therefore, recognize this potential and make the institution of controls over these seals (and pouches) a priority.

After we determined that the 75,000 seals received during September 2007 were not included in the inventory at the time of our physical count, we again asked DOT officials to account for the 11-roll discrepancy, but they were still unable to provide us with valid justification or documentation illustrating that the “adjustment” was properly approved. Failure to investigate and approve inventory adjustments removes a key control and makes losses due to theft or misappropriation more difficult to detect. Adjustments to inventory balances should be made only after proper investigation and adequate justification, and with management approval. According to the Executive Director of AP&P and the Assistant Director of Records, the present inventory method began during October 2008, changing from manual records to a computerized system. According to the Assistant Director, it was at this point that the inventory for parking meter seals and the inventory for disability parking permit seals were separated and that a record for each seal was created. The Executive Director informed us that the manual records had been used to record the initial start-up inventory amounts and that the inventory records were since corrected, removing the 11 boxes of the parking meter seals from the records of the disability parking permit seals. However, we were unable to substantiate this claim based on the information provided to us. Without adequate documentation, such as inventory records showing adjustments and written management authorization approving the adjustments, we are unable to verify that these 11 boxes were actually parking meter seals.

We asked DOT officials whether they performed annual physical counts of the seals and whether the rolls of seals were counted at the time the computerized inventory system was implemented. The Assistant Director of Records told us that he could not recall whether the rolls of seals were counted when the new inventory method was started and informed us that they do not perform any routine physical counts of the seals. This assertion, however, contradicts DOT’s response to the calendar year 2008 Agency Evaluation of Internal Controls (an annual City agency submission required by Comptroller’s Directive #1). In its response, DOT indicated that physical inventories *are* conducted and supervised by individuals who are independent of the department that maintains the assets, that the perpetual inventory records are compared to physical inventory amounts taken, and that any significant variances are investigated. Performing annual physical inventory counts of the inventory at *all storage locations* is also a requirement for all agencies by DOI Standards. It is important for DOT to perform a physical count at least once a year to ensure that its perpetual inventory records are accurate. If any discrepancies are identified during the physical count, DOI Standards require that the discrepancies be investigated.

As mentioned above, during our physical count, DOT employees failed to mention that in addition to the seals stored in its inventory (a locked cabinet in the AP&P Executive Director’s

office), there were an additional 75,000 seals (30 rolls, each having 2,500 seals) on hand that were received during September 2007. These 75,000 seals were stored in a closet in the AP&P Executive Director’s office, still in their shipment box. When we asked the Assistant Director of Records why these seals were not included in the inventory records, he informed us that they wanted to keep the most recent shipment separate from the existing inventory and that these seals would be kept in the closet until the current inventory of seals was depleted. At that point, these seals would be placed into inventory, in the locked cabinet, and be recorded in its inventory records. However, DOT should ensure that all inventory and storage locations are included in its inventory records to accurately account for the inventory on hand.

It should also be noted that prior to placing the order for the 75,000 seals received in September 2007, DOT purchased another 75,000 seals that were received only three months earlier in June 2007. At the time the initial 75,000 seals were received, our analysis of DOT’s inventory records revealed that DOT already had more than 44,000 seals on hand. Our analysis is illustrated in Table II below.

Table II
Approximate Inventory of Disability Parking Permit Seals on Hand in June 2007

Number of seals on hand as of date of auditors’ count – March 17, 2009*	153,500
Less: wheelchair seals on hand that were received in June 2007 and September 2007	150,000
Balance: seals on hand as of March 17, 2009 that were received prior to June 2007	3,500
Add: Number of city permits with seals that were issued between July 2007 and date of auditors’ count	41,204
Balance: Approximate number of seals on hand in June 2007	44,704

*This figure includes the 75,000 seals that DOT received in September 2007 but did not enter into its inventory records.

We asked DOT officials why these seals were purchased since at the time the orders were made, they had such a large number of seals already on hand. DOT provided a number of justifications. However, none of them satisfactorily provided a reason for placing these orders. For example, DOT officials stated that they made these purchases because they were considering adding a second disability parking permit seal to permits because there was a potential shortage of holographic laminate pouches. However, we found no evidence to indicate that such a shortage was anticipated. Further, DOT asserts that it generally issues an average of 25,200 disability permits a year. At the time DOT placed the first order of 75,000 seals, the agency already had more than one year’s worth of inventory on hand. At the time the second order of 75,000 seals was placed, we estimate that DOT had well over 100,000 seals on hand, or more than four years’ worth of inventory. Even if DOT decided to use two seals on each permit, DOT would still have had more than two years’ worth of inventory on hand. Accordingly, we are unable to ascertain why these orders were made.

Recommendations

DOT officials should:

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

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

Auditor Comment: At the exit conference, DOT officials did inform us that they reconstructed their perpetual inventory records and found no discrepancy. However, at the exit conference, the officials provided no documentation to us that supported this claim. Furthermore, at the conclusion of the exit conference, we instructed DOT officials to provide us with any evidence they have to substantiate their assertion that no disability parking permit seals were missing. To date, no such documentation has been provided. Therefore, we are unable to validate the claim that the 11-rolls of seals were in fact not missing.

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

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

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

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

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

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

5. Establish a realistic reorder point for when it is appropriate to replenish its inventory of seals.

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

Inadequate Monitoring of the Issuance of Permits

DOT does not effectively monitor the permit issuance processes. According to the New York City Comptroller’s Directive # 1, “Principles of Internal Control,” “a sound internal control system must be supported by ongoing activity monitoring occurring at various organizational levels and in the course of normal operations. . . . It should include appropriate measurements on regular management and supervisor activities, comparisons, reconciliations, and other actions taken by employees in performing their duties. Agency management must perform continual monitoring of activities and programs.”

DOT has inadequate procedures for ensuring that all permits issued are legitimate and is unable to generate key reports on demand, e.g., a listing of permits issued with identifying information, such as applicants’ names and addresses. This is of concern, especially since all City PPPD unit personnel have the same level of access within e-Permits and share user

identifications and passwords to process applicants' medical certification assessment information, which will be discussed in greater detail later in the report. It should be noted that the PPPD unit employs 20 individuals, 13 of whom directly enter application information into e-Permits, and 4 of whom can enter medical certification assessment information. Without assigning unique user identifications, DOT is unable to identify the individuals who are recording this information into e-Permits, increasing the risk that unauthorized individuals can do so and remain undetected. It is possible to generate a fraudulent permit if one individual is able to record in e-Permits all necessary data, from the initial applicant information to the certification assessment information.

We asked PPPD officials whether they monitor the accuracy of e-Permits data for issued permits and whether they compare generated permits to the applicants' files before issuance to ensure that the permits are legitimate. They said that they do neither because they trust employees to perform procedures correctly. However, it is important for DOT, in particular the PPPD unit, to periodically review e-Permits data and the permits issued to identify any errors or irregularities in the processed permits or in the e-Permits system to ensure that all processed permits are legitimate. As stated previously, fraudulent permits can result in a loss of revenue to the City.

As discussed below, in several instances we identified two permits having the same expiration dates that were processed and mailed to the permit holders. If the PPPD unit had adequate monitoring and supervisory oversight in place, these additional permits would not have been processed and would not have been mailed to the permit holders. Further, the lack of supervision or monitoring increases the risk of fraud. Individuals with knowledge of the user identifications and passwords used to enter certification assessment information in e-Permits can also enter application information in e-Permits, record the certification assessment information, and approve the application to issue a permit. The PPPD unit, lacking appropriate monitoring, is not able to detect this potentially fraudulent practice.

As a form of control and as a method to aid in the review of the permit issuance processes, PPPD unit officials should develop a tracking or monitoring system. One option would be a checklist to include in the applicant files the documentation of who performed each step. Next to each step, the recording employee should be required to sign and date a certification that the employee performed the step. This notation would allow the PPPD unit supervisors to review the applicants' files to ensure that all necessary steps were performed and allow them to track the individuals who performed each step to ensure that no one individual performed all aspects of the permit issuance process.

Inadequate Segregation of Duties

Although the PPPD unit appears to have adequate segregation of duties over the responsibilities of recording, approving, and issuing permits, all PPPD unit personnel have the same level of access to e-Permits and the ability to perform all key functions within e-Permits. A uniform level of access negates the principle of the segregation of responsibilities. We were informed by the Executive Director of the AP&P Division that uniform access is necessary to allow personnel to rotate job responsibilities on an as-needed basis, such as when an employee is out, so as to not delay PPPD unit operations.

According to Comptroller's Directive #1, the purpose of segregating key duties and responsibilities among different staff members is to reduce the risk of error or fraud. Segregation includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. There should not be any one individual who controls all key aspects of a transaction or event. Providing all personnel with the same capabilities within e-Permits weakens the internal control structure and prevents the levels of segregation of duties. The practice affords each employee the capability to control virtually all aspects of the permit issuance process and invites the potential for fraudulent activities. Under these circumstances, the level of monitoring needed to detect irregularities is considerable. Therefore, DOT should institute appropriate segregations of responsibilities.

As a level of control, the PPPD unit allows only the City Permit Supervisor or the Deputy Director the ability to print the permits and to have access to the seals necessary to finalize and validate the permits. However, as discussed earlier, there is no reconciliation or comparison of the printed permits with the applicants' files. Without this independent verification, there is an increased risk that illegitimate permits can be processed without detection.

Reports of e-Permits Information Not Generated

DOT cannot generate basic types of reports from e-Permits within a reasonable amount of time. Since there are no DOT procedures in place to monitor the issuance of City disability permits effectively, no monitoring reports are being generated. Neither the PPPD unit nor DOT's IT department was able to generate the most basic types of reports on demand, such as a detailed list of permits issued during a certain time period. The PPPD unit has no ability to generate such reports on its own and must use the resources of its IT department to do so. Since no PPPD unit monitoring is in place, no such report was readily available.

According to Comptroller's Directive #1, effective internal controls require the agency to have the necessary tools for continuing surveillance over the various processes and procedures that management relies upon to achieve the purpose, goals, and objectives of the agency. Internal controls serve as the first line of defense in safeguarding assets and preventing or detecting errors and fraud. Periodic reports would be one such tool to help DOT monitor the permit issuance processes effectively.

When we requested DOT officials to provide us with what we thought would be a standard and routine report, it took DOT over three months to provide it to us. During March 2009, we requested a detailed report listing all permits that were issued during Fiscal Year 2008, including the permit holder name, permit number, application date, and issuance date, but the information was not provided to us until June 2009. Further, when we asked DOT officials whether the PPPD unit routinely generates any form of monitoring reports, we were told that they do not. During July 2009, we also requested a report identifying any changes that were made to e-Permits data during Fiscal Year 2008 to assess whether the changes were justified and adequately approved. However, as of October 2009, no such report was provided.

It is clear that DOT does not normally generate monitoring reports for permits, indicating that there is no reconciliation of the e-Permit data and the permits issued. If an employee is inappropriately or fraudulently issuing City disability permits, DOT would be hindered in its

ability to detect it. Moreover, any entry errors or potential problems with e-Permits would go unnoticed. For example, as will be discussed in the following section, we identified two permits having the same expiration date that were issued to permit holders. If DOT had effectively monitored the e-Permit data, or compared the generated permits to the applicants' files, it could have identified the potential duplication of permits, prevented the issuance of another permit, and implemented procedures to prevent future duplication.

Permit Holders Receiving Two Permits with the Same Expiration Date

The PPPD unit is processing and sending out multiple permits without the permit holders having first provided justification for them. Our review of the list of permits issued during Fiscal Year 2008 identified 193 permit holders who had obtained more than one renewal permit within a two-month period. We randomly selected 25 of these permit holders and reviewed their e-Permit records with the Deputy Director of the PPPD unit to determine why more than one permit was generated. Based on our review, we determined that a second permit was issued for 5 of the 25 permit holders that appeared not to have been warranted. These permits had the same expiration date as the initial permit. The additional permits generated for the remaining 20 permit holders were for legitimate purposes.⁷

When we asked the Deputy Director of the PPPD unit why a second permit was processed for these five permit holders when they were not warranted, she could not provide an explanation. Nor could she demonstrate that the second permits had not been inappropriately sent to the permit holders. However, upon review of the e-Permit notes, we determined that the second permits issued to two of the five permit holders were returned to the PPPD unit, indicating that they were in fact mailed to at least two of the permit holders. According to the Deputy Director of the Special Permits unit, these permits were processed as a result of "human data entry errors."

In reviewing the files for these five permit holders, we determined that four of them submitted two renewal applications, both of which were processed by the PPPD unit. These four permit holders submitted the original renewal application generated by e-Permits and mailed to the permit holder, or either a copy of the original renewal application or a generic form. For the remaining permit holder, only one renewal application (a copy of the original renewal application) was in the permit holder's file. As a result, we could not determine why the second permit was processed for this permit holder. As can be seen in Table III on the next page, the second permits for the five permit holders were processed between 0 days (meaning that both permits were processed on the same day) and 32 days.

⁷ The two permits issued to each of the 20 permit holders appeared to be duplicate permits but in fact were permits that covered different time periods and had different expiration dates. The issuance of the two permits within a two-month period were caused by either a delay in the permit holder's filing of a renewal application or a delay in the permit holder's medical certification assessment.

Table III
List of Sampled Permit Holders Issued Two Permits
With the Same Expiration Date

Permit Holder	Permit Number	Renewal Application Receipt Dates ^a	Type of Application Processed		Permit Print Date	Permit Expiration Date	Number of Days Between the Processing of the Two Permits
			Original Renewal Application Generated from e-Permits ^b	Copy of Original Application or Generic Form Used			
A	149559	5/30/2007 and 7/12/2007	X		9/17/2007	6/30/2008	32 days
	147690	8/14/2007		X	8/16/2007	6/30/2008	
B	176471	4/7/2008, 4/24/2008, and 5/2/2008	X		5/16/2008	5/31/2009	0 days
	176265 ^c	5/13/2008		X	5/16/2008	5/31/2009	
C	154899 ^c	Unknown. Renewal application could not be found in the permit holder's file			11/23/2007	11/30/2008	5 days
	155571	11/13/2007		X	11/28/2007	11/30/2008	
D	158958	10/25/2007 and 11/7/2007	X		12/24/2007	12/31/2008	6 days
	157831	9/13/2007 and 12/7/2007		X	12/18/2007	12/31/2008	
E	156835	9/13/2007 and 12/7/2007	X		12/12/2007	11/30/2008	14 days
	155556	11/27/2007		X	11/28/2007	11/30/2008	

^a Multiple receipt dates indicate that the submitted application was returned to the permit holder to resubmit with additional information and/or documentation required prior to processing the renewal application.

^b The original renewal application generated from e-Permits is pre-printed with the permit holder information, including name, permit number, and license plates of vehicles to be included on the permit. This application is mailed to the permit holder approximately three months prior to the current permit's expiration date to permit review and updating of the information if necessary. The permit holder then, signs and returns the application to the PPPD unit with the required supporting documentation.

^c According to the e-Permit notes, this permit was returned by the permit holder to the PPPD unit.

The Deputy Director of the Special Permits unit informed us that two of the five permits we identified were “caught” and were deactivated in e-Permits. However, the PPPD unit could not demonstrate that these second permits were in fact “caught” by the PPPD unit or whether they were simply returned by the permit holders. In addition, the Deputy Director told us that in each instance both permits were issued for the same plate number and for nearly the same dates. Although that may be true, if a permit has multiple license plates listed and permit holders are provided with more than one permit, it allows individuals—not necessarily the legitimate permit holder—to use the permits for multiple cars at any given time.

DOT officials should, at the least, implement controls to prevent multiple permits from being issued to the same permit holders. The Deputy Director of the PPPD unit informed us that

prior to processing an application, the PPPD unit employees are required to review e-Permits to ensure that the permit holder does not already have a permit. However, as we identified multiple permits that were processed for one permit holder, it is obvious that this control is not working as intended. It is possible that additional permit holders, other than those we identified from our sample, were provided multiple permits. DOT officials should ensure that its employees review and document their review of e-Permits and of the applicant files to ensure that no other permit has already been processed for the same permit period.

Recommendations

DOT officials should:

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

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

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

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

Auditor Comment: We are pleased that AP&P will review the current reports and work with IT&T to identify duplicate permits, which they were unable to do during the course of the audit.

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

DOT Response: “Prior to the inception of the e-Permit system, AP&P used a manual checklist of all steps in the process which was checked off after each step’s completion. This checklist was maintained in the applicant’s file. With the advent of the e-Permit system, this practice was discontinued and an automated check-off was performed.

Pursuant to the recommendation, AP&P will reinstitute the manual checklist that will detail all the major steps entailed in permit issuance for both new applications/revisits, as well as for renewals. This checklist will again be maintained in each individual applicant's folder. The format of the checklist will contain the initials of the staff member(s) performing each step and will also be reviewed by a supervisor. Each checklist must also contain the supervisor's name, signature and date of review."

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

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

10. Review e-Permits data to determine whether any permit holder has more than one current permit and require the permit holder to return any additional permits.

DOT Response: "Supervisors will make sure that employees are checking data to prevent the issuance of duplicate permits. If any duplicate permits are noted, the duplicate will be immediately deactivated/cancelled. In addition, the permit holder will be required to return it."

11. Discuss with the IT department whether a control could be added to e-Permits to prevent the processing of multiple permits for a permit holder that cover the same time period.

DOT Response: "IT&T is working with the Department of Finance to develop an enhancement to the e-Permit program in order to achieve this objective."

Inadequate Controls over Personnel Access in the e-Permits System

The PPPD unit personnel share computer user identifications and passwords. According to the Department of Information Technology & Telecommunications *Citywide Information Security Policies and Standards*, "passwords and/or PINS unique to an individual must not be shared with other individuals or users." The DOT response to the Comptroller's Directive #1 Agency Evaluation of Internal Controls for calendar year 2008 stated that DOT procedures prohibit the sharing of passwords by individuals in the same department. However, we found this statement to be incorrect. The City PPPD unit personnel do in fact share computer user identifications and passwords to record applicants' certification assessment information in e-Permits.

The e-Permits system was designed to have the certification assessment information recorded in three stages, each independent of the other, with the initial information being recorded by a DOHMH or BHC secretary, the results of the certification assessment being

recorded by the DOHMH or BHC physician performing the assessment, and the certification of the physician's assessment being recorded by a senior DOHMH or BHC physician. However, the AP&P Executive Director informed us that this procedure is not being performed because "DOHMH never picked up their responsibility for entering information into e-Permits, which was part of the original contract." Therefore, each step must be performed by the PPPD unit personnel. To record the certification assessment information in e-Permits, PPPD unit personnel must log off from their assigned DOT user identification and log onto e-Permits as if they were the three DOHMH or BHC individuals, using the generic user identifications and passwords that were established for DOHMH and BHC use. Consequently, if a permit is incorrectly or fraudulently issued, PPPD management is unable to determine who entered the certification assessment information and whether unauthorized personnel are entering certification information.

A PPPD unit official informed us that prior to finalizing the permit for printing, someone other than the person who recorded the certification information in e-Permits is to review the e-Permits data, including the certification assessment decision and the supporting documentation submitted by the applicant, to ensure the accuracy of the recorded information and the validity of the permit. However, there is no evidence of this review, nor of the identity of the person who was assigned this responsibility. Without knowing who actually recorded the certification assessments in e-Permits, neither we nor PPPD unit officials are able to determine whether an independent review is being performed. If an employee erroneously or deliberately certified an applicant as stable instead of unstable, there is no assurance the error would be discovered. It is important that an independent person documents the review of all information, including the applications, supporting documentation, medical certification assessment decision, and the e-Permits data, to ensure the accuracy of the permits.

According to Comptroller's Directive #1, as part of effective internal controls, all transactions and significant events should be clearly documented and readily available for use or examination. This is especially important in an environment that allows one employee to control all aspects of a transaction. As previously discussed, employees with the knowledge of the user identifications and passwords that are used to enter certification assessment information in e-Permits, can enter applicant information into e-Permits, record the certification assessment information, and approve the application to issue a permit, without the PPPD unit's being able to detect the issuance of fraudulent permits. The PPPD unit should have the capacity to track and identify which individual is performing each step involved in the permit issuance process. Establishing and using a checklist, as discussed earlier, would provide the necessary information for the PPPD unit supervisors to ensure that the person who entered the initial application information or entered the certification assessment information does not also review his or her own work.

Recommendations

DOT officials should:

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

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

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

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

Auditor Comment: Although DOT claims that this is its current procedure, it is unclear from its response when this procedure was put into place or whether DOT has enacted controls to ensure that this procedure is followed. During the period we reviewed, we found that the agency did not have sufficient controls in place to ensure that no one individual performed all aspects of permit processing. Consequently, DOT needs to ensure that adequate controls are put in place so that this does not occur.

14. Periodically review e-Permits data to ensure that permits (other than renewal permits for stable applicants) were not processed by just one individual. If it is discovered that one person processed all aspects of a permit, review the permit holder’s file to check the legitimacy of the permit.

DOT Response: “As stated in DOT’s answer to Recommendation 13, no one individual performs all aspects of the process by himself/herself. However, in order to further ensure legitimacy, Supervisors have been instructed to review the e-Permit data to provide for accuracy and propriety of the permits issued. Additionally, separate reviews will be randomly conducted and documented by Parking’s Internal Security Unit.”

Inadequate Computer Match Procedures to Identify Deceased Permit Holders

DOT’s computer match procedure for identifying permit holders who are deceased is inadequate, as DOT deactivates permits of holders who are alive. To identify deceased applicants, DOT provides a computer file listing all permit holders to DOHMH twice a year. According to DOT officials, DOHMH compares this list with its database of deceased individuals, matching as many of the data fields as possible, and provides DOT with a computer file listing those applicants identified as being deceased. After receiving the file, DOT is to update e-Permits data accordingly and deactivate the permits of those appearing on the DOHMH list.

To determine whether DOT appropriately deactivated the permits of all deceased permit holders identified in the DOHMH matches, we reviewed the e-Permit records for a sample of 73 permit holders from the 675 identified as deceased by DOHMH in the two matches it performed

during Fiscal Year 2008.⁸ However, in our review, we identified eight permits that were incorrectly deactivated, as indicated by the notes entered in the applicants' record. According to the AP&P Executive Director, at times the U.S. Social Security Administration incorrectly identifies an individual as deceased and provides this incorrect information to DOHMH. However, as DOT does not request information from the permit holders that would in itself correct a designation as deceased, we could not determine whether the U.S. Social Security Administration incorrectly identified these individuals as deceased or whether the false matches were a result of limited information used to identify the deceased.

We were informed by the AP&P Executive Director that DOT no longer requires applicants to provide their social security numbers. However, if the applicant does provide the social security number, it is recorded in the applicant's e-Permits record and is forwarded to DOHMH to aid in the computer match to identify deceased applicants. For a more effective match, it would be beneficial if DOT required applicants to provide at least the last four digits of their social security numbers. These numbers would provide DOHMH sufficient information to identify deceased applicants, help avoid making false matches, and prevent the deactivation of permits for living applicants.

Recommendation

15. DOT officials should require applicants to provide the last four digits of their social security number to assist DOHMH in performing a more accurate computer match to identify applicants who are deceased.

DOT Response: "This recommendation cannot work as stated since the DOHMH system that is queried can only use complete social security numbers (SSN), or none at all, and is not capable of using the last four digits of the SSN only, as suggested by the auditors. In order to assuage the concerns raised by the recommendation, DOT has revised the permit applications to require the entire 9-digit SSN instead of the optional last four digits."

Noncompliance with DOT's Own Identity Requirement

The PPPD unit is accepting out-of-state driver's licenses as proof of identification for applicants who state that they reside within New York City and who are not non-residents employed or attending school in the City. According to the AP&P Standard Operating Procedures, Rules and Policies 2008-2009, to apply for a City disability parking permit, applicants residing in New York City are required to possess a New York State Driver's License or Non-Driver's Identification card. We reviewed 100 newly issued permits processed during Fiscal Year 2008 (75 permits issued from new applications and 25 permits issued as a result of an appeal) and determined that three applicants did not provide the required New York State

⁸ DOHMH identified 682 permit holders as being deceased during Fiscal Year 2008—381 permit holders identified during September 2007, and 301 permit holders identified during May 2008. In our review of both lists, we identified seven permit holders who were included on both lists. To account for these seven duplicates, the adjusted total of deceased permit holders identified by DOHMH during Fiscal Year 2008 was reduced to 675.

Driver's License or Non-Driver's Identification card to satisfy the identity requirement. Two applicants provided a Massachusetts driver's license or identification, and one applicant provided an Arizona driver's license. Nevertheless, the permits were processed and issued to all three applicants.

Although these permits appeared to be legitimate because the individuals also provided other documentation as evidence that they resided in the City, DOT should ensure that only a New York State Driver's License or Non-driver's Identification card is accepted as proof of identification for those applicants residing in the City. This would prevent individuals who actually live outside the City but who use a City address from applying and obtaining a City disability parking permit. On October 27, 2009, DOT officials informed us that after we brought this matter to their attention, they no longer accept out-of-state driver's licenses or non-driver's identifications as proof of identification for City residents. If an applicant residing in the City does not provide a New York State Driver's License or Non-Driver's Identification card, the application will not be processed and will be returned to the applicant.

Recommendation

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

DOT Response: "All applicants are required to provide a copy of a New York State Department of Motor Vehicles Driver's License or New York State Non-driver's Identification in order to apply for a PPPD. Dual residence applicants, must possess either a valid New York State Department of Motor Vehicles Driver's License or New York State Non-driver's Identification, or in the alternative, they must provide a valid driver's license or non-driver identification card from the state in which they reside as a dual resident. All applicants must also provide two (2) proofs of New York City residence."

Auditor Comment: As we state in our recommendation, if DOT has changed the requirements for obtaining a disability parking permit by accepting an out-of-state driver's license as proof of identification, it should revise its procedures accordingly.



January 19, 2010

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

**RE: Draft Report on the Audit of Controls of the
Department of Transportation Over City Disability
Parking Permits MD09-076A**

Dear Ms. Kim:

We are submitting the Department of Transportation's response to the findings and recommendations contained in the Draft Audit Report. Please note our comments have been modified from our initial response dated December 18, 2009, to the Preliminary Draft Report to reflect the deletion of one of the recommendations and also to better reflect the processes generally of Authorized Parking and Permits ("AP &P") and its Standard Operating Procedures ("SOP") specifically. We also note, the Draft Report did not mention our initial written response.

Recommendation 1: Conduct an immediate investigation and determine the disposition of the 11 boxes of seals that are unaccounted for as identified in this report.

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

We reiterate that at the time of the audit, there were two systems that kept track of the seals – the manual record and the computer based system (ACCESS) which was developed by AP&P staff and is still being tested and revised. *As such, the staff did not use it.* When the ACCESS inventory system was created, it included both the Meter Head Seals and the Wheel Chair Seals for the PPPD permits, without making any notation or distinction. The Auditors were informed about this.

The auditor's physical count of 38 rolls matched our manual inventory record for Wheel Chair seals. Thus, in an effort to separate the two inventories in the ACCESS system, the Assistant Director reduced the inventory start-up count for the Wheel Chair seals by 11 rolls which were for the Meter Heads. The seals are easily distinguished from each other. DOT's Information Technology & Telecommunication (IT&T) is currently reviewing the ACCESS-based inventory system to determine if this will meet the requirements of AP&P. Until IT&T installs the application that will fully meet our requirements, the Unit will use a manual log book with a running balance and location of all seals as its perpetual inventory record.

Although we have determined that the seals are accounted for, we want to emphasize that there are several layers of security built into the production of City Disability Parking Permits. In addition to paper, ink color, font and print size that are unique to this permit, any fraudulent permit would stand out if it lacks both the Disability Permit holographic seal and the laminate with embedded holographic seal. DOT uses the laminates with embedded holograms on every permit issued and has done so for several years preceding the audit.

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

DOT Response: The inventory records currently maintained include all the parking permit seals on hand and their storage location. A log is now maintained where the AP&P Asst. Director signs when a roll of seals is issued. Additionally, the AP&P will have a "working inventory" equivalent to two month's need that will be kept within the Unit. The rest, which is the bulk, of the inventory will be kept by the Internal Security Unit in the secure vault of the Meter Collection Facility. The SOP is being revised to incorporate the new inventory recordkeeping and safekeeping procedures to strengthen accountability. IT&T is reviewing the ACCESS-based inventory system to determine the best fit if this system fully meets AP&P's requirements, and will either develop or purchase an application that so meets the unit's requirements. Until IT&T develops or purchases and installs the new application, AP&P will use only the manual log for its inventory record.

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

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

bulk stock, must immediately notify the Assistant Commissioner of such occurrence for investigation.

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

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

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

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

Recommendation 6: Periodically monitor e-Permits data to ensure the accuracy and legitimacy of the permits being issued.

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

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

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

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

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

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

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

Recommendation 10: Review e-Permits data to determine whether any permit holder has more than one current permit and require the permit holder to return any additional permits.

DOT Response: Supervisors will make sure that employees are checking data to prevent the issuance of duplicate permits. If any duplicate permits are noted, the duplicate will be immediately deactivated/cancelled. In addition, the permit holder will be required to return it.

Recommendation 11: Discuss with the IT department whether a control could be added to e-Permits to prevent the processing of multiple permits for a permit holder that cover the same time period.

DOT Response: IT&T is working with the Department of Finance to develop an enhancement to the e-Permit program in order to achieve this objective.

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

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

Recommendation 13: For permits other than renewal permits for stable applicants, ensure that only [sic] one individual does not perform all aspects of processing the permits.

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

Recommendation 14: Periodically review e-Permits data to ensure that permits (other than renewal permit for stable applicants) were not processed by just one individual. If it is discovered that one person did process all aspects of a permit, the permit holder's file should be reviewed to check the legitimacy of the permit.

DOT Response: As stated in DOT's answer to Recommendation 13, no one individual performs all aspects of the process by himself/herself. However, in order to further ensure legitimacy, Supervisors have been instructed to review the e-Permit data to provide for accuracy and propriety of the permits issued. Additionally, separate reviews will be randomly conducted and documented by Parking's Internal Security Unit.

Recommendation 15: Require applicants to provide the last four digits of their social security number to assist DOHMH in performing a more accurate computer match to identify applicants who are deceased.

DOT Response: This recommendation cannot work as stated since the DOHMH system that is queried can only use complete social security numbers (SSN), or none at all, and is not capable of using the last four digits of the SSN only, as suggested by the auditors. In order to assuage the concerns raised by the recommendation, DOT has revised the permit applications to require the entire 9-digit SSN instead of the optional last four digits.

Recommendation 16: Ensure that all applicants possess a New York State Department of Motor Vehicle Driver's License or New York State Non-Driver's Identification card before processing a City disability parking permit.

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

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or in the alternative, they must provide a valid driver's license or non-driver identification card from the state in which they reside as a dual resident. All applicants must also provide two (2) proofs of New York City residence.

If you have questions on this response, I can be reached at (212) 839-4408. Thank you.

Sincerely,


LUCITA C. ANDRES
Auditor General

cc: Comm. J. Sadik-Khan, FDC L. Ardito, DC G. Soffian, AC V. Rosen, ED E. Martell