



# City of New York

## OFFICE OF THE COMPTROLLER

John C. Liu  
COMPTROLLER



## MANAGEMENT AUDIT

**Tina Kim**

Deputy Comptroller for Audit

Audit Report on the Controls of the  
Bronx County District Attorney's Office  
over Its Inventory of Computer and  
Computer-related Equipment

MD13-076A

April 19, 2013

<http://comptroller.nyc.gov>



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John C. Liu  
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April 19, 2013

**To the Residents of the City of New York:**

My office has audited the controls of the Bronx County District Attorney's Office (BCDA) over its inventory of computer and computer-related equipment. We audit City agencies such as this as a means of ensuring agency compliance with regulations and accountability for resources.

The audit found that BCDA had adequate controls over the computer and computer-related equipment on the inventory listing it provided. However, there was not reasonable assurance that the BCDA inventory listing was complete because BCDA could not account for all inventory tag numbers.

The audit makes three recommendations, including that BCDA should: ensure that tag numbers are controlled and assigned sequentially; develop written policies and procedures for its inventory of computer and computer-related equipment; and ensure that a yearly physical inventory count of computer and computer-related equipment is conducted and documented.

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

If you have any questions concerning this report, please e-mail my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "John C. Liu".

John C. Liu

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# THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

## Audit Report on the Controls of the Bronx County District Attorney's Office Over Its Inventory of Computer and Computer-related Equipment

MD13-076A

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### AUDIT REPORT IN BRIEF

#### Introduction

The audit determined whether the Bronx County District Attorney's Office (BCDA) has adequate controls over its inventory of computer and computer-related equipment. BCDA purchases computers (excluding laptops), printers, servers, and network devices using capital funds approved by the City's Office of Management and Budget and some computer and computer-related equipment with grant funds. The inventory listing obtained from BCDA contained 3,272 computer and computer-related equipment items as of October 15, 2012.

#### Audit Findings and Conclusion

The BCDA had adequate controls over the computer and computer-related equipment on the inventory listing it provided. However, we do not have reasonable assurance that the BCDA inventory listing is complete because it could not account for all inventory tag numbers. In addition, BCDA does not have written policies and procedures for the inventory of computers and computer-related equipment and did not maintain evidence that it conducted a yearly inventory count. Except for these weaknesses, the audit generally found that all items in the audit samples were identified, the computer and computer-related equipment purchased during Fiscal Years 2011 and 2012 was appropriately added to the inventory listing, and BCDA relinquished obsolete items according to citywide regulations.

#### Audit Recommendations

Based on our findings, we made three recommendations, including that BCDA should:

- Ensure that tag numbers are controlled, assigned sequentially, tracked (especially for salvaged equipment), and made of sturdy material.

- Develop written policies and procedures for its inventory of computer and computer-related equipment.
- Ensure that a yearly physical inventory count of computer and computer-related equipment is conducted, documented, and performed by individuals who are not responsible for maintaining inventory.

## **Agency Response**

In their response, BCDA officials agreed with all three recommendations.

# INTRODUCTION

## Background

BCDA is responsible for prosecuting crimes within the county's border. Overall responsibility for BCDA's operations is vested in the District Attorney and the Executive Staff, which is composed of the Chief Assistant District Attorney, the Counsel to the District Attorney, two Executive Assistant District Attorneys, an Administrative Assistant District Attorney, the Administrative Chief/EEO Coordinator, and the Chief Financial Officer.

Among other responsibilities, BCDA's Administration and Support Division is in charge of purchasing and distributing supplies and office equipment and maintaining telecommunications and automated systems.

BCDA purchases computers (excluding laptops), printers, servers, and network devices using capital funds approved by the City's Office of Management and Budget. In addition, some computer and computer-related equipment is purchased with grant funds.

Upon delivery, the purchased items get a temporary tag number, are kept in storage, and distributed to users as needed. Before moving the computers to the assigned floors, bureaus, or users, the IT technician fills out a hard copy document called a "movement sheet." The "movement sheet" documents the movement of equipment and the assigned location and/or employee. Once the equipment is distributed to a user, it is assigned a permanent tag number. The technicians perform the installation, record the information on the "movement sheet," and use it to input the updated information into the system. Consequently, the inventory listing is updated on an as needed basis. BCDA maintains its master inventory listing on an in-house inventory application called the Equipment Inventory II. BCDA identifies computers and computer-related equipment using three different statuses. When new computers or equipment arrive, they are identified as "stock" and put in storage. When they are distributed or assigned to staff, they are identified as "active." A third category identified as "stock non-functioning" is for computers and equipment that are relinquished/ salvaged because they have been identified as being at least five years old or are broken and beyond repair, and have been replaced.

The inventory listing obtained from BCDA contained 3,272 computer and computer-related equipment items as of October 15, 2012.

## Objectives

The objective of this audit was to determine whether BCDA has adequate controls over its inventory of computer and computer-related equipment.

## Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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 2012. Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

## **Discussion of Audit Results**

The matters covered in this report were discussed with BCDA officials during and at the conclusion of this audit. A preliminary draft report was sent to BCDA officials and discussed at an exit conference held March 13, 2013. We submitted a draft report to BCDA officials on March 20, 2013, with a request for comments. We received a written response from BCDA officials on April 3, 2013. In their response, the BCDA officials agreed with all three recommendations.

The full text of BCDA's response is included as an addendum to this report.

## FINDINGS AND RECOMMENDATIONS

The BCDA had adequate controls over the computer and computer-related equipment on the inventory listing it provided. However, we do not have reasonable assurance that the BCDA inventory listing is complete because it could not account for all inventory tag numbers.

In addition, the audit found that BCDA does not have written policies and procedures for the inventory of computers and computer-related equipment and did not maintain evidence that it conducted a yearly inventory count.

Although we identified the above weaknesses, we found that 49 (98 percent) of the 50 items in our random sample were present, appropriately tagged, and at their assigned locations. BCDA was unable to produce the remaining item, a computer hard drive<sup>1</sup>. (Officials stated that it was assigned to a field location.) In addition, the equipment information matched what was recorded on the inventory listing. We also found that 100 percent of the computer and computer-related items in BCDA and 100 percent of the relinquished (stock non-functional) computers and computer-related equipment we selected from around the office for sampling verification was included on BCDA's inventory and salvaged inventory lists, respectively. The information for these items, such as type of equipment, model number, serial number, and tag number, matched the information recorded on the listings.

Further, computer and computer-related equipment purchased during Fiscal Years 2011 and 2012 was appropriately added to the inventory listing. Lastly, we found that BCDA relinquishes obsolete computers and computer-related equipment according to citywide regulations.

### Inventory Control Weaknesses

#### Unaccounted Inventory Tags

BCDA could not account for all inventory tag numbers. BCDA maintains inventory numbering systems based on the funding source of the equipment, and these numbering systems were not controlled to ensure that all numbers were sequentially assigned and accounted for. In addition, we identified a large number of gaps in the sequential numbering of tags. For example, when we sorted the listing by tag number, at one point the sequence jumps from RD0000013 to RD0000023. Furthermore, the tag numbers were not a fixed number of characters—some contained six characters and some up to 10. This further complicated the sequential sorting of the tag numbers. As a result, we could not satisfactorily rely on the integrity of the inventory list containing the 3,272 items because we have no assurance regarding the completeness of the list.

Comptroller's Directive 30 stipulates that capital equipment inventory items must bear property identification tags, made of a sturdy material, with a sequential internal control number assigned and securely affixed to the item. According to BCDA officials, permanent tag numbers are system generated and should be in sequential order. The computer program creates-- but does not control-- the numbering sequence of the permanent tag numbers which are printed on labels and affixed to computers and computer-related equipment. BCDA does not maintain a historical

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<sup>1</sup> This hard drive had a cost of less than \$200, and BCDA officials stated that items under \$500 are not required to be inventoried. However, because it was listed on BCDA's inventory without a cost, we randomly selected this item for review.



log of permanent tag numbers printed and assigned; rather, it claims to monitor their usage with a tag history sheet, which is kept by a programmer. The sheet lists the run date and the range of the permanent tag numbers printed. However, it does not identify which of these tag numbers have been assigned. Without a log, there is no assurance of the total number of items that should be included on the inventory at all times.

In addition, we were unable to reconcile the gaps we identified between the assigned permanent tag numbers, which should be sequential. We could not locate the tag numbers on the provided inventory listing or on the salvaged equipment list provided by BCDA. Officials explained that the gaps between the permanent tag numbers probably exist because of items that were sent to salvage. BCDA maintains salvaged manifest listings that show the serial number, model number, and type of equipment, but do not show the tag numbers that were assigned to these items. We also noted that the master inventory listing contained active and salvaged items with permanent tag numbers that were higher than the tag numbers for items that were purchased later. According to BCDA officials, this could occur if tags fell off items and new permanent tag numbers needed to be issued. A BCDA official also explained that it was possible for tags to be replaced or thrown out due to poor print quality or if the original tag was torn or damaged. (The tags used by BCDA are paper labels that are susceptible to water damage, tearing, or falling off.) The BCDA official was not familiar with all of the requirements of Directive 30 and historically, BCDA did not emphasize the importance of keeping numbers in sequential order as much as ensuring that current equipment was tagged and accounted for. He further stated that while the office printed batches of asset tags on several different dates, it is possible to have unused tags.

Without controlled sequential tag numbers, it is difficult to monitor, track, and account for all computers and computer-related equipment, especially those that are sent to salvage or disposed of. Also, the risk that computers and computer-related equipment could be stolen or go missing and not be detected is increased. Because of the gaps identified, we do not have reasonable assurance that the inventory listing provided by BCDA is complete and accurate.

According to BCDA officials, the programming staff has made changes to the application so that asset tag numbers will be created sequentially as needed. Additionally, the application will be modified to allow for entering a note if a tag number was unused or replaced.

## Recommendation

1. BCDA should ensure that tag numbers are controlled, assigned sequentially, tracked (especially for salvaged equipment), and that tags are made of sturdy material.

**BCDA Response:** BCDA agreed, stating, “Currently the office is testing both vinyl and polyester equipment tags, in a single, unified sequence, to determine which provides the sturdier replacement for the tags currently in use. We will ensure that future items are tagged sequentially in one series.”

## No Written Policies and Procedures Regarding Computer and Computer-related Equipment Inventory

BCDA has not developed any written policies and procedures for its inventory of computer and computer-related equipment. According to the Department of Investigation’s (DOI’s) “Standards

for Inventory Control and Management,” the agency’s management is required to ensure that there are policies and procedures relating to inventory control and management that detail objectives, responsibilities, and the methods to be used and distributed, or made available to staff. In addition, Comptroller’s Directive 30 - Capital Assets states that agencies must maintain documented and approved physical inventory procedures. According to DOI’s Standards, “the absence of clearly written policies and procedures that define limits of authority can result in staff being allowed excessive discretion that can provide opportunities for undetected thefts and other dishonest activities.” In addition, the lack of procedures renders it more difficult to hold individuals accountable for their actions or failure to act.

## Recommendation

2. BCDA should develop written policies and procedures for its inventory of computer and computer-related equipment.

**BCDA Response:** BCDA agreed, stating, “The office is currently developing written protocols for the receipt, storage, deployment, and relinquishment of equipment in conformity with applicable City guidelines.”

## No Evidence that an Annual Inventory Count Was Conducted

BCDA did not maintain evidence that an annual physical inventory count of its computer and computer-related equipment was conducted. Originally, we were informed that an inventory count was conducted in 2011. However, when we requested evidence of this inventory count, we were informed that there was not a full inventory count in 2011, but that an inventory count was conducted by the IT staff in October 2012. An official further explained that when conducting a full audit of the inventory, they print out a report of all equipment, send staff to confirm the equipment, and make corrections to the list as needed. However, once the inventory system is updated, they discard the inventory report. Without evidence of an inventory count, we cannot be assured that one was actually conducted.

Comptroller’s Directive 30 - Capital Assets Section 11.0 stipulates that all existing capital asset equipment must be subject to an annual physical inventory count. In addition, the results of each capital asset physical inventory, including all findings, discrepancies, and corrective adjustments, with appropriate substantiation, must be documented and maintained by the agency in accordance with its records retention schedules. Also, according to Comptroller’s Directive 1 – Principles of Internal Controls, “An agency must establish physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, computers and other equipment, which might be vulnerable to risk of loss or unauthorized use. Periodic counting and comparison to control records for such assets is an important element of control of these assets.”

In addition, Directive 30 states that a physical inventory count must be conducted and supervised by individuals independent of the capital asset function or anyone responsible for the maintenance of detailed capital asset inventory records. If a physical inventory count is not conducted or is conducted by individuals responsible for maintaining the inventory records, there is an increased risk that items may be misappropriated, displaced, or improperly disposed of and not be detected.

## Recommendation

3. BCDA should ensure that a yearly physical inventory count of computer and computer-related equipment is conducted, documented, and performed by individuals who are not responsible for maintaining inventory.

**BCDA Response:** BCDA agreed, stating, “The office is developing a protocol to retain annual documentation of its physical inventories and to ensure that such inventories are conducted by non-IT staff.”

## DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. 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 2012.

We reviewed and used as criteria the Department of Investigation's Standards for Inventory Control and Management, Comptroller's Directive 1 – Principles of Internal Controls, Comptroller's Directive 18 - Guidelines for the Management, Protection & Control of Agency Information & Information Processing Systems, and Comptroller's Directive 30 – Capital Assets.

To gain an understanding of BCDA's inventory operations, we interviewed the Director of IT, the Director of Purchasing, and the Senior Technician about the tasks they perform and their duties and responsibilities regarding the purchasing and inventory of computers and computer-related equipment. In addition, we conducted follow-up clarification meetings with BCDA officials to gain a better understanding of issues and concerns relating to the audit.

We obtained from BCDA an inventory listing that had 3,272 items listed as of October 15, 2012. In addition, we received separate listings: Purchased Equipment 2012, Salvaged Equipment 2012, Computer Inventory, Laptop Inventory, Miscellaneous, and Printers and Copiers. We also received a separate listing of salvaged equipment items that was not part of the Entire Inventory listing. Because many items were included on more than one list (for example, on Purchased Equipment 2012, Computer Inventory, and Entire Inventory), a reconciliation of all lists to the Entire Inventory was not possible. In addition, because the copiers and printers are leased equipment, we did not include them in our analyses.

The following tests were performed on BCDA's inventory data using Audit Command Language (ACL) software:

- Completeness and Integrity Tests on the data received.
- Duplicates testing on the tag number field listed in the data received.
- A merge of the individual inventory categories to perform an unmatched data relation with the entire inventory data to satisfy the data reliability test; this test was performed to determine whether there was any inventory recorded in the individual categories that was omitted from the entire inventory listing. A data relation between the purchases list and entire inventory list and between the salvaged list and the entire inventory list were conducted to verify whether there were any purchases omitted from the entire inventory listing and whether the entire inventory included any salvaged equipment.

We randomly selected a sample of 50 items listed on BCDA's master inventory listing and located the items. We matched the equipment tag number, model number, serial number, and location with the information listed on the master inventory listing. Conversely, we haphazardly

selected 50 computers and computer-related equipment items while walking through BCDA's premises. We checked whether these items were appropriately included on the master inventory listing and whether the information on the inventory listing matched the information on the equipment. To determine whether the salvaged computer and computer-related equipment was disposed of properly, we examined the vendor's disposal certification for equipment salvaged in January 2012. Also, we haphazardly selected 17 salvaged items and matched the model, serial number, and tag numbers on the equipment to the data on the salvaged equipment listing provided by BCDA.

To determine whether BCDA's permanent tag numbers were in sequential order as required, we obtained and reviewed the tag history sheet provided and combined and then sorted the master inventory listing and salvaged equipment listing by tag number. Further, we met BCDA officials to discuss the gaps identified in the tag numbering system and followed up on the issue via e-mail correspondence.

To determine whether the purchases made by BCDA in Fiscal Years 2011 and 2012 were inventoried, using the City's Financial Management System, we independently obtained a listing of purchases made by BCDA during Fiscal Years 2011 and 2012. We obtained the purchase orders for these purchases in order to identify purchases of computers and computer-related equipment. We then obtained the invoices and receiving reports for the purchases identified as computers and computer-related equipment to see whether we could identify the serial numbers of the purchased items. These serial numbers allowed us to compare these items to the inventory records received from BCDA to determine whether they had been appropriately included on the inventory records.



OFFICE OF THE BRONX COUNTY DISTRICT ATTORNEY

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L CHRISTOPHER STANDORA  
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April 2, 2013

**BY FAX AND MAIL (212) 815-8672**

Ms. Tina Kim  
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1 Centre Street  
New York, New York 10007-2341

Re: **Audit Report of the Controls of the Bronx County District Attorney's Office  
Over Its Inventory of Computer and Computer-related Equipment  
MD13-076A**

Dear Ms. Kim,

We are in receipt of the draft copy of your above-mentioned draft report.

We are gratified by the Comptroller's overall finding that our office maintains adequate controls over our computer and computer-related equipment. We also appreciate your analysis of where we can strengthen our internal control procedures, and we have begun work to adopt your recommendations. Accordingly, we respond below to your three recommendations.

Please contact me if you have any questions about these responses, and thank you again for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Standora".

Chris Standora

c. Tara Leary  
Ray Vazquez



## **RESPONSES TO RECOMMENDATIONS**

### **Recommendation 1:**

BXDA agrees with and adopts Comptroller's Recommendation 1, to "ensure that tag numbers are controlled, assigned sequentially, tracked, especially for salvaged equipment, and made of sturdy material." Currently the office is testing both vinyl and polyester equipment tags, in a single, unified sequence, to determine which provides the sturdier replacement for the tags currently in use. We will ensure that future items are tagged sequentially in one series.

### **Recommendation 2:**

BXDA agrees with and adopts Comptroller's Recommendation 2, to "develop written policies and procedures for its inventory of computer and computer-related equipment." The office is currently developing written protocols for the receipt, storage, deployment, and relinquishment of equipment in conformity with applicable City guidelines.

### **Recommendation 3:**

BXDA agrees with and adopts Comptroller's Recommendation 3, to "ensure that a yearly physical inventory count of computer and computer-related equipment is conducted, documented, and performed by individuals who are not responsible for maintaining inventory." The office is developing a protocol to retain annual documentation of its physical inventories and to ensure that such inventories are conducted by non-IT staff.