



City of New York

OFFICE OF THE COMPTROLLER

John C. Liu
COMPTROLLER



FINANCIAL AUDIT

Tina Kim

Deputy Comptroller for Audit

Audit Report on the Inventory Practices
Over Major Office Equipment at the
Office of the City Clerk and Clerk of the
Council

FM12-136A

September 21, 2012

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

September 21, 2012

To the Residents of the City of New York:

My office has audited the Inventory Practices Over Major Office Equipment at the Office of the City Clerk and Clerk of the Council. We audit City agencies such as the City Clerk's Office as a means of ensuring they operate efficiently and are accountable for resources and revenues in their charge.

The City Clerk has a dual role, serving as both the Clerk of the City of New York and the Clerk of the Council. As the City Clerk, the Clerk attests to leases and deeds of City property, grants, agreements, bonds, tax notes, and other forms of obligations of the City. Other duties of the City Clerk include maintaining two separate bureaus -- the Lobbying Bureau and the Marriage Bureau. As the Clerk of the City Council, the main function of the Clerk is to attest to all laws enacted by the City Council. The Clerk of the Council is also responsible for keeping the transcripts of the proceedings of the City Council.

The City Clerk's Office generally maintained complete and accurate inventory records for all major office equipment as required by the Department of Investigation's (DOI) *Standards for Inventory Control and Management*. However, there is a lack of segregation of duties that may weaken the internal controls over safeguarding of equipment. Specifically, one person is responsible for purchasing, receiving, and maintaining inventory. Comptroller's Directive #1 states that key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. The audit did not find any instances of missing or misplaced equipment. The City Clerk needs to segregate these responsibilities in order to minimize any potential risk of loss. The audit also found minor exceptions regarding maintenance of complete and accurate inventory lists.

The results of the audit have been discussed with City Clerk's Office 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.

Sincerely,

A handwritten signature in black ink, appearing to read "JCL", written over a horizontal line.

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Inventory Practices Over Major Office Equipment at the Office of the City Clerk and Clerk of the Council

FM12-136A

INTRODUCTION

Background

The City Clerk has a dual role by serving as both the Clerk of the City of New York and the Clerk of the Council. As the City Clerk, the Clerk attests to leases and deeds of City property, grants, agreements, bonds, tax notes, and other forms of obligations of the City. The City Clerk also maintains all papers and documents of the City, including executive and administrative orders of the Mayor and certificates of judicial appointments by the Mayor.

Other duties of the City Clerk include maintaining two separate bureaus -- the Lobbying Bureau and the Marriage Bureau. The Lobbying Bureau is responsible for the enforcement of the City's Lobbying Law, including the registration of lobbyists and the receipt of periodic reports from lobbyists on their lobbying activities as well as the audit of those reports. The Marriage Bureau provides Marriage Licenses, Domestic Partnership registrations, and civil Marriage Ceremonies.

As the Clerk of the City Council, the main function of the Clerk is to attest to all laws enacted by the City Council. The Clerk of the Council is also responsible for keeping the transcripts of the proceedings of the City Council.

During Fiscal Year 2011, Other Than Personal Service expenditures for the City Clerk's Office amounted to \$1,066,020.

Objectives

The objectives of this audit were to determine whether the City Clerk's Office complies with certain inventory procedures for major office equipment as set forth in the Department of Investigation's (DOI) *Standards for Inventory Control and Management* and is maintaining

effective internal controls systems over equipment inventory as required by Comptroller's Directive #1 *Principals of Internal Control*.

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 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.

This audit covered the period July 1, 2011, through July 17, 2012. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with officials of the City Clerk's Office during and at the conclusion of this audit. A preliminary draft report was sent to the City Clerk's Office officials and was discussed at an exit conference held on August 23, 2012. On August 24, 2012, we submitted a draft report to the City Clerk's Office officials with a request for comments. We received a written response from the City Clerk's Office officials on September 7, 2012. In their response, the City Clerk's Office officials agreed with the audit's findings and recommendations, stating they "accept the recommendations of the audit and will implement the same."

FINDINGS AND RECOMMENDATIONS

The City Clerk's Office generally maintained complete and accurate inventory records for all major office equipment as required by the DOI's *Standards for Inventory Control and Management*. However, there is a lack of segregation of duties that may weaken the internal controls over safeguarding of equipment. Specifically, one person is responsible for purchasing, receiving, and maintaining inventory. Comptroller's Directive #1 states that key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. We did not find any instances of missing or misplaced equipment. The City Clerk needs to segregate these responsibilities in order to minimize any potential risk of loss. We also found minor exceptions regarding maintenance of complete and accurate inventory lists. These issues are discussed in detail in the following sections of this report.

Lack of Segregation of Duties

There is a lack of segregation of duties at the City Clerk's Office for purchasing, receiving, and maintaining inventory. Specifically, the Director of Administration at the City Clerk's Office is responsible for purchasing, receiving, and maintaining the inventory list for office equipment. For all 15 major office equipment purchases totaling \$21,131 in Fiscal Year 2012, the Director of Administration was responsible for creating the purchase order, signing the invoice stating the items have been received, and adding those items to the inventory list. Comptroller's Directive #1 states, "Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event." Also, Section 15 of the DOI's *Standards for Inventory Control and Management* states, "Where possible, there is a separation of duties between those who handle the inventory and those who record inventory transactions."

Recommendation

1. The City Clerk's Office should ensure that the functions of making purchases, signing off on deliveries, and maintaining the inventory list are properly segregated.

City Clerk's Office Response: "Specifically, regarding the recommendation numbered 1, effective immediately, we have split the duties of making purchases, signing off on deliveries and maintaining the inventory lists, assigning each duty to an individual staff member. These three staff members will be supplemented by three alternates."

Inventory Control Weaknesses

Our examination of 422 pieces of major office equipment (including 15 items purchased during Fiscal Year 2012) found that, except for 11 items, the equipment was correctly listed on the inventory list and properly tagged as property of the City Clerk's Office. The remaining 11 pieces of equipment had the following instances of non-compliance:

- Five items observed during our walk-throughs were not included on the City Clerk's inventory list. Also, those same five pieces of equipment were not tagged as property of the City Clerk.
- Six Dell computers were listed on the inventory list with incorrect serial numbers.

In addition, during our inventory observation on July 10, 2012, at the Manhattan City Clerk's Office, we observed seven computer monitors purchased by the City Clerk's Office on February 24, 2009, for \$700 that remained in their original boxes. According to the City Clerk's staff, these monitors were tagged and added to the inventory list when they were originally received and held in reserve in case there was a need to replace those currently in use. While it may be necessary to have spare monitors on hand, we question the use of \$700 in City funds for seven spare monitors that have not been used for over three years with their warranty set to expire in February 2013.

City Clerk's Office Response: "With respect to the seven spare monitors, they will be utilized as follows: 1) four monitors will replace the four Gateway monitors in the accounting department of the Manhattan office that have been in use since 2005; 2) one monitor has replaced a broken Gateway monitor in record room in Manhattan; 3) one monitor will replace a Viewsonic monitor placed in service in the Queens office in 2003; and 4) one monitor will be given to a new staff member in the Manhattan office."

Recommendations

The City Clerk's Office should ensure that it:

2. Purchases only items that are needed for its operations.
3. Affixes sequentially numbered identification tags to all office equipment items.
4. Maintains complete and accurate inventory records.

City Clerk's Office Response: "Regarding recommendation numbered 2, we have directed the staff member assigned to conduct purchases to document the need for any new equipment in order to avoid any unnecessary purchases. Finally, with respect to recommendations numbered 3 and 4, we have directed the staff member assigned to maintain the inventory list to affix sequentially number identification tags to all office equipment items and to ensure that the inventory records are maintained in a complete and accurate manner. We further agree to carefully monitor and review the work of each staff member to ensure that these recommendations are permanently adhered to."

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 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.

This audit covered the period July 1, 2011, through July 17, 2012.

To obtain an understanding of the inventory procedures and regulations with which the City Clerk's Office is required to comply, we reviewed relevant provisions of the DOI's Standards for Inventory Control and Management and Comptroller's Directive #1 Principals of Internal Control.

We selected all 417 major equipment items (including computers, monitors, printers, scanners, laptops, fax machines, and televisions) listed on the City Clerk's most current inventory records and physically determined whether they were present at each City Clerk Office in the five boroughs. We interviewed staff members at the City Clerk's Office to obtain an understanding of the inventory procedures in use and to determine how physical assets are safeguarded. During the inventory walk-throughs, which were conducted from July 10, 2012, through July 17, 2012, we checked whether all items examined (those on the provided lists as well as other major equipment items that we noted) were properly tagged as property of the City Clerk's Office and determined whether the items were included on the City Clerk's inventory records. We also verified whether the inventory lists included the type of equipment, serial number, agency control number, and location. Finally, we ascertained whether major equipment items purchased during the audit period were properly recorded on the City Clerk's inventory lists and were tagged as property of the City Clerk's Office.



**THE CITY OF NEW YORK
OFFICE OF THE CITY CLERK**
141 WORTH STREET
NEW YORK, N.Y. 10013

MICHAEL McSWEENEY
CITY CLERK, CLERK OF THE COUNCIL

September 7, 2012

H. Tina Kim
Deputy Comptroller
Bureau of Audits
Office of the Comptroller
One Centre Street, Room 1100
New York, New York 10007

RE: Audit Report on the Inventory Practices
Over Major Office Equipment at the
Office of the City Clerk and Clerk of the Council
FM12-136A

Dear Deputy Comptroller Kim:

Thank you for your letter dated August 24, 2012 regarding the above-captioned draft audit report. This office has reviewed the attached draft report. We accept the recommendations of the audit and will implement the same.

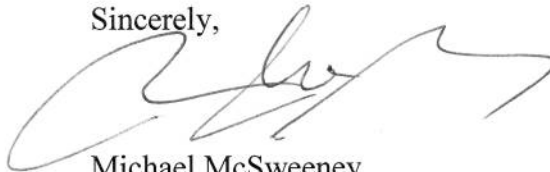
Specifically, regarding the recommendation numbered 1, effective immediately, we have split the duties of making purchases, signing off on deliveries and maintaining the inventory lists, assigning each duty to an individual staff member. These three staff members will be supplemented by three alternates. Regarding recommendation numbered 2, we have directed the staff member assigned to conduct purchases to document the need for any new equipment in order to avoid any unnecessary purchases. Finally, with respect to recommendations numbered 3 and 4, we have directed the staff member assigned to maintain the inventory list to affix sequentially number identification tags to all office equipment items and to ensure that the inventory records are maintained in a complete and accurate manner. We further agree to carefully monitor and review the work of each staff member to ensure that these recommendations are permanently adhered to.

With respect to the seven spare monitors, they will be utilized as follows: 1) four monitors will replace the four Gateway monitors in the accounting department of the Manhattan office that have been in use since 2005; 2) one monitor has replaced a broken Gateway monitor in record room in Manhattan; 3) one monitor will replace a Viewsonic monitor placed in service

in the Queens office in 2003; and 4) one monitor will be given to a new staff member in the Manhattan office.

Thank you for the cooperation and assistance of the members of your auditing staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael McSweeney". The signature is fluid and cursive, with a large initial "M" and a long, sweeping tail.

Michael McSweeney
City Clerk, Clerk of the Council