



City of New York

OFFICE OF THE COMPTROLLER

John C. Liu
COMPTROLLER



MANAGEMENT AUDIT

Tina Kim

Deputy Comptroller for Audit

Audit Report on the Office of Collective Bargaining's Controls over Its Inventory of Computer and Computer-related Equipment

ME12-119A

February 15, 2013

<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

February 15, 2013

To the Residents of the City of New York:

My office has audited the Office of Collective Bargaining (OCB) to determine whether it maintained adequate controls over its inventory of computer and computer-related equipment. We audit programs such as this to determine whether City agencies are adequately maintaining and safeguarding their resources.

The audit concluded that there were several strengths in OCB's controls over its inventory of computer and computer-related equipment. Specifically, the audit determined that OCB had written policies and procedures relating to its inventory of computer and computer-related equipment; the server/computer storage room was secured; most of the computers and computer-related equipment on OCB's inventory records were found in the office; most of the computers and computer-related items in the office were identified on OCB's inventory records; and all of the computer items were appropriately tagged by OCB.

However, OCB's inventory records were not consistently accurate and unassigned items were stored in an unsecured area. To address these issues, the audit recommended that OCB ensure that its computer inventory records are consistently accurate and that all of its unassigned computer assets are properly safeguarded against theft by being stored in a secure area.

The results of this audit have been discussed with OCB 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 "John C. Liu".

John C. Liu

TABLE OF CONTENTS

AUDIT REPORT IN BRIEF	1
Audit Findings and Conclusion	1
Audit Recommendations.....	2
Agency Response.....	2
INTRODUCTION	3
Background	3
Objectives.....	3
Scope and Methodology Statement.....	3
Discussion of Audit Results	3
FINDINGS AND RECOMMENDATIONS	4
OCB Had Some Weaknesses in Its Computer Inventory Controls	4
Recommendations	5
DETAILED SCOPE AND METHODOLOGY	7
ADDENDUM	

THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Audit Report on the Office of Collective Bargaining's Controls over Its Inventory of Computer and Computer-related Equipment

ME12-119A

AUDIT REPORT IN BRIEF

This audit determined whether the Office of Collective Bargaining (OCB) maintained adequate controls over its inventory of computer and computer-related equipment. The primary scope of the audit was Fiscal Year 2012.

OCB is an independent, non-mayoral agency established in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB was established to resolve disputes between City labor and management. OCB is authorized to resolve questions concerning union representation, collective bargaining, claims of improper labor practices, and the contractual arbitration process.

For Fiscal Years 2010 through 2012, OCB's expenditures for computers and computer-related items totaled about \$52,000.

Audit Findings and Conclusion

There were several strengths in OCB's controls over its inventory of computer and computer-related equipment. We determined that OCB had written policies and procedures relating to its inventory of computer and computer-related equipment; the server/computer storage room was secured; most of the computers and computer-related equipment on OCB's inventory records were found in the office; most of the computers and computer-related items in the office were identified on OCB's inventory records; and all of the computer items were appropriately tagged by OCB.

However, OCB had some weaknesses in its computer inventory controls. Specifically, OCB's inventory records were not consistently accurate and unassigned items were stored in an unsecured area.

Audit Recommendations

To address these issues, the audit recommends that OCB:

- Ensure that its computer inventory records are consistently accurate.
- Ensure that all of its unassigned computer assets are properly safeguarded against theft by being stored in a secure area.

Agency Response

In their response, OCB officials partially disputed one of the findings, but stated that they are in the process of implementing the audit's recommendations.

INTRODUCTION

Background

OCB is an independent, non-mayoral agency established in 1967 to administer and enforce the provisions of the New York City Collective Bargaining Law. OCB was established to resolve disputes between City labor and management. OCB is authorized to resolve questions concerning union representation, collective bargaining, claims of improper labor practices, and the contractual arbitration process.

For Fiscal Years 2010 through 2012, OCB's expenditures for computers and computer-related items totaled about \$52,000.

Objectives

The objective of this audit was to determine whether OCB maintains 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 objective. 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 primary audit scope period was Fiscal Year 2012. Please refer to the Detailed Scope and Methodology section at the end of this report for a discussion of the specific procedures followed and the tests conducted during this audit.

Discussion of Audit Results

The matters covered in this report were discussed with OCB officials during and at the conclusion of this audit. A preliminary draft report was sent to OCB officials on October 12, 2012, and was discussed at an exit conference held on December 17, 2012. On January 9, 2013, we submitted a draft report to OCB officials with a request for comments. We received a written response from OCB on January 24, 2013. In their response, OCB officials partially disputed one of the findings, but stated that they are in the process of implementing the audit's recommendations.

OCB's written response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

OCB had some weaknesses in its computer inventory controls. Its inventory records were not consistently accurate, two computer items could not be located, and eight unassigned items were stored in an unsecured area.

During our June 2012 inventory walk-through, we found that OCB's April 2012 inventory records did not accurately list the location of seven computer items. In addition, one printer on OCB's premises was not included in the inventory records. Furthermore, some of the computers and computer-related items that were purchased during Fiscal Years 2010, 2011, and 2012 were not appropriately identified on OCB's inventory records. Finally, there were items listed on the inventory records received from OCB in April 2012 that were not listed on the inventory records received in July 2012. As a result, we have no assurance that OCB's inventory records are consistently accurate.

During our June 2012 and September 2012 inventory walk-throughs, we were unable to locate a total of two monitors that were on the April 2012 inventory list. OCB was not able to provide any explanation as to what happened to these two monitors. In addition, during the June 2012 inventory walk-through, we observed eight unassigned computer items that were stored in an unsecured area.

On the positive side, there were several strengths in OCB's computer inventory controls. We determined that OCB had written policies and procedures relating to its inventory of computer and computer-related equipment; the server/computer storage room was secured; most of the computers and computer-related equipment on OCB's inventory records were found in the office; most of the computers and computer-related items in the office were identified on OCB's inventory records; and all of the computer items were appropriately tagged by OCB.

OCB Had Some Weaknesses in Its Computer Inventory Controls

Comptroller's Directive #1 states that some assets are particularly susceptible to theft and misuse and, as such, require strong controls to ensure that they are properly safeguarded. Our physical inventory of computers and computer-related items determined that OCB generally had adequate controls over these assets. However, we identified some control weaknesses.

According to the Department of Investigation's Standards for Inventory Control and Management, an agency should maintain a complete inventory record that identifies all additions to and deletions from the inventory. OCB's written inventory procedures require the agency to properly update the inventory record upon the receipt, transfer, or storage of computer and computer-related equipment. On April 18, 2012, OCB provided its inventory records on its computers and computer-related items. The inventory records showed a total of 88 computers, monitors, printers, servers, laptops, Blackberry phones, and other computer-related equipment. On June 7, 2012, we conducted a physical inventory and located 87 of the 88 items. We could not locate one monitor that was on the inventory list. OCB had no explanation as to what happened to this monitor.

In addition, during our June walk-through, we found seven computer monitors that were not at the locations that were identified in the inventory records and one printer that was not listed at all. Furthermore, the seven computer monitors and the printer were not stored in a secure

location. These items had not been assigned to OCB personnel and were located on the floor and on top of a table in the print shop, which was unlocked. As a result, these unassigned computer items were not adequately safeguarded and might have been susceptible to theft.

OCB Response: “However, we are concerned with the language...stating that seven computer monitors and a printer were ‘not stored in a secure location,’ in a print shop that is ‘unlocked.’ Though we have moved the monitors and printer into a smaller room that is under lock and key, as recommended in the report, the current language may leave a reader with the inaccurate impression that the monitors and printers were left completely unsecured, with absolutely no protection against theft. ...all three of the entrances and exits to the area in which the print shop is located are secured by keypad-equipped security doors that are closed and locked if OCB personnel are not stationed directly at one of the doors. ... Further, current building security mandates that any person leaving the building with computer items have written documentation that the bearer is authorized to remove the article from the premises.”

Auditor Comment: While we do not dispute the additional security measures that OCB outlines in its response, we continue to believe that all unassigned computer items should be stored in a locked room.

Additionally, from a list of OCB’s eight payment vouchers for computer and computer-related purchases made during Fiscal Years 2010, 2011, and 2012, we selected for review the seven payment vouchers that showed service or serial numbers for at least some of the computer assets purchased. These seven payment vouchers showed the manufacturers’ service tags or serial numbers for a total of 30 computers and computer-related items. These service tags or serial numbers allowed us to compare these assets to OCB’s inventory records. We determined that 23 items were appropriately identified on the inventory records. The remaining seven items (one computer, five laptops, and one ID-maker) were not included on OCB’s inventory records. However, the auditors were able to locate these items on OCB’s premises.

On July 31, 2012, we received an updated inventory list from OCB because some of the Fiscal Year 2012 purchases were made after the April 2012 inventory list was generated. After reviewing the updated list, we determined that there were 20 items that were on the April 2012 inventory records that were not listed on the July 2012 inventory records. During our September 24, 2012, walk-through, we were able to locate 19 of the 20 items. The item we could not locate was a monitor. This was in addition to the monitor we could not locate during the June 2012 walk-through. OCB had no explanation as to what happened to either of these monitors. It is important to note that the monitor that we could not locate during our September 2012 walk-through was one of the seven unassigned monitors that we observed during our June 2012 walk-through as having been stored in an unsecured area.

OCB should enhance the security of its computer assets by increasing its efforts to ensure that its inventory records are consistently accurate. In addition, OCB should ensure that unassigned computer equipment is stored in a secure location.

Recommendations

OCB should ensure that:

1. Its computer inventory records are consistently accurate.

2. All of its unassigned computer assets are properly safeguarded against theft by being stored in a secure area.

OCB Response: “As to the recommendations in the Audit Report, we are in the process of taking the corrective actions mentioned, namely, that we insure that our computer inventory records are consistently accurate and that all of our assigned computer assets are properly safeguarded against theft by being stored in a secured area.”

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 objective. 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 primary audit scope period was Fiscal Year 2012.

To obtain an understanding of the relevant inventory control guidelines, we reviewed OCB's inventory policies and procedures, relevant provisions of the Department of Investigation's Standards for Inventory Control and Management, Comptroller's Directive #1 (Principles of Internal Control), and Comptroller's Directive #18 (Guidelines for the Management, Protection and Control of Agency Information and Information Processing Systems).

To obtain an understanding of OCB's inventory controls and to determine how physical assets are safeguarded, we interviewed various agency officials, including the Director of Administration, the Agency Chief Contracting Officer, the Purchasing Officer, and the Local Area Network Administrator.

To assess inventory controls, we conducted a physical inventory of a sample of the computers and computer-related items listed on OCB's April 2012 inventory records. The inventory list identified 101 items. We decided to exclude 12 items from our review (two shredders, two binding machines, one television, one typewriter, one Pitney Bowes mail machine, three Xerox workcenters, and two sets of switches). After excluding these 12 items, we arrived at a population of 89 computers and computer-related items. We evaluated the inventory list for any duplicate entries and found one duplicate item, which we removed from the population. During a walk-through, we determined whether the remaining population of 88 computers, monitors, printers, servers, laptops, Blackberry phones, and other computer-related items were present at OCB. We also determined whether all of the computers and computer-related items on OCB's premises were included on the inventory list provided by OCB officials. In addition, we checked whether these items were properly tagged as being the property of OCB.

Finally, we obtained a list of OCB's payment vouchers for computer and computer-related purchases made during Fiscal Years 2010, 2011, and 2012. From this list of eight payment vouchers, we selected for review the seven payment vouchers that showed the manufacturers' service tags or serial numbers for at least some of the computer assets purchased. These seven payment vouchers showed the manufacturers' service tags or serial numbers for a total of 30 computers and computer-related items. We received an updated inventory list from OCB officials on July 31, 2012, because some of the Fiscal Year 2012 purchases were made after the April 2012 inventory list was generated. We compared the 30 items to OCB's inventory records to determine whether they had been appropriately listed on these records.

We did not evaluate the reliability and integrity of OCB's computer-processed purchasing data generated by the City's Financial Management System because the City's external auditors review this system as part of the annual audit of the City's financial statements.



OFFICE OF COLLECTIVE BARGAINING

40 Rector Street, 7th Floor
New York, N.Y. 10006
(212) 306-7160
FAX (212) 306-7167

IMPARTIAL MEMBERS

MARLENE A. GOLD, CHAIR
GEORGE NICOLAU
CAROL A. WITTENBERG

DEPUTY CHAIRS

STEVEN C. DE COSTA
SUSAN J. PANEPENTO

CITY MEMBERS

M. DAVID ZURNDORFER
PAMELA S. SILVERBLATT

LABOR MEMBERS

CHARLES G. MOERDLER
GABRIELLE SEMEL

January 24, 2013

Tina Kim
Deputy Comptroller for Audits
The City of New York
Office of the Comptroller
1 Centre Street, Room 1100
New York, New York 10007-2341

RE: Response to Draft Audit Report on the Office of Collective Bargaining's Controls Over Its Inventory of Computer and Computer-related Equipment

Dear Ms. Kim:

The OCB acknowledges and generally accepts the findings contained in the above-referenced Draft Audit Report, dated January 9, 2013. However, we are concerned with the language on the bottom of page three of the Draft, stating that seven computer monitors and a printer were "not stored in a secure location," in a print shop that is "unlocked." Though we have moved the monitors and printer into a smaller room that is under lock and key, as recommended in the report, the current language may leave a reader with the inaccurate impression that the monitors and printers were left completely unsecured, with absolutely no protection against theft. Therefore, we request that the Draft Audit Report be revised to reflect that all three of the entrances and exits to the area in which the print shop is located are secured by keypad-equipped security doors that are closed and locked if OCB personnel are not stationed directly at one of the doors. Additionally, during normal business hours, a secretary is assigned to the main entrance to the area, so that she may admit only approved visitors through the security door and monitor his or her egress from the area. As a result, only OCB personnel and authorized visitors are allowed access to the area in which the monitors and printer were located. In addition, an OCB receptionist sits at the only entrance/exit to the agency and is tasked with monitoring all who enter and leave the office. Further, current building security mandates that any person leaving the building with computer items have written documentation that the bearer is authorized to remove the article from the premises. Therefore, we respectfully request that the Audit

T. Kim January 24, 2013

2

Report be revised to reflect a fuller picture of OCB's security measures as they pertain to the print shop area.

As to the recommendations in the Audit Report, we are in the process of taking the corrective actions mentioned, namely, that we insure that our computer inventory records are consistently accurate and that all of our assigned computer assets are properly safeguarded against theft by being stored in a secured area.

We compliment the professionalism and courtesy of the audit team. If you or your audit team have any further questions or concerns regarding our proposed clarification to the Draft Audit Report, please let me know. Thank you.

Very truly yours,



Marlene A. Gold