The City of New York
Office of the Comptroller
Bureau of Audit
EDP Audit Division

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ALAN G. HEVESI
Comptroller

Audit Report of Computer Equipment
Installed at the Human Resources Administration

7A01-101

June 29, 2001

The City of New York
Office of the Comptroller
Bureau of Audit
EDP Audit Division

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EXECUTIVE SUMMARY

Background

The Human Resources Administration (HRA) provides income support and social services to New York City's needy residents. HRA administers day care programs, employment services for public assistance recipients, protective and preventive services for children and adults, Medicaid, home care for disabled and elderly persons, and social services for individuals with AIDS and HIV-related illnesses.

According to the Director of Customer Support Services (Customer Support) of HRA's Management Information Systems (MIS), approximately 10,000 computers and computer--related equipment are installed at 133 different user locations and approximately 3,000 uninstalled computers are stored in two HRA stockrooms, and one privately owned warehouse in Brooklyn.

We originally planned to conduct one inventory audit that would encompass both new equipment in the stockrooms and installed equipment at the user locations. However, HRA tracks new equipment in stock differently from the way it tracks equipment installed at user locations. Therefore, we divided the original HRA inventory audit into two separate audits. Our first audit, entitled *Audit of Computer Equipment Inventory On-Hand at the Human Resources Administration's Stockrooms,* (Audit Number 7A00-155, issued May 31, 2001) found significant weaknesses in HRA's inventory procedures for maintaining equipment in the stockrooms and warehouse prior to installation. In this audit (Audit Number 7A01–101), we reviewed and tested procedures for tracking installed computer equipment.

Objective, Scope and Methodology

The objective of our audit was to determine whether HRA maintained adequate control over computer equipment installed at its user locations.

We performed our fieldwork from June 6, 2000, to March 30, 2001. To review HRA's controls and procedures for installed computer inventory we: (1) requested and reviewed all written inventory procedures for equipment installed at HRA locations, (2) interviewed appropriate inventory control and MIS personnel from HRA, (3) reviewed the results of HRA's physical inventory count of installed equipment, and (4) matched the serial numbers from 11 purchase orders against serial numbers on HRA's inventory database. We used the Department of Investigation's (DOI) *Standards for Inventory Control and Management* and the *HRA Microcomputer Standards and Guidelines–Microcomputer Management Manual* as criteria in conducting this audit.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), and included those tests of the records and other auditing procedures we considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93 of the New York City Charter.

Results in Brief

The audit found that HRA had not performed physical inventory counts of installed computers between 1995 and 2000; thus, HRA entered equipment information into an inventory database, but never checked to see if the equipment was actually found in the locations specified. Consequently, an inventory count conducted by HRA personnel in February 2000 showed that 796 pieces of equipment worth $931,397 were not found, even though all HRA sites had been visited. Similarly, we could not account for nearly $1.6 million in equipment purchased by HRA in calendar years 1999 and 2000.   We selected 11 purchase orders processed in calendar years 1999 and 2000. These purchase orders contained 11,828 items (personal computers, monitors, laptops, and servers) with a total invoice value of $9 million. We compared the purchase order items to HRA's inventory database as of February 14, 2001, and found only 8,700 items out of the original 11,828 items listed. Thus, 3,128 items, totaling $1.59 million worth of equipment, were not recorded.

In addition, HRA's Inventory Database contained 650 duplicate inventory records, 1,232 items did not have proper serial numbers in the serial number (S/N) field, and approximately $536,000 in equipment purchased from Sun Microsystems is not recorded on the inventory records.

To summarize, our audits of HRA's inventory process found that serious managerial and operational problems are prevalent throughout the agency. Further we have identified approximated $2.5 million of missing equipment. Hence, the above noted weaknesses in HRA's computer inventory system increase the risk that computer equipment may have been stolen and that the theft will go undetected.

We recommend that HRA:

- Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).

- Refer all significant and unresolved discrepancies to DOI for further investigation, if HRA has not done so.

- Immediately assign more data entry personnel to enter the results of the physical inventory count.

- Include all Sun Microsystems equipment on the Inventory Database.

- Follow the existing procedures to ensure that all equipment records are accurately recorded.

Agency Response

The matters covered in this report were discussed with HRA officials during, and at the conclusion of, this audit. A preliminary draft report was sent to HRA officials and was discussed with HRA officials at an exit conference held on May 31, 2001. On June 6, 2001, we submitted a draft report to HRA officials with a request for comments. We received a written response from HRA officials on June 20, 2001, which was accompanied by the electronic file listing specific pieces of equipment that HRA had reportedly identified and located. HRA generally agreed to implement the report's recommendations and stated that "The continued attention to the improvement of workflow at MIS assists both the Agency and the City in ensuring that all expenditures are recorded and all equipment assignments are accurately reflected in the Agency inventory."

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

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INTRODUCTION

Background

The Human Resources Administration (HRA) provides income support and social services to New York City's needy residents. HRA spends most of its budget on entitlement programs, such as public assistance and Medicaid. HRA administers, directly or through contracts, day care centers, employment services for public assistance recipients, protective and preventive services for children and adults, Medicaid, home care for disabled and elderly persons, and social services for individuals with AIDS and HIV-related illness.

According to the Director of Customer Support Services (Customer Support) of HRA's Management Information Systems (MIS) approximately 10,000 computers and computer related equipment are installed at 133 different user locations and approximately 3,000 uninstalled computers are stored in two HRA stockrooms, and one privately owned warehouse in Brooklyn.

We originally planned on conducting one inventory audit that would encompass both new equipment in the stockrooms and installed equipment at the user locations. However, we found that HRA tracks new equipment in stock differently from the way it tracks equipment installed at user locations. Therefore, we divided the original HRA inventory audit into two separate audits. Our first audit, entitled *Audit of Computer Equipment Inventory On-Hand at the Human Resources Administration's Stockrooms,* (Audit Number 7A00-155) found significant weaknesses in HRA's inventory procedures for maintaining equipment in the stockrooms and warehouse prior to installation. In this audit (Audit Number 7A01–101), we reviewed and tested procedures for tracking installed computer equipment.

Objective

The objective of our audit was to determine whether HRA maintained adequate control over computer equipment installed at its user locations.

Scope and Methodology

We performed our fieldwork from June 6, 2000, to March 30, 2001. To review HRA's controls and procedures for installed computer inventory management, we:

- Requested and reviewed all written inventory procedures for equipment installed at HRA locations.

- Interviewed appropriate inventory control and MIS personnel from HRA.

- Reviewed the results of HRA's physical inventory count of installed equipment.

- Matched the serial numbers from 11 purchase orders against the number of computer items on the Inventory Databases to determine whether the databases are properly updated.

We used the Department of Investigation's *Standards for Inventory Control and Management* and the *HRA Microcomputer Standards and Guidelines–Microcomputer Management Manual* as audit criteria.

This audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), and included those tests of the records and other auditing procedures we considered necessary. This audit was performed in accordance with the City Comptroller's audit responsibilities as set forth in Chapter 5, § 93 of the New York City Charter.

Agency Response

The matters covered in this report were discussed with HRA officials during, and at the conclusion of, this audit. A preliminary draft report was sent to HRA officials and was discussed with HRA officials at an exit conference held on May 31, 2001. On June 6, 2001, we submitted a draft report to HRA officials with a request for comments. We received a written response from HRA officials on June 20, 2001, which was accompanied by the electronic file listing specific pieces of equipment that HRA had reportedly identified and located. HRA generally agreed to implement the report's recommendations and stated that "The continued attention to the improvement of workflow at MIS assists both the Agency and the City in ensuring that all expenditures are recorded and all equipment assignments are accurately reflected in the Agency inventory.

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

OFFICE OF THE COMPTROLLER
NEW YORK CITY
DATE FILED: June 29, 2001

FINDINGS AND RECOMMENDATIONS

HRA's written inventory procedures basically match DOI's *Standards for Inventory Control and Management,* which contain inventory guidelines for all City agencies. Specifically, these guidelines require that City agencies establish a perpetual inventory system "to maintain an up-to-date count of all items in the inventory." The guidelines further state that agencies should "conduct . . . a count of all stored goods . . . at least once a year to ensure the accuracy of the perpetual inventory records."

HRA's procedures require that, when computer equipment is installed at a user location, an inventory form be filled out noting the recipient's name and location, the date received, the serial number of the equipment, and the equipment's bar code number. In addition, the user must sign that the equipment was received. The information on the inventory form is then to be entered into HRA's Inventory Database. HRA's procedures also require that inventory forms be filled out, and subsequently entered into its Inventory Database, when items are transferred between individuals or locations and when items are disposed of. Finally, HRA's procedures call for a yearly physical survey of all locations where microcomputer hardware is installed to ensure the accuracy of the inventory records.

If HRA were to follow its procedures it would be in compliance with DOI's guidelines. However, HRA does not always follow its procedures. Consequently, HRA's inventory database contains many duplicate entries and entries with improper serial numbers. In addition, the inventory database is incomplete because HRA does not enter all of its equipment on the system. Finally, HRA does not perform the required annual physical inventory surveys.

It should be noted that this is not the first time that the Comptroller's Office has found inadequate controls over HRA inventory. A prior audit report on HRA's Warehouse Operations (2C92-02, issued April 15, 1993) found that HRA did not maintain complete and accurate inventory records of its non-computer equipment. In addition, a follow-up to that audit (ME97-136F issued June 27, 1997) found significant discrepancies between the inventory record and the number of items actually on hand, based on physical counts performed. It should also be noted that the previous reports addressed a different HRA warehouse that did not contain computer equipment. However, a recent audit report on HRA's computer equipment, entitled *Audit Report on the Computer Equipment Inventory On-Hand at the Human Resources Administration's Stockrooms* (7A00-155) also found significant weaknesses in HRA's controls over the computer equipment.

These audit findings are discussed in more detail in the following sections of this report.

Inventory Weaknesses

The following weaknesses in HRA's computer inventory system increase the risk that computer equipment may be stolen and that the theft may go undetected. In addition, there is a greater likelihood that HRA may have paid for computer equipment that it has not actually received.

HRA did not Perform Annual Physical Inventory Counts between 1995 and 2000; $2.5 Million in Equipment Cannot be Accounted for

As previously stated, DOI's inventory standards and HRA's own procedures require that a physical count of all inventory be performed at least once a year to ensure the accuracy of the perpetual inventory system. We found, however, that HRA had not performed physical inventory counts of installed computers between 1995 and 2000. This means that CSS entered equipment information into the inventory database, but never checked to see if the equipment was actually found in the locations specified.

In February 2000, HRA began a physical inventory count using its most up-to-date inventory reports available. Inventory teams went to all HRA user locations to see if the equipment that was listed in the database for a specific location was actually at the location. HRA periodically sent us diskettes containing updated Inventory Database information so that we could monitor the progress of the inventory count. We received the first diskette in May 2000 (when fieldwork on our audit of HRA's stockroom inventory was being conducted). It showed that 789 pieces of equipment worth $947,682 could not be located at the sites that had been visited. In February 2001, we received a diskette that indicated that 796 pieces of equipment worth $931,397 were still not found, even though all HRA sites had been visited. Table I shows the number of missing items by category.

Table I
Computer Equipment Classified as Missing
Based on HRA's Inventory Count
(As of February 2001)

Type	Count	Cost
Monitors	423	$105,707
Personal Computers	365	$782,128
Servers	8	$ 43,562
Total	796	$931,397

When we asked HRA why the inventory database still showed missing equipment, HRA officials stated that although site visits were complete, they had not finished entering the data from those visits. Therefore, until all data is entered, HRA would not know if these items were actually missing or were found at other locations. HRA attributed the backlog in data entry to the lack of data entry personnel.

Similarly, we could not account for nearly $1.6 million in equipment purchased by HRA in calendar years 1999 and 2000. We selected 11 purchase orders processed in calendar years 1999 and 2000. These purchase orders contained 11,828 items (personal computers, monitors, laptops, and servers) with a total invoice value of $9 million. We compared the purchase order items to HRA's inventory database, as of February 14, 2001, and found only 8,700 items out of the original 11,828 items were listed. Thus, 3,128 items, totaling $1.59 million worth of equipment, were not recorded. We asked HRA officials to locate the missing items. However, to date, they have not

provided any information regarding the whereabouts of this equipment. Table I shows the number of missing items by category.

Table II
Computer Equipment Classified as Missing
Based on our Review of Purchase Orders

Type	Count	Cost
Monitors	589	$784,482
Personal Computers	2,474	$619,292
Servers	10	$14,500
Printers	55	$176,563
Total	3,128	$1,594,837

Agency Response: "HRA has already accounted for $1.2 of the 2.5 million included in this audit. Additionally, HRA had explained to the Comptroller's Office that $931,000 of equipment was indeed deployed but the exact installation address could not be verified."[1]

Auditor Comment: HRA states that "it has already identified and resolved $1.2 million of the $2.5 million" of missing equipment. HRA provided an electronic file listing the specific pieces of equipment that had reportedly been identified and resolved. The file contained 11,086 pieces of equipment identified by serial number and equipment location (57 HRA sites). In order to test the accuracy of HRA's statement, we randomly selected 12 sites for equipment verification. After notifying appropriate HRA personnel, our auditors visited these sites on June 27, 2001. Our auditors were accompanied by HRA personnel able to assist in confirming the existence of the equipment at the noted locations. Our results indicate that HRA's response is not accurate, as shown on Table A, following.

Table A

Equipment verification for 12 HRA sites

Location	Total Checked	Not Found [2]	Percentage Not Found
250 Livingston Street-Brooklyn	131	24 (1 Stolen)	18.3%
330 West 34th Street-Manhattan	186	51	27.4%
94 Flatbush Avenue–Brooklyn	18	7 (4 Stolen)	38.9%
225 East 34th Street–Manhattan	72	14	19.4%
248 East 161st Street–Bronx	80	6	7.5%
30 Thornton Street–Brooklyn	100	5	5.0%
387 Dean Street-Brooklyn	153	19	12.4%
109 East 16th Street-Manhattan	119	10	8.4%
111 8th Avenue-Manhattan	135	54	40.0%
210 Livingston Street–Brooklyn	196	16	8.2%
500 DeKalb Avenue-Brooklyn	50	11	22.0%
404 Pine Street–Brooklyn	220	10	4.5%
Totals	1,460	227	15.5%

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[1] An official from HRA stated that the dollar amount figure for equipment that could not be located is still $931,397, even though $931,000 was written in the response.

[2] We considered an item not found if its serial number did not match a number on the electronic file.

We found that five pieces of equipment had been stolen from two locations (250 Livingston Street and 94 Flatbush Avenue). We requested the police report for these incidents from HRA. We received a police report for 94 Flatbush Avenue only. The incident had occurred on June 1, 2000. We examined the police report and found that the serial numbers for four stolen pieces of equipment did not appear on the report, therefore we could not ascertain whether the equipment that had been stolen was included on HRA's inventory list. In the information concerning stolen equipment sent by HRA, we also received a security guard incident report that indicated a second incident had occurred at 94 Flatbush Avenue on June 30, 2000 (although the incident details stated that the incident occurred on July 3, 2000). In the second incident, six pieces of equipment had been stolen. Also included in the HRA information was a HRA report indicating that a burglary had occurred (date unknown) at 250 Church Street, Brooklyn (this site was not in our sample) and that four compact disc hard drives (Serial numbers D13549, D13309, D13208, and D13207) had been stolen.

Agency Response: "While HRA did not perform a formal inventory of equipment, the Y2K initiative required that all equipment be upgraded for the individual program area to be Y2K compliant. As such, some informal inventory was done in order to upgrade or obsolete non-Y2K compliant equipment. The dollar value associated with the equipment classified as missing was assigned based on the original purchased price. If inventory items were updated to reflect current value, the amounts would be as much as 90% less, since much of the equipment is currently obsolete."

Auditor Comment: We find HRA's response confusing because they stated that some informal inventory was done in order to upgrade obsolete non-Y2K compliant equipment, yet, in the next sentence they stated that much of the missing equipment is obsolete. Since the equipment from our sample of 11 purchase orders was purchased in 1999 and 2000, we do not agree with the statement that the missing equipment is obsolete.

Duplicate Entries

HRA's Inventory Database contained many duplicate inventory records. In fact, 650 items of equipment were recorded more than once on the database. We found 630 pieces of equipment listed twice, 17 pieces of equipment listed three times, and 3 pieces of equipment listed four times. Duplicate entries occur when equipment transfers are recorded on the system without deleting the initial entry. Duplicate equipment records result in an overstatement of the number and cost of the equipment and clutter the records making it difficult for the teams to track inventory.

Improper Serial Numbers

As with any good perpetual inventory system for computer equipment, HRA's procedures require that each item's serial number be recorded on its inventory database. We found, however, 1,232 items that did not have proper serial numbers in the serial number (S/N) field. There were 219 records with no serial numbers, 29 records with the message "Missing S/N" in the serial number field, 128 records with the message "User to install," and 856 records with the message "PC-New

System." The serial number is the only way to identify specific equipment items. Therefore, it is important that the records contain this information for all equipment of the agency.

Equipment Not Included

In calendar year 1999, HRA spent approximately $536,000 on equipment purchased from Sun Microsystems. According to HRA officials, they do not include equipment purchased from this vendor on the inventory records. Therefore, it is impossible to determine whether this equipment is in a stockroom, installed, relinquished, or missing.

Agency Response: "HRA disagrees with this recommendation, [i.e., finding] and has supplied the Office of the Comptroller with a current inventory of all SUN equipment."

Auditor's Comment: HRA's response to our finding regarding the Sun Microsystems equipment is confusing. As noted below, HRA agrees with recommendation #4 to "Include all Sun Microsystems equipment in the Inventory Database." During our fieldwork, we repeatedly requested Sun equipment reports but were told by HRA officials that no Sun inventory was maintained. Yet, the inventory sent by HRA was dated June 8, 2001, two and a half months after the end of fieldwork.

Conclusion

To summarize, our audits of HRA's inventory process found that serious managerial and operational problems are prevalent throughout the agency. Further we have identified approximated $2.5 million of missing equipment. Hence, the above noted weaknesses in HRA's computer inventory system increase the risk that computer equipment may have been stolen and that the theft will go undetected.

Recommendations

We recommend that HRA:

1. Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate (i.e., all installed computer equipment is accounted for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the system tracks all items that are supposed to be tracked).

Agency Response: "HRA is only in partial agreement with this recommendation. HRA is in agreement that a new inventory system is needed, and has already developed a project plan for the development of such a system. The plan includes

- Creating a dedicated inventory team within HRA/MIS.
- Contracting with a vendor to verify inventory of all installed systems and stock on hand.
- Contracting with a vendor to perform yearly inventory audits and reconciliation.

- Customizations of Magic Solutions software to contain inventory records and reflect receipts and disbursements of all hardware and software.

"MIS does not agree that this project should report to the Commissioner's Office."

__Auditor Comment__: The Commissioner has ultimate responsibility for all HRA programs, procedures, property, and operations. As indicated in the audit, there is a strong possibility that a substantial amount of inventory may have been lost or stolen, resulting in a substantial loss to the City. In addition, our June 27, 2001, follow-up fieldwork revealed that there is a "not found" rate of 15.5 percent (as noted in Table A above). Therefore, in light of our subsequent tests the need for MIS to report to the Commissioner is imperative.

2. Refer all significant and unresolved discrepancies to DOI for further investigation, if` HRA has not done so.

__Agency Response__: "HRA agrees with this recommendation and will refer all significant and unresolved discrepancies to DOI for further investigation."

3. Immediately assign more data entry personnel to enter the results of the physical inventory count.

__Agency Response__: " HRA agrees with this recommendation."

4. Include all Sun Microsystems equipment on the Inventory Database.

__Agency Response__: "HRA agrees with this recommendation."

5. Follow the existing procedures to ensure that all equipment records are accurately recorded.

__Agency Response__: "HRA agrees with this recommendation."

The City of New York

HUMAN RESOURCES ADMINISTRATION
180 WATER STREET
NEW YORK, NEW YORK 10038
(212) 331-6230   FAX (212) 331-6281

JASON A. TURNER
Administrator/Commissioner

MARK HOOVER
First Deputy Commissioner

June 20, 2001

Gary H. Rose, CPA, CFE
Assistant Deputy Commissioner
Financial Audit & Support Services
The City of New York
Office of the Comptroller
1 Centre Street – Room 1300
New York, New York 10007-2341

> Re: New York City Comptroller
> Audit Report of Computer
> Equipment Installed at the
> Human Resources Administration
> Audit No. 7A01-101

Dear Mr. Rose:

Thank you for the opportunity to respond to the above referenced draft report. The continued attention to the improvement of workflow at MIS assists both the Agency and the City in ensuring that all expenditures are recorded and all equipment assignments are accurately reflected in the Agency inventory.

Following are our specific responses to the audit's findings and recommendations:

Auditors' Finding #1: HRA did not Perform Annual Physical Inventory Counts between 1995 and 2000; $2.5 million in Equipment Cannot be Accounted for.

HRA's Response: HRA partially agrees with this finding.

HRA has already accounted for $ 1.2 of the $ 2.5 million included in this audit. Additionally, HRA had explained to the Comptroller's Office that $ 931,000 of equipment was indeed deployed but the exact installation address could not be verified.

Almost all of the equipment referenced in this audit is owned and retained by HRA. The problem is a result of inadequate accounting and record keeping born out of the extremely rapid expansion of the HRA network, **NOT** missing equipment.

While HRA did not perform a formal inventory of equipment, the Y2K initiative required that all equipment be upgraded for the individual program areas to be Y2K compliant. As such, some informal inventory was done in order to upgrade or obsolete non Y2K compliant equipment.

The dollar value associated with the equipment classified as missing was assigned based on the original purchase price. If inventory items were updated to reflect current value, the amounts would be as much as 90% less, since much of this equipment is currently obsolete. In addition, MIS is preparing a reconciliation of the alleged missing equipment. Some inventory was not reconciled due to a delay in data entry as well as competing priorities and lack of staff. MIS is in the process of updating the record keeping, and has already identified and resolved $1.2 million of the $2.5 million difference. The reconciliation is expected to be completed within six months.

In addition to the above, it should be noted that MIS committed in a separate audit response that an inventory reconciliation will be performed by an outsourcing agent in order to provide independent recording and reporting of HRA's inventory. In parallel, HRA will be acquiring, installing and customizing software which will act as a repository for HRA's inventory. HRA will work with the vendor to create a bar code system in order to mesh the physical equipment with the software records. This system will be acquired in FY '02 and the customization to ensure completeness of information as per this audit and to account for stock on hand as well as the installed base will extend into FY '03.

Auditors' Finding #2: Duplicate Entries – HRA's Inventory Database contained many duplicate inventory records.

HRA's Response: HRA agrees with this finding. Data Entry quality control needs to be strengthened. We are in the process of correcting the errors, and new software should include some unduplication features.

Auditors' Finding #3: Improper Serial Numbers – We found, however, 1,232 items that did not have proper serial numbers in the serial number (S/N) field.

HRA's Response: HRA agrees with this finding. Of the 1,232 items noted, 763 have already been corrected leaving only 469 to be updated. MIS will correct the remaining discrepancies by the second quarter of FY'02.

Auditors' Finding #4: In 1999 HRA spent approximately $536,000 on equipment purchased from Sun Microsystems. This Equipment Not Included In Inventory Database – Therefore, it is impossible to determine whether this equipment is in a stockroom, installed, relinquished or missing.

HRA's Response: HRA disagrees with this recommendation, and has supplied the Office of the Comptroller with a current inventory of all SUN equipment.

Auditors' Recommendation #1: Create an inventory project team, reporting to the Commissioner, whose ultimate goal would be to ensure that the inventory control system for installed computer equipment is: (1) accurate (i.e., all installed computer equipment is account for); (2) timely (i.e., records are adjusted to immediately reflect receipts, transfers and relinquishments); and (3) encompassing (i.e., the systems tracks all items that are supposed to be tracked).

HRA's Response: HRA is only in partial agreement with this finding. HRA is in agreement that a new inventory system is needed, and has already developed a project plan for the development of such a system (see response to finding #1). The plan includes:

- Creating a dedicated inventory team within HRA/MIS
- Contracting with a vendor to verify inventory of all installed systems and stock on hand
- Contracting with a vendor to perform yearly inventory audits and reconciliation.
- Customization of Magic Solutions software to contain inventory records and reflect receipts and disbursements of all hardware and software.

HRA does not agree that this project team should report to the Commissioner's Office.

Auditors' Recommendation #2: **Refer all significant and unresolved discrepancies to DOI for further investigation, if HRA has not done so.**

HRA's Response: HRA will refer all significant and unresolved discrepancies to DOI for further investigation.

Auditors' Recommendation #3: **Immediately assign more data entry personnel to enter the results of the physical inventory count.**

HRA's Response: HRA agrees with this recommendation. Data entry personnel will be hired to attend to the physical inventory on a full time basis.

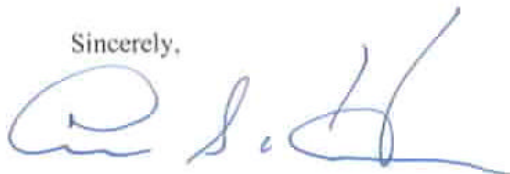**Auditors' Recommendation #4:** **Include all Sun Microsystems equipment on the Inventory Database.**

HRA's Response: HRA agrees with this recommendation.

Auditors' Recommendation #5: **Follow the existing procedures to ensure that all equipment records are accurately recorded.**

HRA's Response: HRA agrees with this recommendation.

We appreciate the opportunity to respond to this draft report. Should you require any additional information on this matter, please contact Hope Henderson, Director of the Bureau of Audit Coordination at (212) 331-3522.

Sincerely,

Mark Hoover