

City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Kings County
District Attorney's Office's Inventory
Practices

FK17-112A

December 21, 2017

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
SCOTT M. STRINGER

December 21, 2017

To the Residents of the City of New York:

My office has audited the Kings County District Attorney's Office (KCDA) to determine whether the KCDA complied with the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (DOI Standards), and maintained a reliable and effective system of controls over its equipment and furniture assets inventory in accordance with Comptroller's Directives #1 and #18. We audit City agencies, such as the KCDA, to ensure that they effectively manage City assets entrusted to them and do so in accordance with applicable rules and regulations.

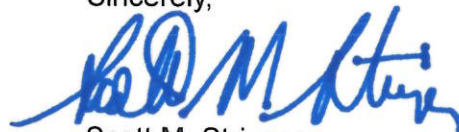
The audit found that the KCDA did not maintain accurate and complete inventory records in that it did not post additions, deletions, and other changes to inventory records promptly and did not record all required asset information in its inventory records. By not maintaining accurate and complete inventory lists, the KCDA increases its risk that items could be misplaced, lost, or stolen without detection. In that regard, we found that the KCDA could not account for 7 of 419 sampled items (1.7 percent) selected for physical inventory inspection. In addition, we found that the KCDA did not maintain adequate controls over inventory. Specifically, the KCDA departments responsible for inventory either did not conduct periodic inventory counts or did not document count results, investigate discrepancies, and update inventory records as required by the DOI Standards and Comptroller's Directive #18. Finally, the KCDA did not segregate inventory duties among staff and document policies and procedures in writing and communicate them to staff.

The audit makes 10 recommendations, including that the KCDA should: investigate the seven items that could not be accounted for during inventory inspections; periodically reconcile purchasing and inventory records to ensure that it records all non-consumable goods in its inventory records; conduct periodic inventory counts, document count results, investigate any discrepancies, and update inventory records, as needed; and document inventory policies and procedures in writing and communicate them to staff.

The results of the audit have been discussed with KCDA 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,



Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Kings County District Attorney's Office's Inventory Practices

FK17-112A

EXECUTIVE SUMMARY

New York City's five District Attorneys (DAs), including the Kings County DA (KCDA), are each publicly elected to terms of four years and are responsible for investigating and prosecuting crimes, assisting victims, and implementing crime prevention strategies in their respective boroughs. DA office operations are primarily funded by the New York City (City) Treasury, but they also receive federal and State asset forfeiture funds as well as grants.

The KCDA operates out of six office locations across Brooklyn using equipment and office furniture purchased centrally by its Procurement Department. From our review of the KCDA's purchasing records, we estimate that during Calendar Year 2016, the KCDA purchased equipment and furniture at a total cost of \$376,598, consisting of \$226,951 paid from federal and State asset forfeiture funds that the KCDA disbursed directly through its agency-administered bank accounts and credit cards, and \$149,648 paid from City and grant funds disbursed through the City's Financial Management System (FMS). The KCDA manages its equipment inventory through a decentralized structure, in which six different departments are individually responsible for maintaining their respective inventories.

We conducted this audit to determine whether the KCDA complied with the Department of Investigation's (DOI's) *Standards for Inventory Control and Management* (DOI Standards), and maintained a reliable and effective system of controls over its equipment and furniture assets inventory in accordance with Comptroller's Directives #1 and #18.

Audit Findings and Conclusions

We found that the KCDA did not maintain accurate and complete inventory records in that it did not post additions, deletions, and other changes to inventory records promptly and did not record all required asset information in its inventory records. By not maintaining accurate and complete inventory lists, the KCDA increases its risk that items could be misplaced, lost, or stolen without detection. In that regard, we found that the KCDA could not account for 7 of 419 sampled items (1.7 percent) selected for physical inventory inspection. The seven missing items consisted of four pieces of computer equipment, two cameras, and a DVD player.

In addition, we found that the KCDA did not maintain adequate controls over inventory. Specifically, the KCDA departments responsible for inventory either did not conduct periodic inventory counts or did not document count results, investigate discrepancies, and update inventory records as required by the DOI Standards and Comptroller's Directive #18. Finally, the KCDA did not segregate inventory duties among staff and document policies and procedures in writing and communicate them to staff.

Audit Recommendations

To address these issues, we make a total of 10 recommendations, including that the KCDA should:

- Investigate the seven items that could not be accounted for during inventory inspections and report any missing equipment items to the appropriate authorities;
- Periodically reconcile purchasing and inventory records to ensure that it records all non-consumable goods in its inventory records;
- Develop a procedure to ensure that changes in asset location and status are reported to individuals responsible for updating inventory records;
- Conduct periodic inventory counts, document count results, investigate any discrepancies, and update inventory records, as needed;
- Segregate the duties for receiving, inspecting, and tagging equipment items, and updating and maintaining inventory records; and
- Document inventory policies and procedures in writing and communicate them to staff.

Auditee Response

In its response, the KCDA agreed with nine recommendations and disagreed with part of a tenth while agreeing with the rest of it. The KCDA stated, “[w]hile we appreciate the careful examination of our Inventory Practices and agree with a vast majority of the comments and suggestions proposed in the Report, we disagree with one of your findings and recommendations” regarding the inventorying and tagging of furniture.

AUDIT REPORT

Background

The City's five DAs, including the KCDA, are each publicly elected to terms of four years and are responsible for investigating and prosecuting crimes, assisting victims, and implementing crime prevention strategies in their respective boroughs. DA office operations are primarily funded by the City Treasury. In addition, they receive federal and State asset forfeiture funds, as well as grants.

The KCDA operates out of six office locations across Brooklyn using equipment and office furniture purchased centrally by its Procurement Department. From our review of the KCDA's purchasing records, we estimate that during Calendar Year 2016, the KCDA purchased equipment and furniture at a total cost of \$376,598, consisting of \$226,951 paid from federal and State asset forfeiture funds that the KCDA disbursed directly through its agency-administered bank accounts and credit cards, and \$149,648 paid from City and grant funds disbursed through the City's Financial Management System (FMS).

The KCDA manages its equipment inventory through a decentralized structure, in which six different departments are individually responsible for maintaining their respective inventories. Table I below lists each KCDA department responsible for inventory, and the types and the number of equipment items that each department reported it was responsible for as of April 14, 2017.

Table I

KCDA Department Inventories
Reported as of April 14, 2017

KCDA Department	Types of Equipment	Number of Equipment Items
Information Technology (IT)	Central processing units (CPUs), monitors, laptops, printers, and scanners	2,721
Operations	Cell phones, plotters, and printers	611
Technical Services	Televisions, videocassette recorders (VCRs), Digital Versatile Disk (DVD) players, recorders, etc.	409
Office Services	Appliances, fax machines, shredders, typewriters, metal detectors, etc.	388
Wire Room	Covert equipment used by investigators	163
Investigators	Two-way radios	40
Total		4,332

In accordance with the City Charter, Administrative Code, and Rules of the City of New York, the Mayor, the Comptroller, and various oversight agencies have established rules and regulations to standardize administrative, financial, and management procedures across all City agencies. With regard to the control, tracking and safeguarding of physical assets, the DOI Standards prescribe specific controls over inventory with which agencies must comply. Among other things, the DOI Standards require agencies to maintain permanent centralized records for all non-consumable goods with a useful life of more than one year.

In addition, the Office of the New York City Comptroller has issued Internal Control and Accountability Directives (Comptroller's Directives) that agencies must follow. Specifically, Comptroller's Directive #1, *Principles of Internal Control*, outlines internal control functions to ensure full accountability for City resources, including by safeguarding valuable assets. In addition, Comptroller's Directive #18, *Guidelines for the Management, Protection and Control of Agency Information and Information Processing Systems*, calls for specific physical controls over all agency hardware and software, and stresses the importance of maintaining detailed inventory and accountability reports for all physical assets.

Objectives

The objectives of this audit were to determine whether the KCDA complied with the DOI Standards, and maintained a reliable and effective system of controls over its equipment and furniture assets inventory in accordance with Comptroller's Directives #1 and #18.

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 of January 1, 2016 through October 25, 2017. 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 KCDA officials during and at the conclusion of this audit. A preliminary draft report was sent to KCDA officials and discussed at an exit conference on November 21, 2017. At the exit conference, KCDA officials provided additional information regarding certain issues discussed in the report, all of which were considered in connection with the preparation of the draft report. On November 30, 2017, we submitted a draft report to the KCDA with a request for written comments. We received a written response from the KCDA on December 14, 2017.

In its response, the KCDA agreed with nine recommendations and disagreed with part of a tenth while agreeing with the rest of it. The KCDA stated, “[w]hile we appreciate the careful examination of our Inventory Practices and agree with a vast majority of the comments and suggestions proposed in the Report, we disagree with one of your findings and recommendations.” The KCDA did not agree to inventory and tag all furniture items with a useful life of more than one year. The KCDA stated that “[e]xecutive staff at KCDA will confer and establish a reasonable dollar amount, and items which are valued at or above that amount will be tagged and inventoried . . . furniture is not susceptible to theft because of its size, etc. Additionally, security measures are in place to ensure that large items of furniture, including chairs, are not removed from KCDA premises. These security measures include 24-hour lobby security staff, as well as video cameras throughout the Office.” While it is permissible for the KCDA to affix tags to only valuable furniture items, the DOI Standards require that the KCDA maintain inventory records for all non-consumable goods with a useful life of more than a year.

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

FINDINGS AND RECOMMENDATIONS

We found that the KCDA did not maintain accurate and complete inventory records, in that it did not post additions, deletions, and other changes to inventory records promptly and did not record all required asset information in its inventory records. Based on our review and comparison of KCDA purchasing records and inventory records, we found that the KCDA purchased equipment that it did not post to its inventory records and, as a matter of policy, the KCDA did not tag and record furniture in its inventory records. We found that the KCDA did not record in its inventory records 161 of 211 sampled items that were purchased during Calendar Year 2016, consisting of 125 “tempur-pedic” office chairs with a total purchase cost of \$23,688 and 36 equipment items, including monitors, scanners, printers, cameras, shotguns, and flashlights, which in total cost \$13,627.

Further, based on our physical inspections, we found that the KCDA did not update its inventory records for 90 of 419 sampled items (21 percent) selected from the KCDA’s inventory list, consisting of 87 items for which the KCDA did not record changes of location or assignment and 3 items that had been disposed of but were still listed as part of the KCDA’s inventory of assets.

By not maintaining accurate and complete inventory lists, the KCDA increases its risk that items could be misplaced, lost, or stolen without detection. In that regard, we found that the KCDA could not account for 7 of 419 sampled items (1.7 percent) selected for physical inventory inspection. The seven missing items consisted of four pieces of computer equipment, two cameras, and a DVD player.

In addition, we found that the KCDA did not maintain adequate controls over inventory. Specifically, the KCDA departments responsible for inventory either did not conduct periodic inventory counts or did not document count results, investigate discrepancies, and update inventory records as required by the DOI Standards and Comptroller’s Directive #18. Finally, the KCDA did not segregate inventory duties among staff and document policies and procedures in writing and communicate them to staff. These internal control deficiencies contributed to the inventory issues detailed above.

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

The KCDA Did Not Maintain Accurate and Complete Inventory Records

The KCDA did not maintain accurate and complete inventory records of its equipment and furniture assets as required by Section 28 of the DOI Standards, which states,

[p]ermanent records are maintained, centrally, to track all non-consumable goods¹ issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance Readable, sturdy property identification tags (reading ‘Property of the City of New York’) with a sequential internal control number are assigned and affixed to valuable items. An inventory log containing the

¹ A commodity is considered non-consumable if it has a life expectancy of more than a year.

internal control number assignments, updated to account for relocation, is maintained.

Further, Comptroller's Directive #18 states that

[m]aintaining an accurate inventory requires that agencies insure that inventory data is kept updated on an ongoing basis by carefully controlling additions, deletions and changes to installed equipment, particularly PCs. Additions, deletions and changes must be promptly posted to the inventory records.

However, based on our review and comparison of the KCDA's purchasing and inventory records and our physical observations, the KCDA did not promptly post additions, deletions, and other changes to its inventory records as prescribed by the above-cited DOI Standards and Comptroller's Directive. In addition, the KCDA did not record all required asset information in its inventory records. Those issues are discussed in detail in the sections that follow, below.

The lack of complete, timely updating of the KCDA's inventory records was previously cited in a prior City Comptroller's audit issued in March 2012, which recommended that the KCDA

[c]ontinue with the development and implementation of its perpetual inventory database. The database should provide for accurate, detailed accounting of its equipment inventory. These records should be updated as needed to reflect the acquisition, disposal, reassignment, or relocation of assets, and should be reconciled periodically to ensure accuracy and completeness.²

In its response to the 2012 audit, the KCDA stated that it accepted the findings concerning the need for improvement in the maintenance of its perpetual inventory and was "taking all needed steps to remediate this condition." However, as evidenced by our current audit findings, the KCDA did not take all needed steps to remediate this condition so it persists.

By not maintaining accurate and complete inventory lists, an agency incurs a risk that items could be misplaced, lost, or stolen without detection. In that connection, the KCDA could not account for 7 of 419 sampled items (1.7 percent) selected for physical inventory inspection. Those seven missing items consisted of four pieces of computer equipment, two cameras, and a DVD player. Similarly, the prior City Comptroller's audit found that 3 of the 91 sampled items (3 percent) randomly selected from the KCDA inventory records—two computer monitors and a CPU, with a total cost of \$1,181—could not be located.

The KCDA Did Not Record All Equipment and Did Not Tag and Record Furniture in Its Inventory Records

The KCDA did not post all the equipment it purchased to its inventory records and, as a matter of policy, the KCDA did not tag and record furniture items in its inventory records. Based on our review and comparison of KCDA purchasing records and inventory records, the KCDA did not record in inventory the addition of 161 of 211 sampled equipment and furniture items purchased during Calendar Year 2016. Those 161 items included 125 "tempur-pedic" desk chairs with a total

² On March 9, 2012, the New York City Comptroller issued the *Audit Report on the Controls of the Kings County District Attorney's Office Over Its Computer and Electronic Equipment* (Audit #MJ11-122A).

cost of \$23,688, and 36 equipment items, including monitors, scanners, printers, cameras, shotguns, and flashlights, which in total cost \$13,627.

After our exit conference held on November 21, 2017, KCDA officials provided us with a list of desk chairs detailing the location and condition of chairs. However, this list was created for the purpose of determining the number and location of desk chairs that needed to be replaced and not for inventory tracking. Thus, it did not contain all of the information necessary for an inventory, such as manufacturer, agency control number, date issued, and the individual responsible.

Further, based on our physical observations of the KCDA's office equipment, the KCDA did not record in its inventory an additional 10 of 100 sampled equipment items we observed in the KCDA's offices. Those 10 unrecorded items consisted of 5 computer monitors, 4 CPUs, and 1 television. Although the KCDA affixed an agency tag with a control number to each of the 10 items, it did not include them in its inventory records.

Similarly, the March 2012 City Comptroller's audit found that 19 of the 100 sampled equipment items observed within the KCDA's offices—12 monitors and 7 CPUs with a total cost of \$8,085—were not recorded in its inventory records.

The KCDA Did Not Update Its Inventory Records

Based on our physical inventory inspections, the KCDA did not update inventory records for 90 of 419 sampled items (21 percent) selected from KCDA's inventory list, consisting of 87 items with unrecorded changes of location or assignment and 3 items that had been disposed of but were still listed as part of the KCDA's inventory of assets.

Similarly, the March 2012 City Comptroller's audit found that 8 of the 91 sampled items (9 percent) selected from the KCDA's inventory records were found in the KCDA's offices but at locations other than those listed in the inventory record.

The KCDA Did Not Include All Required Asset Information in Its Inventory Records

The KCDA omitted certain information required by the DOI Standards from its inventory records, including information about the condition, assignment, and location of the listed assets. Table II below summarizes the information found missing from the KCDA's inventory records.

Table II

Summary of Asset Information That
the KCDA Did Not Record in Its
Inventory Records as Required by
the DOI Standards

Department	Total Items Tested	# of Items Missing Date Issued	# of Items Missing Condition	# of Items Missing Individual Responsible	# of Items Missing Location	# of Items Missing Serial Number	# of Items Missing Agency Control Number	# of Items Missing Manufacturer	# of Items Missing Type of Equipment
IT	2,721	2,427	2,721	201	22	3	213	164	0
Operations	611	65	65	264	264	0	0	4	4
Technical Services	409	409	1	409	0	198	0	2	2
Office Services	388	388	388	388	0	1	0	0	0
Wire Room	163	163	160	109	109	12	0	17	1
Investigators	40	40	40	2	2	0	0	0	0
Total	4,332	3,492 (81%)	3,375 (78%)	1,373 (32%)	397 (9%)	214 (5%)	213 (5%)	187 (4%)	7 (.2%)

Recommendations

The KCDA should:

1. Investigate the seven items that could not be accounted for during inventory inspections and report any missing equipment items to the appropriate authorities.

KCDA Response: “KCDA will investigate the seven missing items and, if appropriate, report any missing items to the appropriate authorities.”

2. Conduct an office-wide inventory count to ensure that its inventory records include all equipment and furniture items that have a useful life of more than one year and accurately denote the equipment type, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance of the item.

KCDA Response: “KCDA will conduct regularly scheduled office-wide inventory counts and record all required data (i.e.: serial #, etc). Executive staff at KCDA will confer and establish a reasonable dollar amount, and items which are valued at or above that amount will be tagged and inventoried.

KCDA will identify items which, although not meeting the dollar threshold, are to be inventoried and tagged due to their susceptibility to theft.

KCDA does not intend to inventory or tag items of furniture which do not meet the dollar threshold amount, and we also note that furniture is not susceptible to theft because of its size, etc. Additionally, security measures are in place to ensure that large items of furniture, including chairs, are not removed from KCDA premises. These security measures include 24-hour lobby security staff, as well as video cameras throughout the Office.”

Auditor Comment: While it is permissible for the KCDA to affix tags to only valuable furniture items, the DOI Standards require that the KCDA maintain inventory records for all non-consumable goods i.e., those with a useful life of more than a year.

3. Periodically reconcile purchasing and inventory records to ensure that it records all non-consumable goods in its inventory records.

KCDA Response: “KCDA agrees to reconcile purchasing and inventory records of items which meet in exceed the decided-upon dollar threshold, as well as those items identified as susceptible to theft.”

4. Develop a procedure to ensure that changes in asset location and status are reported to individuals responsible for updating inventory records.

KCDA Response: “KCDA agrees to develop such a procedure for items which either meet the dollar threshold amount or have been identified as susceptible to theft.”

5. Ensure that readable, sturdy property identification tags (reading “Property of the City of New York”) with a sequential internal control number are assigned and affixed to valuable furniture items.

KCDA Response: “KCDA agrees to affix sturdy identification tags (reading ‘Property of KCDA’) to furniture items which either meet the dollar threshold amount or have been identified as susceptible to theft.”

The KCDA Did Not Conduct Inventory Counts and Document Results

The KCDA did not conduct inventory counts as required by Section 18 of the DOI Standards, which state,

A count of all stored goods is conducted at least once a year to ensure the accuracy of the perpetual inventory records. Physical inventory count totals are compared with the perpetual inventory records, Auditors or those independent from the inventory operations investigate discrepancies before submitting reconciliation adjustments to management for approval, Reports of significant differences are forwarded to DOI.

Similarly, Section 7.6 of Comptroller’s Directive #18 states that “[p]hysical inventories should, at a minimum, be conducted annually to insure that actual equipment matches the inventory records. All discrepancies must be resolved.” However, the KCDA did not ensure that its six different departments responsible for maintaining inventory had actually performed inventory counts, documented count results, investigated discrepancies, and updated inventory records, as necessary. Table III below details each department’s reported inventory practices.

Table III

KCDA Reported Inventory Practices
by Department

KCDA Department	KCDA Reported Inventory Practices	Types of Equipment
Information Technology (IT)	Performed periodic “spot checks” but did not document results.	Central processing units (CPUs), monitors, laptops, printers, and scanners
Operations	Did not perform periodic inventory counts or “spot checks.”	Cell phones, plotters, and printers
Technical Services	Did not perform periodic inventory counts or “spot checks.”	Televisions, videocassette recorders (VCRs), Digital Versatile Disk (DVD) players, recorders, etc.
Office Services	Performed periodic inventory counts but did not document results.	Appliances, fax machines, shredders, typewriters, metal detectors, etc.
Wire Room	Performed periodic “spot checks” but did not document results.	Covert equipment used by investigators
Investigators	Performed periodic “spot checks” but did not document results.	Two-way radios

Because the KCDA departments responsible for inventory either did not perform inventory counts or document the results as required, the KCDA’s inventory records were inaccurate and incomplete, and several items of KCDA equipment were missing and not accounted for as mentioned previously.

Recommendation

The KCDA should:

6. Conduct periodic inventory counts, document count results, investigate any discrepancies, and update inventory records, as needed.

KCDA Response: “KCDA agrees to conduct periodic inventory counts, document the results, investigate discrepancies, and update inventory records as needed.”

The KCDA Did Not Segregate Inventory Duties among Staff

Section 15 of the DOI Standards states that “[w]here possible, there is a separation of duties between those who handle the inventory and those who record inventory transactions.” In addition, Section 5 of Comptroller’s Directive #1 states,

[k]ey 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.

However, based on our review, the KCDA's Technical Services, Office Services, Wire Room, and Investigator Departments each had one individual who was responsible for receiving, inspecting, and tagging equipment items, as well as updating and maintaining the inventory records for his or her department. Having only one person in each department exercise all of those responsibilities reduces the agency's opportunities for oversight and independent checks of the inventory records for accuracy and increases the chance that errors and fraud could go undetected.

The March 2012 City Comptroller's audit also found inadequate segregation of inventory duties among the KCDA's staff and recommended that the KCDA

[e]nsure that there is adequate segregation of duties among those who handle the inventory, conduct the inventory count, and record inventory transactions. If staffing limitations prevent adequate separation, to mitigate the risk, KCDA should assign an unrelated staff member to observe the physical inventory of equipment and require that changes (i.e., additions, deletions, changes in location, and dispositions of equipment) to the inventory record and the reconciliation and valuation of its ending inventory be reviewed by a second, independent staff member.

However, the KCDA did not respond to or implement the above-quoted recommendation.

Recommendations

The KCDA should:

7. Segregate the duties for receiving, inspecting, and tagging equipment items, and updating and maintaining inventory records.

KCDA Response: "KCDA agrees to attempt to segregate the duties listed, and if it is unable to do so, agrees to implement compensating controls."

8. Implement compensating controls if the KCDA cannot fully segregate the responsibilities for receiving, inspecting, and tagging equipment items, and updating and maintaining inventory records.

KCDA Response: "KCDA agrees to attempt to segregate the duties listed, and if it is unable to do so, agrees to implement compensating controls."

The KCDA Did Not Have Written Policies and Procedures for Inventory

The KCDA did not establish inventory policies and procedures in writing and communicate them to staff responsible for inventory. Section 6 of the DOI Standards states,

[a]gency management is responsible for ensuring that there are policies and procedures and that these are updated to include the requirements established in these Standards. Policies and procedures that detail the objectives to be achieved,

the responsibilities of each, and the methods to be used are distributed, or made available, to all staff.

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. Lack of procedures renders it more difficult to hold individuals accountable for their actions or failures to act.

In addition, Comptroller's Directive # 1 states,

[i]nternal control activities help ensure that management's directives are carried out. They are, basically, the policies, procedures, techniques, and mechanisms used to enforce management's direction. They must be an integral part of an agency's planning, implementing, review and accountability for stewardship of its resources and are vital to its achieving the desired results.

Furthermore, Section 7.7 of Comptroller's Directive #18 states,

[l]aptops and other electronic equipment that frequently leave the agency's office environment introduce special control problems due to their portability and high unit cost. A clear written policy covering laptop assignment and use, and physical verifications of the laptop inventory, taken at least once a year, are necessary to insure the protection and control of laptops.

However, the KCDA did not have written policies and procedures governing its control of agency assets such as equipment and furniture.

The prior City Comptroller's audit also found a lack of written policies and procedures governing the control and management of the KCDA's computer equipment and recommended that the KCDA

[e]stablish and communicate to its staff written policies and procedures for the control and management of its equipment assets. Additionally, on a periodic basis (e.g., annually), it should re-communicate the Office's network user policies.

In its response, the KCDA stated that

[w]e appreciate that we must develop an inventory specific written directive concerning the full parameters of how the Agency manages its computer equipment inventory. This document will include all the protocols from receipt of the goods, to assignment, installation, and periodic audit.

However, the KCDA did not establish written policies and procedures for its IT and Office Services Departments until April 2017. Moreover, the KCDA has yet to establish centralized written policies and procedures that apply to all departments responsible for tracking inventory. The KCDA stated that it will establish additional policies and procedures after this audit is completed. In the absence of written policies and procedures that are clearly communicated to staff, employees may not perform their various responsibilities and tasks correctly, a condition that may have contributed to the inventory-control issues identified in this report.

Recommendations

The KCDA should:

9. Document inventory policies and procedures in writing and communicate them to staff.

KCDA Response: “KCDA agrees to establish written inventory policies and procedures and communicate them to appropriate staff.”

10. Ensure that written policies and procedures include the requirements established in the DOI Standards and Comptroller’s Directives.

KCDA Response: “KCDA agrees to make efforts to comply with DOI standards and Comptroller Directives.”

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.

The scope of this audit covered the period of January 1, 2016 through October 25, 2017.

To obtain an understanding of the inventory procedures and regulations with which the KCDA must comply, we reviewed relevant provisions of the DOI Standards and Comptroller's Directives #1 and #18, which also formed our audit criteria. We also reviewed a prior audit conducted by our office, entitled *Audit Report on the Controls of the Kings County District Attorney's Office Over Its Computer and Electronic Equipment* (Audit #MJ11-122A), issued March 9, 2012, and noted findings and conditions in that audit that addressed matters relevant to this audit.

In the absence of written policies and procedures, we interviewed individuals from each of the six departments responsible for maintaining inventory (IT, Technical Services, Office Services, Operations, Wire Room, and Investigators) to obtain an understanding of the KCDA's internal controls over equipment and furniture. We also conducted an observation of the IT database which is used to maintain inventory records for computer-related equipment (i.e., CPUs, monitors, laptops, and printers). To gain an understanding of the procedures in place for purchasing equipment and furniture items, we interviewed the responsible agency officials. We also conducted an observation of the KCDA's Purchase Order System and QuickBooks database.

We reviewed the KCDA's inventory records and determined whether they included all information required by the DOI Standards (i.e., type of equipment, manufacturer, serial number, agency control number, condition, location, date issued, and the person(s) responsible for maintenance).

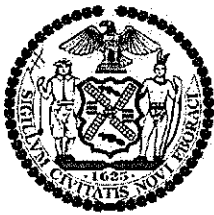
To determine the population of equipment and furniture items that the KCDA purchased during Calendar Year 2016, we obtained and reviewed a City of New York FMS report of purchases made with City and grant funds, and a report from the KCDA's QuickBooks accounting software detailing purchases made by the agency with federal and State asset forfeiture funds for the same period. Similarly, we obtained and reviewed the KCDA's bank statements and credit card statements. We identified City and grant-funded equipment and furniture purchases made through FMS based on object code. We identified asset forfeiture-funded purchases of equipment and furniture made through agency-administered bank accounts and credit cards based on vendor name and purchase description.

To determine whether the KCDA added newly purchased equipment and furniture to its inventory records, we selected a judgmental sample of 50 equipment and furniture purchase transactions and requested and obtained supporting documentation for those purchases. Of the 50 equipment and furniture purchase transactions, we selected all 9 purchases that exceeded \$10,000, and we randomly selected an additional 41 purchases of less than \$10,000 and greater than \$250. From this sample, we identified 211 equipment and furniture items and determined whether those 211 items had been added to the KCDA inventory records and were physically located in the KCDA offices.

To conduct physical inspections of the KCDA's inventory, we reviewed the KCDA's inventory lists as of April 14, 2017, and omitted from our population equipment items with a replacement value of less than \$100. From the adjusted population of 4,191 equipment items, we randomly selected 10 percent for physical observations (419 equipment items), based on a weighted average of the number of each department's equipment items relative to the total population.

To determine whether those 419 equipment items were located at the KCDA's office locations, and whether the information recorded on the inventory list for each item was accurate, we conducted physical inventory inspections on October 2, 2017, October 3, 2017, October 4, 2017, October 13, 2017, October 23, 2017, and October 25, 2017. During our inspections, we also randomly selected an additional 100 equipment items and recorded the type of equipment, manufacturer, serial number, agency control number, and location. We then used that information to determine whether the items that we observed on-site at the KCDA office locations were included in the KCDA's inventory records.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis for us to evaluate the KCDA's controls over its equipment and furniture inventory.



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ADDENDUM
PAGE 1 of 2

Frank Laghezza, Jr.
Deputy Chief of Administration

December 14, 2017

BY HAND

Ms. Majorie Landa
Deputy Comptroller for Audit
Office of the Comptroller
Municipal Building
One Centre Street
New York, N.Y. 10007

Re: Kings County District Attorney's Office's comments regarding the audit report of the
NYC Comptroller's Office – Report # FK17-112A

Dear Ms. Landa,

Please consider this letter as our reply to the Comptroller's Audit Report on the Inventory Practices of the Kings County District Attorney's Office ("KCDA") – Report # FK17-112A (the "Report"). While we appreciate the careful examination of our Inventory Practices and agree with a vast majority of the comments and suggestions proposed in the Report, we disagree with one of your findings and recommendations (see #2, below, re furniture). Looking at each finding and recommendation, KCDA responds as follows:

1. KCDA will investigate the seven missing items and, if appropriate, report any missing items to the appropriate authorities.
2. KCDA will conduct regularly scheduled office-wide inventory counts and record all required data (i.e.: serial #, etc). Executive staff at KCDA will confer and establish a reasonable dollar amount, and items which are valued at or above that amount will be tagged and inventoried.

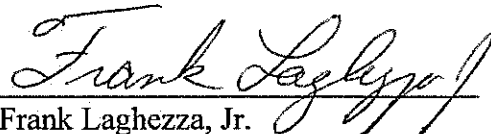
KCDA will identify items which, although not meeting the dollar threshold, are to be inventoried and tagged due to their susceptibility to theft.

KCDA does not intend to inventory or tag items of furniture which do not meet the dollar threshold amount, and we also note that furniture is not susceptible to theft because of its size, etc. Additionally, security measures are in place to ensure that large items of furniture, including chairs, are not removed from KCDA premises. These security measures include 24-hour lobby security staff, as well as video cameras throughout the Office.

Ms. Marjorie Landa
December 14, 2017
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3. KCDA agrees to reconcile purchasing and inventory records of items which meet in exceed the decided-upon dollar threshold, as well as those items identified as susceptible to theft.
4. KCDA agrees to develop such a procedure for items which either meet the dollar threshold amount or have been identified as susceptible to theft.
5. KCDA agrees to affix sturdy identification tags (reading "Property of KCDA") to furniture items which either meet the dollar threshold amount or have been identified as susceptible to theft.
6. KCDA agrees to conduct periodic inventory counts, document the results, investigate discrepancies, and update inventory records as needed.
- 7 & 8. KCDA agrees to attempt to segregate the duties listed, and if it is unable to do so, agrees to implement compensating controls.
9. KCDA agrees to establish written inventory policies and procedures and communicate them to appropriate staff.
10. KCDA agrees to make efforts to comply with DOI standards and Comptroller Directives.

Sincerely,



Frank Laghezza, Jr.
Deputy Chief of Administration

c: Eric Gonzalez, Acting District Attorney, Kings County