



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

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

FK17-126A

December 27, 2017

<http://comptroller.nyc.gov>



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

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To the Residents of the City of New York:

My office has audited the Richmond County District Attorney's Office (RCDA) to determine whether the RCDA 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 RCDA, 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 RCDA did not maintain accurate and complete inventory records in that it did not post additions and updates 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 RCDA increases its risk that items could be misplaced, lost, or stolen without detection. In that regard, we found that the RCDA could not account for 10 of 366 sampled items (3 percent) selected for physical inventory inspection. In addition, we found that the RCDA did not maintain adequate controls over inventory. Specifically, the RCDA departments responsible for inventory did not conduct a full inventory count during Calendar Year 2015 and did not investigate items which were unaccounted for as required by the DOI Standards and Comptroller's Directive #18. Furthermore, the RCDA did not conduct any inventory count at all during Calendar Year 2016.

The audit makes eight recommendations, including that the RCDA should: investigate the 10 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 investigate all gaps in asset control numbers to ensure that all assets are accounted for.

The results of the audit have been discussed with RCDA 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 Richmond County District Attorney's Office's Inventory Practices

FK17-126A

EXECUTIVE SUMMARY

New York City's five District Attorneys (DAs), including the Richmond County DA (RCDA), 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. In addition, they receive federal and State asset forfeiture funds, as well as grants.

The RCDA operates out of seven office locations across Staten Island using equipment and office furniture purchased centrally by its Procurement Department. From our review of the RCDA's purchasing records, we estimate that during Fiscal Years 2016 and 2017, the RCDA purchased equipment and furniture at a total cost of \$262,915, consisting of \$174,293 paid from federal and State asset forfeiture funds that the RCDA disbursed directly through its agency-administered bank accounts, and \$88,622 paid from City and grant funds disbursed through the City's Financial Management System (FMS). The RCDA manages its equipment and furniture inventory through its Infrastructure Department, which is comprised of two separate units: Information Technology (IT) and Facilities. The IT Unit is responsible for all inventory functions for computer-related equipment (i.e., CPUs, monitors, laptops, etc.), and the Facilities Unit is responsible for all other equipment and furniture.

We conducted this audit to determine whether the RCDA 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 RCDA did not maintain accurate and complete inventory records in that it did not post additions and updates 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 RCDA increases its risk that items could be misplaced, lost, or stolen without detection. In that regard, we found that the RCDA could not account for 10 of 366 sampled items (3 percent) selected for physical inventory inspection.

In addition, we found that the RCDA did not maintain adequate controls over inventory. Specifically, the RCDA departments responsible for inventory did not conduct a full inventory count during Calendar Year 2015 and did not investigate items which were unaccounted for as required by the DOI Standards and Comptroller's Directive #18. Furthermore, the RCDA did not conduct any inventory count at all during Calendar Year 2016.

Audit Recommendations

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

- Investigate the 10 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.
- Ensure that readable, sturdy property identification tags (reading "Property of the City of New York") with sequential internal control numbers are assigned and affixed to valuable equipment and furniture items when items are received.
- Investigate all gaps in asset control numbers to ensure that all assets are accounted for.
- Conduct periodic inventory counts, document count results, investigate any discrepancies, and update inventory records, as needed.

Auditee Response

In its response, the RCDA agreed with all of the report's recommendations. The RCDA stated, "The audit conducted by the Comptroller's Office on the Richmond County District Attorney's Office's (RCDA) inventory covered years 2015-2017, a period of immense change, transition, and growth for RCDA as a new administration took the helm in the middle of this period under the leadership of District Attorney Michael E. McMahon. [. . .] Although many of the critiques in this most recent Audit Report capture the unfortunate reality of an agency in a state of great transition, growth, and flux, and do not necessarily reflect the norm for RCDA and certainly not the expectations of its new leadership, we welcome many of the recommendations offered and have already undertaken their implementation."

AUDIT REPORT

Background

The City's five DAs, including the RCDA, 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 RCDA operates out of seven office locations across Staten Island using equipment and office furniture purchased centrally by its Procurement Department. From our review of the RCDA's purchasing records, we estimate that during Fiscal Years 2016 and 2017, the RCDA purchased equipment and furniture at a total cost of \$262,915, consisting of \$174,293 paid from federal and State asset forfeiture funds that the RCDA disbursed directly through its agency-administered bank accounts, and \$88,622 paid from City and grant funds disbursed through the City's Financial Management System (FMS).

The RCDA manages its equipment and furniture inventory through its Infrastructure Department, which is comprised of two separate units: Information Technology (IT) and Facilities. The IT Unit is responsible for all inventory functions for computer-related equipment (i.e., CPUs, monitors, laptops, etc.), and the Facilities Unit is responsible for all other equipment and furniture. As of July 20, 2017, the RCDA had 3,807 equipment and furniture items recorded in its inventory records, of which 2,390 items were designated as Facilities assets, and 1,417 were designated as IT assets.

In accordance with the City Charter, Administrative Code, and Rules of the City of New York, the Mayor, the City Comptroller, and other 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 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 the safeguarding of 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. Further, the RCDA established its own policies to ensure the proper inventory of equipment and furniture.

Objectives

The objectives of this audit were to determine whether the RCDA complied with the DOI Standards, and maintained a reliable and effective internal control system 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 July 1, 2015 through November 3, 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 RCDA officials during and at the conclusion of this audit. A preliminary draft report was sent to RCDA officials and discussed at an exit conference on November 29, 2017. At the exit conference, RCDA 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 December 4, 2017, we submitted a draft report to the RCDA with a request for written comments. We received a written response from the RCDA on December 18, 2017.

In its response, the RCDA agreed with all of the report's eight recommendations but disagreed with one of the report's findings. The RCDA stated,

The audit conducted by the Comptroller's Office on the Richmond County District Attorney's Office's (RCDA) inventory covered years 2015-2017, a period of immense change, transition, and growth for RCDA as a new administration took the helm in the middle of this period under the leadership of District Attorney Michael E. McMahon. This change in leadership led to a significant budget increase for the office of nearly \$4 million dollars annually, which took effect in FY2017, that in turn led to an increase in staff by 50%, significant renovation and modernization of current office facilities and purchasing of new equipment, and multiple reorganizations of staff to improve effectiveness and accountability. Unsurprisingly, all of these changes have had a significant impact on the administrative functions of RCDA, our personnel, our physical space, and most significantly for this report, our inventory and inventory management practices. [. . .]

Although many of the critiques in this most recent Audit Report capture the unfortunate reality of an agency in a state of great transition, growth, and flux, and do not necessarily reflect the norm for RCDA and certainly not the expectations of its new leadership, we welcome many of the recommendations offered and have already undertaken their implementation.

The RCDA disputed the finding that it did not include all required information in its inventory records. The RCDA stated that it "provided documentation to the Comptroller's Office documenting its record keeping of the following categories: # of items missing date issued, # of items missing condition, # of items missing individual responsible, and # of items missing serial

number (RCDA previously showed the Comptroller's Office # of items missing manufacturer). Each of these categories represents information that is recorded in our inventory management system WASP." On December 5, 2017, subsequent to the issuance of the draft report, RCDA officials provided the audit team with additional documentation regarding missing information on their inventory records. We considered the additional documentation and adjusted the final report as necessary.

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

FINDINGS AND RECOMMENDATIONS

We found that the RCDA did not maintain accurate and complete inventory records, in that it did not post additions and updates to inventory records promptly and did not record all required asset information in its inventory records. Based on our review and comparison of the RCDA purchasing records and inventory records, we found that the RCDA purchased equipment that it did not post to its inventory. For example, the RCDA did not record in its inventory 47 of 258 sampled items (18 percent) that were purchased during Fiscal Years 2016 and 2017 at a total cost of \$8,517.

Further, based on our physical inspections, we found that the RCDA did not update its inventory records for 162 of 466 sampled items (35 percent) selected from the RCDA's inventory list or physically observed in the RCDA office locations. They included 157 items for which the RCDA did not record changes of location or assignment, and 5 items that had been disposed of but were still listed as part of the RCDA's inventory of assets.

By not maintaining accurate and complete inventory lists, the RCDA increases its risk that items could be misplaced, lost, or stolen without detection. In that regard, we found that the RCDA could not account for 10 of 366 sampled items (3 percent) selected for physical inventory inspection.

In addition, we found that the RCDA did not maintain adequate controls over inventory. Specifically, the RCDA departments responsible for inventory did not conduct a full inventory count during Calendar Year 2015 and did not investigate items which were unaccounted for as required by the DOI Standards and Comptroller's Directive #18. Furthermore, the RCDA did not conduct any inventory count at all during Calendar Year 2016.

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

The RCDA Did Not Maintain Accurate and Complete Inventory Records

The RCDA 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 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,

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

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 RCDA's purchasing and inventory records and our physical observations, the RCDA did not promptly post additions and updates to its inventory records as prescribed by the above-cited DOI Standards and Comptroller's Directive. In addition, the RCDA did not record all required asset information in its inventory records. Those issues are discussed in detail in the sections below.

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 regard, we found that the RCDA could not account for 10 of 366 sampled items (3 percent) selected for physical inventory inspection. The Facilities Unit was responsible for those 10 items, which consisted of 8 furniture items, 1 camera light, and 1 GPS. After our exit conference, RCDA officials provided us with a lost property complaint report that was filed with the New York City Police Department on November 29, 2017 for 6 of the unaccounted-for items.

The RCDA Did Not Add Purchased Items to Inventory Records

The RCDA did not tag and post all the equipment and furniture it purchased to its inventory records. According to RCDA officials, the RCDA tags and records in its inventory records all equipment and furniture items that cost more than \$50. Further, the RCDA's inventory policies require that newly purchased items be added to inventory records upon delivery. However, based on our review and comparison of the RCDA purchasing records and inventory records, the RCDA did not record in its inventory records the addition of 47 of 258 sampled equipment and furniture items purchased during Fiscal Years 2016 and 2017 at a total cost of \$8,517. Those 47 items included 44 telephones with a total cost of \$2,900, two fax machines with a total cost of \$3,019, and one camera lens with a total cost of \$2,598.

In addition, the RCDA does not promptly affix uniquely numbered property tags to newly purchased equipment and furniture assets, nor does it post the asset information to its inventory records when items are received. Instead, items are tagged and added to inventory records when they are put into use. As a result, there is a lack of accountability for newly purchased equipment and furniture items, which could lead to those assets being stolen or lost without detection.

RCDA Response: "44 of the 47 items noted in this finding are office landline phones. Although it is the policy of the office to include in our inventory all non-consumable items, individually priced over \$50, it has been the long-standing practice of the office to not include desk phones in the inventory system. In response to the findings of this audit, RCDA has modified this practice, and since this report was received have now added every office phone to our inventory system. [. . .]"

It has been the practice of RCDA to not add equipment to WASP until it was deployed for use for the first time, meaning that newly purchased items held in a storeroom were included in our purchasing records, but not our inventory records. In light of the finding of this report, RCDA will now add all newly purchased items to the system as soon as they are received. RCDA will add this policy to its written procedures, but allow for exceptional circumstances where equipment is delivered unconstructed making this task impossible or in cases where items are installed by a vendor and inaccessible to our staff. RCDA will endeavor to ensure that these exceptions are all noted in WASP."

The RCDA Did Not Update Its Inventory Records to Reflect the Relocation, Reassignment, or Disposal of Assets

The RCDA policies state, “Once the equipment is moved to a new destination, the [responsible unit] will change all appropriate information to reflect the current location and employee assigned to that location.” However, based on our physical inventory inspections, the RCDA did not update inventory records for 162 of 466 sampled items (35 percent) selected from the RCDA’s inventory list, consisting of 157 items with unrecorded changes of location or assignment and 5 items that had been disposed of but were still listed as part of the RCDA’s inventory records.

RCDA Response: “During the time of this audit [. . .] An extraordinary and irregular number of office moves and modifications were taking place [. . .] Although this does not excuse the large number of inaccurate locations listed for assets in our inventory system, which contradicts our own policies in addition to City standards, it is important to note the exceptional circumstances, which our limited personnel resources in the Infrastructure Division could not be expected to overcome.”

The RCDA Did Not Accurately Record Equipment Serial Numbers

Based on our physical inventory inspections, we found that the RCDA did not always accurately record asset-identifying information in its inventory records. Table I below summarizes the discrepancies that we found between our physical inspections and the inventory records.

Table I

Summary of Discrepancies between
Physical Inspections and Inventory
Records

Sample	Total Population ²	Inaccurate or Missing Serial Number in Inventory Records
Sample from Inventory Records	366	13
Sample from Physical Inspections	100	2
Total	466	15

RCDA Response: “RCDA does make every effort to record each item’s serial numbers in WASP. Although not every item has an easily identifiable serial number nor are all items missing a serial number now accessible to our Infrastructure staff to remedy this issue in WASP, RCDA does make every attempt to include this information upon receipt. RCDA

² We sampled 366 items from the RCDA’s inventory records and an additional 100 equipment and furniture items (without duplication) located throughout the RCDA’s offices.

will address the items missing serial numbers in WASP through the full inventory audit now underway, either by locating the serial number if it exists, or by making a note in WASP that the item is without a serial number to address this issue for future audits.”

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

The RCDA omitted certain information required by the DOI Standards from its inventory records, including information about the manufacturer, type of equipment, and serial number of the listed assets. Table II below summarizes the information found missing from the RCDA’s inventory records.

Table II

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

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
3,807	0	1 (.03%)	0	0	90 (2%)	0	538 (14%)	9 (.2%)

RCDA Response: “RCDA greatly disputes the finding in Table II [. . .] and has provided documentation to the Comptroller’s Office documenting its record keeping of the following categories: # of items missing date issued, # of items missing condition, # of items missing individual responsible, and # of items missing serial number (RCDA previously showed the Comptroller’s Office # of items missing manufacturer). Each of these categories represents information that is recorded in our inventory management system WASP. [. . .]”

The vast majority of the 538 items whose manufacturer information is not available in WASP were purchased by RCDA prior to 2007. Since 2007, it has been the consistent practice and policy of the office to always document this information. [. . .]”

RCDA will endeavor in its 2017 full inventory audit that is currently underway to document all missing information or note that such information is unavailable or inaccessible in its inventory system WASP.”

Auditor Comment: On December 5, 2017, subsequent to the issuance of the draft report, RCDA officials provided the audit team with additional documentation which accounted for all or most of the items that were missing date issued, condition, and individual responsible. We considered the additional documentation and adjusted the final report as necessary.

Gaps in Asset Control Numbers

Based on our review of the RCDA's inventory records, we observed gaps in the sequential asset control numbers, and the RCDA was not able to account for the missing numbers. According to RCDA officials, equipment and furniture items are tagged using the WASP Labeling Software, a function of the WASP Inventory System, and the tag numbers are created sequentially by the system. However, our review of the RCDA's inventory records found a total of 26 gaps in the Facilities Unit asset tag numbers and 3 gaps in the IT Unit asset tag numbers.³ RCDA officials were not able to explain and provide documentation to account for those gaps. In the absence of a verifiable accounting for all asset control numbers that the RCDA's system appears to have generated, there is a potential that the gaps in those numbers reflect assets that may be missing and that have not been accounted for in the RCDA's inventory records.

Recommendations

The RCDA should:

1. Investigate the 10 items that could not be accounted for during inventory inspections and report any missing equipment items to the appropriate authorities.

RCDA Response: "RCDA has thoroughly investigated all items unaccounted for during inventory inspection and identified 11 items that are no longer in the agency's possession. A lost property complaint report with the New York City Police Department for each missing item. Our inventory system (WASP) has been updated to reflect this accordingly."⁴

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.

RCDA Response: "As stated above, an office wide full inventory is currently underway and should be completed in the next few weeks. As part of this full inventory, all new item locations and missing identifying information will be documented in WASP."

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

RCDA Response: "As part of monthly purchasing reviews, the Chief Administrative Assistant District Attorney, Director of Administration, and Director of Infrastructure will reconcile all purchasing and inventory records to ensure that updates are made accordingly."

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

³ The three gaps in the IT Unit asset tag numbers were previously cited in the New York City Comptroller's *Audit Report on Inventory Controls over Computer and Computer-Related Equipment by Richmond County District Attorney's Office* (Audit #MG11-131A) issued on January 27, 2012.

⁴ Although 11 items were previously unaccounted for, as stated in the RCDA response, subsequent to the issuance of the draft report, the RCDA was able to account for 1 of those items, reducing the number of unaccounted-for items to 10.

RCDA Response: “A procedure is currently in place to ensure that changes in asset location and status are reported to individuals responsible for updating inventory records. [. . .] RCDA also recently held mandatory info-sessions for every staff member re-emphasizing the procedure they should follow to request an asset move.”

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

RCDA Response: “In light of the finding of this report, RCDA will now add all newly purchased items to the system as soon as they are received. RCDA will add this policy to its written procedures, but allow for exceptional circumstances where equipment is delivered unconstructed making this task impossible or in cases where items are installed by a vendor and inaccessible to our staff. RCDA will endeavor to ensure that these exceptions are all noted in WASP.”

6. Investigate all gaps in asset control numbers to ensure that all assets are accounted for.

RCDA Response: “RCDA has thoroughly investigated all gaps in asset control numbers and ensured that all assets are accounted for. Although it would be confusing and impractical to assign inventory with a previously skipped asset control number, RCDA will document any past and future gaps with a corresponding explanation so that this is not a reoccurring finding in the future.”

The RCDA Did Not Conduct Compliant Inventory Counts

The RCDA did not conduct inventory counts that complied with Section 18 of the DOI Standards for frequency, completeness and investigation of discrepancies, which states,

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 RCDA did not ensure that its IT and Facilities units performed all required inventory counts, documented count results, investigated discrepancies, and updated inventory records, as necessary.

The RCDA provided documentation indicating that its physical inventory counts were last conducted in January 2015 for the IT Unit and September 2015 for the Facilities Unit. No inventory counts were conducted during Calendar Year 2016 or thereafter, as of the date of this report. Moreover, our review of the RCDA’s documentation of its 2015 counts showed that the RCDA did not attempt to account for all items in its inventory records and its physical custody, as required by the DOI Standards. Rather than performing a complete inventory count, the IT and Facilities units selected a random sample of 10 percent of their respective inventory items and searched for only those items. Further, the RCDA did not investigate the discrepancies found through those counts. Specifically, the Facilities Unit inventory count records indicated that 5 out of 215 items (2 percent) could not be located or accounted for, specifically two chairs, a two-way

radio, a cabinet, and another radio. Because the inventory count documentation did not state the make and model of each missing asset, we could not determine their value. RCDA officials stated that no further action was taken after the discrepancies were discovered.

In the absence of proper inventory counts and the investigation of discrepancies, the RCDA's inventory records remain inaccurate and incomplete and the status of several items remains unknown.

RCDA Response: "Under the prior administration, it was the practice and policy of RCDA to conduct an annual sample audit, instead of a full inventory audit as is the recommended DOI standard. The mass reorganization and transition of the Facilities and IT units to the Infrastructure Division under new leadership at the end of 2016 and into 2017 unfortunately led to an audit not being performed at all in 2016. These practices will be modified immediately and already a full inventory audit is underway to close out 2017. Moving forward, RCDA will conduct a full inventory audit and completely verify and follow through on its findings each year in compliance with DOI's standard."

Recommendations

The RCDA should:

7. Investigate the five items that were unaccounted for during its September 2015 Facilities Unit inventory count and refer the matter to the proper authorities, if necessary.

RCDA Response: "RCDA has thoroughly investigated the five items that were unaccounted for in its September 2015 Facility Unit inventory count and has referred all five items to the NYPD as missing items. These items have been properly recorded in WASP to reflect these actions."

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

RCDA Response: "Moving forward, RCDA will on an annual basis conduct a full inventory audit, document count results, investigate discrepancies, and update inventory records as needed. RCDA will train to newly hired staff regarding inventory practices and procedures and reinforce with more tenured staff updates in policies and reminders regarding inventory."

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 July 1, 2015 through November 3, 2017.

To obtain an understanding of the inventory procedures and regulations with which the RCDA 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 the prior New York City Comptroller's *Audit Report on Inventory Controls over Computer and Computer-Related Equipment by Richmond County District Attorney's Office* (MG11-131A), issued January 27, 2012, and noted findings and conditions in that audit that addressed matters relevant to this audit.

To obtain an understanding of the RCDA's internal controls over equipment and furniture assets, we reviewed the written policies and procedures for the IT Unit and the Facilities Unit and conducted interviews with the relevant agency officials from each unit. These policies and procedures were also used as audit criteria. We conducted a walkthrough of the WASP Inventory System, which the RCDA utilizes to maintain inventory for all equipment and furniture items. During our walkthrough, we reviewed system access controls, the types of equipment and information recorded, procedures for data entry and updating, and system reporting capabilities. We also reviewed the protocols for tagging equipment and furniture items. To gain an understanding of the procedures in place for purchasing equipment and furniture items we interviewed the relevant agency officials from the Procurement Department. We also conducted an observation of the RCDA's Quicken database, which is used to track all payments made through agency bank accounts.

We requested and obtained the RCDA's most recent 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 were purchased by the RCDA during Fiscal Years 2016 and 2017, we obtained and reviewed a City of New York FMS report of purchases made with City and grant funds, and a report from the RCDA's Quicken 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 RCDA'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 RCDA added newly purchased equipment and furniture to its inventory records, we selected a 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 28 FMS purchases that exceeded \$250, and we

judgmentally selected 4 purchases, paid through RCDA-administered bank accounts that exceeded \$10,000 and randomly selected 8 bank account and 10 credit card purchases of less than \$10,000 and greater than \$250. RCDA officials informed us that the 10 credit card purchases were unauthorized and the subject of an investigation and report by DOI. From the remaining 40 purchases of equipment or furniture, we identified 258 equipment and furniture items and determined whether those 258 items were added to the RCDA's inventory records and were located in the RCDA's offices.

To conduct physical inspections of the RCDA's inventory, we reviewed the RCDA's inventory lists as of July 20, 2017, and omitted all computer hard drives from our population as those items are a component part installed in the computer and unobservable without disassembling computers. From the adjusted population of 3,664 equipment and furniture items, we randomly selected 10 percent for physical observations (366 equipment and furniture items). To determine whether those 366 equipment items were located at the RCDA's office locations, and whether the information recorded in the inventory list for each item was accurate, we conducted physical inventory inspections on October 16, 2017, October 17, 2017, October 18, 2017, October 26, 2017, and November 3, 2017. During our inspections, we also randomly selected an additional 100 equipment and furniture items (without duplication) located throughout the RCDA's offices. We recorded the type of equipment, manufacturer, serial number, agency control number, and location and used that information to determine if those items that we observed on-site at the RCDA's office locations were included in the RCDA'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 RCDA's controls over its equipment and furniture inventory.



OFFICE OF THE DISTRICT ATTORNEY
RICHMOND COUNTY

MICHAEL E. McMAHON
DISTRICT ATTORNEY

ASHLEIGH J. OWENS
CHIEF ADMINISTRATIVE ADA
718-556-4065

DECEMBER 18, 2017

Marjorie Landa
Deputy Comptroller for Audit
Office of the Comptroller
Municipal Building
1 Centre Street, Room 1100
New York, NY 10007

**Re: Audit Report on the Richmond County
District Attorney's Office's Inventory Practices
FK17-126A**

Dear Deputy Comptroller Landa:

We have reviewed the Draft Audit Report regarding the Richmond County District Attorney's Office's (RCDA) Inventory Practices completed by your office and received on December 4, 2017. Please find our written comments to the report's findings and each of the recommendations offered in the attached memorandum.

We would like to express our gratitude to the audit team who worked very diligently on this effort. They were professional and respectful in the exercise of their duties and we found their recommendations to be both thorough and thoughtful. Should you have any questions regarding our comments or need any further information, please do not hesitate to reach out to me at (718) 556-4065 or aowens@rcda.nyc.gov. Thank you.

Sincerely,

A handwritten signature in black ink that reads 'Ashleigh J. Owens'. The signature is written in a cursive, flowing style.

Ashleigh J. Owens
Chief Administrative Assistant District Attorney

Response of the Richmond County District Attorney's Office

December 18, 2017

Audit Report on the Richmond County District Attorney's Office's Inventory Practices FK17-126A

The audit conducted by the Comptroller's Office on the Richmond County District Attorney's Office's (RCDA) inventory covered years 2015-2017, a period of immense change, transition, and growth for RCDA as a new administration took the helm in the middle of this period under the leadership of District Attorney Michael E. McMahon. This change in leadership led to a significant budget increase for the office of nearly \$4 million dollars annually, which took effect in FY2017, that in turn led to an increase in staff by 50%, significant renovation and modernization of current office facilities and purchasing of new equipment, and multiple reorganizations of staff to improve effectiveness and accountability. Unsurprisingly, all of these changes have had a significant impact on the administrative functions of RCDA, our personnel, our physical space, and most significantly for this report, our inventory and inventory management practices.

In particular, the Facilities and Information Technology (IT) Units of RCDA, which were previously supervised by the Chief of Administration, who also oversaw the Fiscal, Procurement, Human Resources and Grand Jury Units within the office, are now separately managed under a Director of Infrastructure and report directly to the Chief Administrative Assistant District Attorney. The new Director of Infrastructure was hired at the end of 2016 and the position of Chief Administrative Assistant District Attorney was created in June 2017. Both of these positions were created, and the reorganizations that followed, were done in recognition of the evolving dynamic needs of the office overall, but specifically the need for better management, oversight and accountability of RCDA's administrative practices. In short, it was clear that RCDA needed to make management changes to bring the office in line with the directives and standards espoused by the Comptroller, Department of Investigation, and other relevant City governing authorities.

Although many of the critiques in this most recent Audit Report capture the unfortunate reality of an agency in a state of great transition, growth, and flux, and do not necessarily reflect the norm for RCDA and certainly not the expectations of its new leadership, we welcome many of the recommendations offered and have already undertaken their implementation. Below please find a response to the findings of the audit report and each of the individual recommendations of the Comptroller:

1. Finding: "RCDA did not Maintain Accurate and Complete Inventory Records"... "RCDA could not account for 19 of 366 sampled items (5 percent)."

- a. Response: Since receiving the draft of this report, RCDA has confirmed that the 11 items that could not be found are no longer in the possession of this agency and has filed a lost property complaint report with the New York City Police Department for each missing item. Our inventory system (WASP) has been updated to reflect this accordingly.

2. Finding: “RCDA Did Not Add Purchased Items to Inventory Records”...“RCDA did not record in its inventory 47 of 258 sampled items (18 percent).”... “RCDA does not promptly affix uniquely numbered property tags to newly purchased equipment... instead items are tagged and added to inventory records when they are put into use.”

- a. Response: 44 of the 47 items noted in this finding are office landline phones. Although it is the policy of the office to include in our inventory all non-consumable items, individually priced over \$50, it has been the long-standing practice of the office to not include desk phones in the inventory system. In response to the findings of this audit, RCDA has modified this practice, and since this report was received have now added every office phone to our inventory system.
- b. Response: It has been the practice of RCDA to not add equipment to WASP until it was deployed for use for the first time, meaning that newly purchased items held in a storeroom were included in our purchasing records, but not our inventory records. In light of the finding of this report, RCDA will now add all newly purchased items to the system as soon as they are received. RCDA will add this policy to its written procedures, but allow for exceptional circumstances where equipment is delivered unconstructed making this task impossible or in cases where items are installed by a vendor and inaccessible to our staff. RCDA will endeavor to ensure that these exceptions are all noted in WASP.

3. Finding: “RCDA did not update Its Inventory Records to Reflect the Relocation, Reassignment, or Disposal of Assets.”

- a. Response: During the time of this audit, RCDA’s primary location at 130 Stuyvesant Place had just undergone a significant renovation to accommodate a growth in staff by 50 percent. An extraordinary and irregular number of office moves and modifications were taking place throughout this period. Although this does not excuse the large number of inaccurate locations listed for assets in our inventory system, which contradicts our own policies in addition to City standards, it is important to note the exceptional circumstances, which our limited personnel resources in the Infrastructure Division could not be expected to overcome. A full inventory audit is currently underway by our Infrastructure Division and reconciliation of all locations and missing information will be addressed in WASP as part of this review. This should be completed in the next few weeks.

4. Finding: “RCDA Did Not Accurately Record Equipment Serial Numbers”

- a. Response: RCDA does make every effort to record each item’s serial numbers in WASP. Although not every item has an easily identifiable serial number nor are all items missing a serial number now accessible to our Infrastructure staff to remedy this issue in WASP, RCDA does make every attempt to include this information upon receipt. RCDA will address the items missing serial numbers in WASP through the full inventory audit now underway, either by locating the serial number if it exists, or by making a note in WASP that the item is without a serial number to address this issue for future audits.

5. Finding: “RCDA Did Not Include All Required Asset Information in Its Inventory Records.”

- a. Response: RCDA greatly disputes the finding in Table II on Page 8 and has provided documentation to the Comptroller’s Office documenting its record keeping of the following categories: # of items missing date issued, # of items missing condition, # of items missing individual responsible, and # of items missing serial number (RCDA previously showed the Comptroller’s Office # of items missing manufacturer). Each of these categories represents information that is recorded in our inventory management system WASP.
- b. Response: See #4 for a response regarding the # of items missing serial numbers.
- c. Response: The vast majority of the 538 items whose manufacturer information is not available in WASP were purchased by RCDA prior to 2007. Since 2007, it has been the consistent practice and policy of the office to always document this information.
- d. RCDA will endeavor in its 2017 full inventory audit that is currently underway to document all missing information or note that such information is unavailable or inaccessible in its inventory system WASP.

6. Finding: “Gaps in Asset Control Numbers”

- a. Response: Although it would be confusing and impractical to assign inventory with a previously skipped asset control number, RCDA will document any past and future gaps with a corresponding explanation so that this is not a reoccurring finding in the future.

7. Recommendation #1

- a. Response: RCDA has thoroughly investigated all items unaccounted for during inventory inspection and identified 11 items that are no longer in the agency’s possession. A lost property complaint report with the New York City Police Department for each missing item. Our inventory system (WASP) has been updated to reflect this accordingly.

8. Recommendation #2

- a. Response: As stated above, an office wide full inventory is currently underway and should be completed in the next few weeks. As part of this full inventory, all new item locations and missing identifying information will be documented in WASP.

9. Recommendation #3

- a. Response: As part of monthly purchasing reviews, the Chief Administrative Assistant District Attorney, Director of Administration, and Director of Infrastructure will reconcile all purchasing and inventory records to ensure that updates are made accordingly.

10. Recommendation #4

- a. Response: A procedure is currently in place to ensure that changes in asset location and status are reported to individuals responsible for updating inventory records. Due to the recent high volume and significant facilities changes within the office, this procedure was not properly followed, and thus RCDA will utilize the full inventory audit currently underway as a means to properly and completely update the location of all assets. RCDA also recently held

mandatory info-sessions for every staff member re-emphasizing the procedure they should follow to request an asset move.

11. Recommendation #5

- a. Response: In light of the finding of this report, RCDA will now add all newly purchased items to the system as soon as they are received. RCDA will add this policy to its written procedures, but allow for exceptional circumstances where equipment is delivered unconstructed making this task impossible or in cases where items are installed by a vendor and inaccessible to our staff. RCDA will endeavor to ensure that these exceptions are all noted in WASP.

12. Recommendation #6

- a. Response: RCDA has thoroughly investigated all gaps in asset control numbers and ensured that all assets are accounted for. Although it would be confusing and impractical to assign inventory with a previously skipped asset control number, RCDA will document any past and future gaps with a corresponding explanation so that this is not a reoccurring finding in the future.

13. Finding: RCDA Did Not Conduct Compliant Inventory Counts

- a. Response: Under the prior administration, it was the practice and policy of RCDA to conduct an annual sample audit, instead of a full inventory audit as is the recommended DOI standard. The mass reorganization and transition of the Facilities and IT units to the Infrastructure Division under new leadership at the end of 2016 and into 2017 unfortunately led to an audit not being performed at all in 2016. These practices will be modified immediately and already a full inventory audit is underway to close out 2017. Moving forward, RCDA will conduct a full inventory audit and completely verify and follow through on its findings each year in compliance with DOI's standard.

14. Recommendation #7

- a. Response: RCDA has thoroughly investigated the five items that were unaccounted for in its September 2015 Facility Unit inventory count and has referred all five items to the NYPD as missing items. These items have been properly recorded in WASP to reflect these actions.

15. Recommendation #8

- a. Response: Moving forward, RCDA will on an annual basis conduct a full inventory audit, document count results, investigate discrepancies, and update inventory records as needed. RCDA will train to newly hired staff regarding inventory practices and procedures and reinforce with more tenured staff updates in policies and reminders regarding inventory.