



City of New York

OFFICE OF THE COMPTROLLER

John C. Liu
COMPTROLLER



FINANCIAL AUDIT

Tina Kim

Deputy Comptroller for Audit

Audit Report on the
Administration of Wireless
Devices and Services by the
Department of Information
Technology and
Telecommunications

FN12-061A

March 1, 2013

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

March 1, 2013

To the Residents of the City of New York:

My office has audited the Department of Information Technology and Telecommunications' (DoITT) administration of wireless devices and services. We audit City agencies such as DoITT as a means of ensuring that they effectively manage City assets entrusted them and do so in accordance with applicable rules and regulations.

As the City's information technology leader, DoITT is charged with administering wireless devices, services, and support to City agencies, Borough Presidents, and Community Boards. DoITT communicates its initiatives and policies to and works with designated Agency Wireless Coordinators to deploy and manage wireless devices and services. During Fiscal Year 2011, DoITT was responsible for administering approximately 31,113 wireless devices with associated service and device costs of \$14,705,742—\$14,004,187 for services and \$701,555 for devices. DoITT also administered Police Department wireless payments totaling \$3,461,656.

The audit found that DoITT's responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated requirements, but did not establish policies and procedures clearly delineating DoITT and agency responsibilities. Our review found that DoITT did not implement adequate internal controls to safeguard wireless devices and ensure accountability for wireless services. Specifically, based on the results of our audit tests, DoITT and City Agencies did not ensure that wireless device issuance was properly authorized, inventory was properly accounted for, and expenditures were appropriate. As a result, DoITT did not: prevent or detect the unauthorized acquisition and use of wireless devices and services; establish accountability for more than 30 percent of City-issued wireless devices and their associated service costs; and identify unutilized, underutilized, or redundant wireless devices and services. Consequently, for the three-month period April through June 2011, the City incurred unnecessary or questionable service costs totaling nearly \$1.2 million related to devices which were not linked to a City user, unutilized, and/or redundant.

The results of our audit have been discussed with DoITT officials and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'JCL', with the name 'John C. Liu' printed below it.

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Administration of Wireless Devices and Services by the Department of Information Technology and Telecommunications

FN12-061A

AUDIT REPORT IN BRIEF

The Department of Information Technology and Telecommunications (DoITT) is charged with administering wireless devices, services, and support to City agencies, Borough Presidents, and Community Boards. Three separate DoITT groups are tasked with managing wireless devices and services—the Enterprise Mobile Technologies (EMT) group, the Telecom Audit and Reporting (TAR) group, and The Cost Recovery group (CRG). DoITT procures wireless devices, including cellular phones, BlackBerry-type devices, and air cards, and associated wireless services from Verizon, Sprint/Nextel, and AT&T. During Fiscal Year 2011, DoITT was responsible for administering approximately 31,113 wireless devices with associated service and device costs of \$14,705,742—\$14,004,187 for services and \$701,555 for devices. DoITT also administered Police Department wireless payments totaling \$3,461,656.

DoITT communicates its initiatives and policies to and works with designated Agency Wireless Coordinators to deploy and manage wireless devices and services. In order to obtain new, upgraded, or modified wireless devices and domestic services, Agency Wireless Coordinators must submit requests through the Remedy System. All requests must be accompanied by a properly completed M1 Form (see Appendix). The M1 Form records critical user data and equipment and service plan data which form the basis for Citywide inventories that DoITT maintains as a service for City Agencies. Additionally, the M1 Form serves as the agency purchase order and certifies the justification, approval, and availability of funds to cover equipment and recurring monthly service costs. Similarly, Agency Wireless Coordinators must submit wireless international service activation requests through the Remedy System. All requests must be accompanied by a properly completed Request for Wireless International Roaming Form. This form records the requesting user's travel dates and documents the justification and authorization for services.

Each month, DoITT provides agencies detailed monthly usage reports for each of their wireless users. Agencies are responsible for verifying user data, usage, and charges.

Audit Findings and Conclusions

DoITT's responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated requirements, but did not establish policies and procedures clearly delineating DoITT and agency responsibilities. Our review found that DoITT did not implement adequate internal controls to safeguard wireless devices and ensure accountability for wireless services. Specifically, based on the results of our audit tests, DoITT and City Agencies did not ensure that wireless device issuance was properly authorized, inventory was properly accounted for, and expenditures were appropriate. As a result, DoITT did not: prevent or detect the unauthorized acquisition and use of wireless devices and services; establish accountability for more than 30 percent of City-issued wireless devices and their associated service costs; and identify unutilized, underutilized, or redundant wireless devices and services. Consequently, for the three-month period April through June 2011, the City incurred unnecessary or questionable service costs totaling nearly \$1.2 million related to devices which were not linked to a City user, unutilized, and/or redundant.

Audit Recommendations

To address these issues, we make 11 recommendations including that DoITT should:

- Institute written policies and procedures that specifically address DoITT's assumed responsibilities for supporting wireless services, including procedures to be followed by DoITT and City agency personnel responsible for wireless administration processes.
- Employ computer system edits or review processed requests to ensure that EMT staff process only wireless requests that are accompanied by properly completed M1 Forms or Request for Wireless International Roaming Forms.
- Periodically review its "NYC Employee Requests for Wireless International Roaming Service" schedule to ensure that EMT staff input all request data and activate and deactivate services in a timely manner.
- Work with City Agencies to maintain a single comprehensive inventory that records, at minimum: a user's name and/or unique employee identification number, and agency; wireless device unique identification number, type, and disposition; and service plan type and cost.
- Continue to periodically review agencies' usage for three-month periods, identify user plans and features with no or only limited usage, and recommend to agencies cost saving opportunities including but not limited to: canceling, downgrading, or sharing plans, and switching from monthly plans to pay-as-you-go plans.
- Work with City Agencies to identify users who are assigned multiple wireless devices and cancel redundant services.
- Work with City Agencies to identify users who are not employed in agency or City service and recommend to agencies that they cancel unauthorized services.
- Require City agency personnel to review wireless device shipments, verify and certify order quantities, and prepare and send receiving reports to DoITT's CRG.

- Require DoITT CRG personnel to compare purchase order, receiving reports, and invoice quantities and pricing prior to approving wireless provider payments.
- Require City agency personnel to conduct periodic inventory counts, compare inventory count results to control records, and report discrepancies to DoITT.
- Segregate duties for critical wireless administration processes including but not limited to: processing requests and orders, receiving devices, activating services, and recording and making changes to inventory records.

Agency Response

In its response, DoITT disavowed nearly all responsibility for wireless administration rather than recognize that it lacks adequate controls over critical wireless functions. DoITT categorically rejected the report's findings and conclusions on the basis that DoITT *only* "...verifies the availability of agency funds before placing an order for wireless devices and service. Other than budgetary verification, DoITT does not have any other oversight responsibility with regard to City agencies' wireless devices and service." However, throughout the audit process, DoITT did, in fact, inform us and provide us documentation evidencing DoITT's *Citywide* wireless responsibilities and procedures including those for: ensuring that wireless devices and services are issued to only authorized City users for justified purposes, maintaining a Citywide inventory of wireless devices, and monitoring wireless expenditures and recommending cost-saving measures.

Moreover, in DoITT's testimony and Finance Division Briefing Paper provided to the City Council at the Hearing on the Mayor's Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor's Management Report, DoITT detailed its Citywide wireless management and monitoring program and claimed budgetary Program to Eliminate the Gap (PEG) credits for resulting Citywide cost savings. DoITT cannot have it both ways. DoITT cannot claim PEG credits for wireless management and "regularly monitor[ing] unused lines, underutilized lines" and subsequently assert that the report "goes astray in its very first sentence" for stating that DoITT is charged with administering wireless devices and conclude "[f]ounded as it is on this demonstrably false premise, the balance of the report, its conclusions, and subsequent recommendations are without merit."

DoITT rejected nine of the 11 report recommendations based on the above position that it has no responsibility beyond the budgetary. We find this position puzzling. As stated in our report opinion, "DoITT's responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated requirements but did not establish policies and procedures clearly delineating DoITT and agency responsibilities." Our review determined that enhanced oversight of wireless administration with clearly defined roles (including the possibility of centralized oversight) is necessary to safeguard wireless devices and ensure accountability for wireless services. Based on our opinion, we do not understand how DoITT can reject recommendations that aim to clarify its role as well as strengthen and ensure compliance with existing DoITT policies and procedures.

INTRODUCTION

Background

As the City's information technology leader, DoITT is charged with administering wireless devices, services, and support to City agencies, Borough Presidents, and Community Boards.¹ DoITT procures wireless devices, including cellular phones, BlackBerry-type devices, and aircards, and associated wireless services from Verizon, Sprint/Nextel, and AT&T. During Fiscal Year 2011, DoITT was responsible for administering approximately 31,113 wireless devices with associated service and device costs of \$14,705,742—\$14,004,187 for services and \$701,555 for devices. DoITT also administered Police Department wireless payments totaling \$3,461,656.

Three separate DoITT groups are tasked with managing wireless devices and services as follows:

- The EMT group: receives and processes agency requests for new, upgraded, and modified wireless devices and services; receives devices; activates services; records and makes changes to inventory records; certifies invoices for payment; and provides technical support.
- The TAR group reviews agencies' existing service plans and usage and recommends cost-saving measures. The TAR group also appries agencies about the availability of free device upgrades and recycling programs.
- CRG determines whether agencies have sufficient funds available to cover wireless device and recurring monthly service costs. CRG also receives and reviews wireless provider invoices and processes payments on behalf of agencies.

DoITT communicates its initiatives and policies to and works with designated Agency Wireless Coordinators to deploy and manage wireless devices and services. In order to obtain new, upgraded, or modified wireless devices and domestic services, Agency Wireless Coordinators must submit requests through the Remedy System.² All requests must be accompanied by a properly completed M1 Form (see Appendix). The M1 Form records critical user data³—including name, employee identification number, and agency—and equipment and service plan data which form the basis for Citywide inventories. Additionally, the M1 Form serves as the agency purchase order and certifies the justification, approval, and availability of funds to cover equipment and recurring monthly service costs.

Similarly, Agency Wireless Coordinators must submit wireless international service activation requests through the Remedy System. Effective April 2011, all requests must be accompanied by a properly completed Request for Wireless International Roaming Form. This form records the requesting user's travel dates and documents the justification and authorization for services.

¹ DoITT does not administer wireless devices and services for the District Attorney Offices, Economic Development Corporation, and Department of Education.

² Remedy is a software system used to route, process, and track information technology service requests, including wireless device and service requests.

³ There are instances where user data may not be included on M1 Forms, including requests for confidential users or stock or emergency devices. However, when stock devices are assigned and emergencies are over, inventory records should be updated.

Each month, DoITT provides agencies detailed monthly usage reports for each of their wireless users. Agencies are responsible for verifying user data, usage, and charges. Agencies should distribute monthly usage reports to wireless users. In turn, users should certify business and personal use and reimburse the City for personal use at prescribed rates.

Objective

The objective of this audit was to determine whether DoITT maintained adequate controls over wireless device and service administration.

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.

The scope of this audit was Fiscal Year 2011. 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 DoITT officials during and at the conclusion of this audit. A preliminary draft report was sent to DoITT officials and discussed at an exit conference held on December 6, 2012. On January 14, 2013, we submitted a draft report to DoITT officials with a request for comments. On January 29, 2013, we received a written response from DoITT officials.

In its response, DoITT disavowed nearly all responsibility for wireless administration except for budgetary rather than recognize that it lacks adequate controls over critical wireless functions. DoITT categorically rejected the report's findings and conclusions on the basis that DoITT *only* "...verifies the availability of agency funds before placing an order for wireless devices and service. Other than budgetary verification, DoITT does not have any other oversight responsibility with regard to City agencies' wireless devices and service." However, throughout the audit process, DoITT did, in fact, inform us and provide us documentation evidencing DoITT's *Citywide* wireless responsibilities and procedures including those for: ensuring that wireless devices and services are issued to only authorized City users for justified purposes, maintaining a Citywide inventory of wireless devices, and monitoring wireless expenditures and recommending cost-saving measures. For example, with regard to its responsibility for monitoring Citywide wireless expenditures, DoITT:

- Advised us that the goal of the TAR group "is to maximize the cost savings of all services across New York City, ensure that all agencies have the best plans, and ensure that agencies aren't underutilizing the plans they're in." The TAR group

accomplishes this, in large part, by auditing and reporting on agency calling plans and usage;

- Confirmed, in writing, our understanding of the above-detailed TAR group goals, responsibilities, and procedures;
- Provided us “TAR (Telecom Audit and Reporting) Programs and Procedures,” which included procedures for agency usage monitoring; and
- Detailed Citywide cost savings of more than \$1.4 million achieved as a result of agency usage monitoring. DoITT also provided us related correspondence sent to a City agency advising it that “Due to budgetary constraints, we are...decommissioning wireless devices/services that have had no usage for an extended period of time....We will require your justification for keeping this service. All justifications will be reviewed by Senior Executive Staff. If we do not hear back from you...services...will be cancelled.”

Moreover, in DoITT’s testimony and Finance Division Briefing Paper provided to the City Council at the Hearing on the Mayor’s Fiscal 2013 Preliminary Budget & the Fiscal 2012 Preliminary Mayor’s Management Report, DoITT detailed its Citywide wireless management and monitoring program and claimed budgetary Program to Eliminate the Gap (PEG) credits for resulting Citywide cost savings.

DoITT cannot have it both ways. DoITT cannot claim PEG credits for wireless management and “regularly monitor[ing] unused lines, underutilized lines” and subsequently assert that report “goes astray in its very first sentence” for stating that DoITT is charged with administering wireless devices and conclude “[f]ounded as it is on this demonstrably false premise, the balance of the report, its conclusions, and subsequent recommendations are without merit.”

DoITT rejected nine of the 11 report recommendations based on the above position that it has no responsibility beyond the budgetary. We find this position puzzling. As stated in our report opinion, “DoITT’s responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated requirements but did not establish policies and procedures clearly delineating DoITT and agency responsibilities.” Our review determined that enhanced oversight of wireless administration with clearly defined roles (including the possibility of centralized oversight) is necessary to safeguard wireless devices and ensure accountability for wireless services. Based on our opinion, we do not understand how DoITT can reject recommendations that aim to clarify its role as well as strengthen and ensure compliance with existing DoITT policies and procedures.

The full text of DoITT’s response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

DoITT's responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated requirements but did not establish policies and procedures clearly delineating DoITT and agency responsibilities. In FY 2011, DoITT was responsible for administering approximately 31,113 wireless devices and services with costs of nearly \$18.2 million. However, our review found that DoITT did not implement adequate internal controls to safeguard these wireless devices and ensure accountability for these wireless services. Specifically, based on the results of our audit tests, DoITT and City agencies did not ensure that wireless device issuance was properly authorized, inventory was properly accounted for, and expenditures were appropriate. As a result, DoITT did not: prevent or detect the unauthorized acquisition and use of wireless devices and services; establish accountability for more than 30 percent of City-issued wireless devices and their associated service costs; and identify unutilized, underutilized, or redundant wireless devices and services. Consequently, for the three-month period April through June 2011, the City incurred unnecessary or questionable service costs totaling nearly \$1.2 million related to devices which were: not linked to a City user, unutilized, and/or redundant⁴.

These matters are discussed in detail in the following sections of this report.

DoITT Lacked Adequate Controls over Wireless Device Issuance and Service Activation

DoITT did not have adequate control procedures to properly monitor wireless device issuance and service activation. Our review found that while DoITT implemented control forms—the M1 Form and the Request for Wireless International Roaming Form—to prevent the unauthorized acquisition of devices and services, it did not employ computer system edits or conduct supervisory reviews to ensure EMT staff processed only requests accompanied by properly completed forms. Comptroller's Directive #1 states, "Internal controls should be designed to provide reasonable assurance in respect to the prevention or prompt detection of unauthorized acquisition, use or disposition of an agency's assets." However, DoITT did not establish the required control procedures to ensure that wireless devices and services were provided only to authorized personnel for justified purposes as required. Consequently, our review found that:

- *Device and Domestic Service Requests* During March 2011, EMT staff improperly processed 163 of 165—98.8 percent—requests for new, upgraded, or modified wireless devices and services. Of the 163 improperly processed requests, 109 lacked an M1 Form and 54 lacked an M1 Form detailing user data, justification, and/or agency approval.
- *International Service Activation Requests* During May and June 2011, EMT staff improperly processed 26 out 98—26.5 percent—requests. Of the 26 improperly

⁴ For the three-month period April through June 2011, the City incurred unnecessary or questionable service costs of: \$828,267 for devices that were not linked to a user; \$674,850 for devices that were not utilized for three consecutive months; and \$52,542 for redundant devices. However, some of these issues overlapped. For example, there were instances where a device was not linked to a user and was not utilized for three consecutive months. The net effect was that the City incurred quarterly questionable or unnecessary costs of \$1,159,425.

processed requests, 16 lacked a Request for Wireless International Roaming Form and 10 lacked agency approval.

Additionally, EMT staff did not input data from six of 98 request forms into DoITT's "NYC Employee Requests for Wireless International Roaming Service" schedule as required. This schedule serves to track requests and ensure that international services are activated and deactivated in a timely manner.

In the absence of properly completed M1 Forms, Request for Wireless International Roaming Forms, and consistent tracking, the City is not assured that wireless expenditures are appropriate. Additionally, DoITT lacked user information necessary to compile a reliable wireless inventory and, therefore, City employees may not be held accountable for wireless devices and associated service costs. This issue is further discussed below.

During the course of the audit, DoITT officials informed us that DoITT was developing a front-end, web-based M1 Form to ensure that only properly completed requests are submitted and processed.

DoITT Lacked Adequate Controls over Wireless Inventory

DoITT did not have adequate controls over wireless devices inventory. As noted, in FY 2011, DoITT administered 31,113 wireless devices. However, our review found that DoITT did not implement internal controls to properly safeguard and account for these wireless devices and services. Comptroller's Directive #1 states, "Access to agency resources and vital records should be subject to appropriate limitations and accountability for their custody and use should be clearly assigned and maintained. Periodic comparison of the resources with the recorded accountability should be made to reduce the risk of errors, fraud or misuse or unauthorized alteration." However, DoITT did not:

- *Maintain an independent reliable wireless device inventory.* DoITT should maintain an accurate accounting of the City's wireless device inventory to ensure accountability for wireless devices and service costs. Specifically, DoITT, working in conjunction with City Agencies, should maintain a Citywide inventory that records: a user's name and/or unique employee identification number, and agency; wireless device unique identification number, type, and disposition; and service plan type and cost. DoITT relies on its three wireless providers to compile and update wireless device inventories. These inventories are largely based⁵ on information that DoITT captures and transmits to providers via the M1 Form. However, as noted, DoITT did not ensure that EMT staff processed only new, upgraded, or modified wireless requests accompanied by completed M1 Forms detailing wireless user, device, and service plan information. Consequently, DoITT lacked a reliable inventory list and accountability for wireless devices and their significant associated service costs. Most notably, based on our review of provider records for April through June 2011, more than 30 percent of City-issued wireless devices lacked any user information, i.e., either a user name or employee identification number, and thus, lacked accountability for wireless devices and associated service costs as follows:

⁵ DoITT may also transmit inventory data to providers via telephone, email, facsimile, or provider portals.

Wireless Devices and Service Costs
that Lack Accountability

April through June 2011

| Month | Number of Devices Not Linked to a User | Total Number of Devices | % of Devices Not Linked to a User | Associated Monthly Service Costs |
|---------------------------------------|--|-------------------------|-----------------------------------|----------------------------------|
| April 2011 | 9,506 | 30,113 | 31.6% | \$278,863 |
| May 2011 | 9,845 | 30,648 | 32.1% | \$281,302 |
| June 2011 | 9,804 | 30,826 | 31.8% | \$268,102 |
| Total Associated Service Costs | | | | \$828,267 |

Additionally, in the absence of accurate user information, the City could not effectively seek reimbursement from employees for personal use of City-issued wireless devices. As noted, DoITT provides agencies detailed monthly usage reports for each of their wireless users. In turn, agencies distribute these reports to wireless users. Users are required to certify business and personal use and reimburse the City for personal use at prescribed rates. However, because DoITT did not record and update user information, users may not be held accountable for personal use.

- *Conduct periodic inventory counts.* According to Comptroller’s Directive #1, agencies should conduct physical inventories of non-capital assets and such inventories should be supervised by independent individuals. Further, inventory count results should be compared to control records. This is especially critical for wireless devices, as they are assets that incur significant recurring monthly service costs—nearly \$18.2 million for Fiscal Year 2011. However, DoITT did not verify provider inventory records for wireless devices it controls, i.e., devices issued to its employees or in its stockroom. DoITT also did not require agencies to verify provider inventory records for wireless devices under its control.
- *Segregate duties for critical wireless functions.* Comptroller’s Directive #1 states, “Key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.” However, DoITT did not employ this control. Each EMT group member was allowed to control numerous wireless processes including: processing requests and orders, receiving devices, activating services, updating provider inventory records, and certifying invoices for payment. This is contrary to Comptroller’s Directive # 1 and allows for misappropriation and fraud.

DoITT Lacked Adequate Controls over Wireless Expenditures

Our review found that DoITT did not ensure that service plans were cost effective and that it paid only for wireless devices that are received and at agreed-upon pricing. Comptroller's Directive #1 states, "Internal Control must be an integral part of agency management in satisfying the agency's overall responsibility for successfully achieving its assigned mission and assuring full accountability for resources." However, DoITT did not:

- *Adequately monitor wireless service usage.* DoITT's TAR group monitors provider plans, pricing, and usage charges to maximize cost saving opportunities. To that end, TAR staff reviewed agencies' usage for a three-month period and made recommendations for cost savings such as downgrading plans or features and canceling services. While the TAR group reported quarterly cost savings of \$193,103—\$149,578 for downgrading plans or features and \$43,525 for service cancellations—it could enhance its efforts. We reviewed Citywide usage for the three-month period April through June 2011 and identified 8,208 wireless devices—with associated services totaling \$674,850⁶—for which there was no voice, data, or web usage for three consecutive months. Our review also identified a significant number of users who incurred only nominal overall usage or did not utilize one or more plan components.

Additionally, the TAR group's efforts to identify cost savings were impeded because, as previously reported, the City did not maintain a reliable, comprehensive inventory. Most notably, based on our review of provider records for April through June 2011, more than 30 percent of City-issued wireless devices lacked any user information. Consequently, the TAR group could not readily identify users assigned multiple devices that perform redundant services or users not employed in agency or City service. Based on our review of available records, we identified 382 users that were assigned redundant devices with associated recurring monthly costs of \$52,542. And a cursory review of inventories identified users that were not in agency or City service.

- *Ensure that EMT and agency personnel properly certified receipt of wireless devices.* According to Comptroller's Directive #1, agencies should verify order quantities upon receipt and send receiving reports to accounts payable personnel. However, DoITT did not require EMT or City agency personnel to follow these procedures. As a result, DoITT CRG personnel responsible for paying wireless providers could not compare receiving report and invoice quantities and pricing to ensure that DoITT pays only for wireless devices that are received and at agreed-upon pricing.

DoITT Did Not Institute Adequate Policies and Procedures

As noted, DoITT did not establish written policies and procedures for its staff and City agency personnel to follow when administering wireless devices and services. As the City's information technology leader, DoITT is also responsible for ensuring that the proper control procedures are in place. Specifically, the City Charter charges DoITT with planning, formulating, coordinating,

⁶ The TAR group did not detail individual user service plan cancellations. Therefore, we could not determine whether services canceled by TAR were included in our figure.

and advancing information technology and telecommunications policies for the City. Additionally, Comptroller's Directive # 1 states, "Internal controls should be documented in management administrative policies or operating manuals." On its 2011 Comptroller's Directive #1 signed Internal Control Certification response, DoITT indicated that it had clearly defined written policies and procedures which were communicated to appropriate agency staff. However, we found no evidence that these procedures were in place for critical wireless device administration functions that adequately and specifically define and detail the duties and processes to be followed by key employees. Consequently, DoITT and agency personnel did not properly, consistently, and effectively perform their duties and contributed, in part, to the above-detailed issues. Because wireless device and service costs have steadily increased from approximately \$15.9 million in FY 2009 to \$18.2 million for FY 2011, DoITT should immediately develop and implement comprehensive policies and procedures to ensure accountability for wireless devices and services and their associated costs.

Recommendations

DoITT should:

1. Institute written policies and procedures that specifically address DoITT's assumed responsibilities for supporting wireless services, including procedures to be followed by DoITT and City agency personnel responsible for wireless administration processes.
2. Employ computer system edits or review processed requests to ensure that EMT staff process only wireless requests that are accompanied by properly completed M1 Forms or Request for Wireless International Roaming Forms.
3. Periodically review its "NYC Employee Requests for Wireless International Roaming Service" schedule to ensure that EMT staff input all request data and activate and deactivate services in a timely manner.

DoITT Response: "DoITT staff enters each international roaming request into a spreadsheet, with an end date provided by the requested agency, and the service is deactivated on the end date. Staff adherence to this procedure is strictly enforced. The auditors were made aware of these facts. Therefore this recommendation is moot."

Auditor Comment: As previously detailed, EMT staff did not input data from six of 98 request forms into DoITT's "NYC Employee Requests for Wireless International Roaming Service" schedule as required. Again, this schedule serves to track requests and ensure that the City does not incur unnecessary wireless costs. Therefore, we reiterate that DoITT should periodically review its "NYC Employee Requests for Wireless International Roaming Service" schedule to ensure that EMT staff input all request data and activate and deactivate services in a timely manner.

4. Work with City Agencies to maintain a single comprehensive inventory that records, at minimum: a user's name and/or unique employee identification number, and agency; wireless device unique identification number, type, and disposition; and service plan type and cost.
5. Continue to periodically review agencies' usage for three-month periods, identify user plans and features with no or only limited usage, and recommend to agencies cost saving opportunities including but not limited to: canceling, downgrading, or sharing plans, and switching from monthly plans to pay-as-you-go plans.
6. Work with City Agencies to identify users who are assigned multiple wireless devices and cancel redundant services.
7. Work with City Agencies to identify users who are not employed in agency or City service and cancel unauthorized services.
8. Require City agency personnel to review wireless device shipments, verify and certify order quantities, and prepare and send receiving reports to DoITT's CRG.
9. Require DoITT CRG personnel to compare purchase order, receiving reports, and invoice quantities and pricing prior to approving wireless provider payments.

10. Require City agency personnel to conduct periodic inventory counts, compare inventory count results to control records, and report discrepancies to DoITT.
11. Segregate duties for critical wireless administration processes including but not limited to: processing requests and orders, receiving devices, activating services, and recording and making changes to inventory records.

DoITT Response: “At the exit conference, the auditors specified five functions that they felt should be separated pursuant to Comptroller's Directive No. 1. When DoITT staff pointed out that the unit that performs these functions has only five employees (not allowing for illnesses, vacations, lunch hours, or other absences), the auditors readily acknowledged that the Comptroller routinely accepts ‘mitigation’ of the Directive No. 1 mandate. The written report, however, omits any mention of such mitigation. DoITT accepts this recommendation to the extent that DoITT agrees to review the separation of functions now in place, in light of the staffing constraints and the likely need for ‘mitigation’ of Directive No. 1. The purpose of DoITT's review will be to ensure that existing resources are deployed in a way that minimizes the possibility of misappropriation or other misconduct — which, it bears mentioning, the Comptroller found no indication of whatsoever, during the course of the 15-month audit.”

Auditor Comment: We are pleased that DoITT “agrees to review the separation of functions now in place...to ensure that existing resources are deployed in a way that minimizes the possibility of misappropriation or other misconduct.” We recognize that DoITT may not be able to separate all wireless functions due to staffing constraints. However, DoITT should implement mitigating control procedures in those areas where more than one duty is performed by the same individual to reduce the risk of error or fraud.

With regard to the remaining nine recommendations, DoITT rejected the report's basis, findings, conclusions, and resulting recommendations as follows:

DoITT Response: “The only oversight authority vested in DoITT is budgetary. DoITT verifies the availability of agency funds before placing an order for wireless devices and service. Other than budgetary verification, DoITT does not have any other oversight responsibility with regard to City agencies' wireless devices and service....”

“Therefore, absent authority to perform oversight of City wireless administration, DoITT categorically rejects recommendations number 1, 2, 4, 5, 6, 7, 8, 9, and 10, as those recommendations are founded on the erroneous premise that DoITT has oversight authority for citywide wireless administration.”

Auditor Comment: Again, DoITT does, in fact, have and exercise Citywide oversight authority beyond the budgetary cited above. As previously detailed, DoITT implemented Citywide wireless policies and procedures, albeit limited, and communicated them to and worked with designated Agency Wireless Coordinators to deploy and manage wireless devices and services. Therefore, we do not understand how DoITT can maintain that it lacks the authority to implement additional policies and procedures. As stated in our report opinion, “DoITT's responsibility for supporting wireless devices and services needs to be redefined. Specifically, DoITT assumed responsibility beyond its mandated

requirements but did not establish policies and procedures clearly delineating DoITT and agency responsibilities.” Based on our opinion, we find it even more puzzling how DoITT can reject recommendations that aim to clarify its role as well as strengthen and ensure compliance with existing DoITT policies and procedures.

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 was Fiscal Year 2011. To assess DoITT's controls over and gain an understanding of wireless device administration, we:

- Reviewed Chapter 48 of the New York City Charter;
- Interviewed DoITT EMT, TAR, and CRG officials and observed wireless device and service: request and order processing, receipt, inventory, and invoice certification processes.
- Requested and reviewed relevant DoITT policies and procedures. DoITT provided us its "M1 Form Procedures for Wireless Requests," "Wireless Security Policy," "Policy and Procedure Reporting Lost or Stolen Equipment," as well as the City's "Policy on Limited Personal Use of City Office and Technology Resources." DoITT also provided us write-ups of its informal EMT and TAR group policies and procedures.
- Reviewed the New York City Comptroller's Internal Control and Accountability Directive #1, "Principles of Internal Controls," and DoITT's 2011 Comptroller's Directive #1 signed Internal Control Certification responses. These documents were used as criteria in evaluating the adequacy and effectiveness of DoITT's internal controls.

We judgmentally selected the month of March 2011, the month in which the most wireless devices were issued, and tested whether EMT staff processed wireless requests in accordance with DoITT's "M1 Form Procedures for Wireless Requests" and informal procedures. We reviewed all Remedy tickets related to wireless devices and services that were processed during March 2011. Of the 204 Remedy tickets reviewed, 165 tickets were related to requests for new, upgraded, or modified wireless devices and domestic services and, thus, should have been accompanied by a properly completed M1 Form. We reviewed these 165 requests and determined whether EMT staff processed only requests accompanied by M1 Forms (PDF and Excel formats) that detailed user information, estimated annual costs, and request justification, and contained signatures which demonstrate agency approval and certify the availability of funds to cover device and recurring monthly service costs. We also determined whether EMT staff sent requests for which there were associated wireless device and service costs to the CRG so that CRG could verify that agencies had sufficient funding available to cover these costs. We also ascertained whether EMT staff obtained CRG verification and approval prior to processing wireless device and service requests.

Effective April 2011, DoITT required that wireless international service activation requests be accompanied by a properly completed Request for Wireless International Roaming Form which

detailed requesting users' travel dates and documented the justification and authorization for services. Therefore, we judgmentally selected the two months subsequent to implementation of this policy—May and June 2011—and tested whether EMT staff properly processed requests. We reviewed all Remedy tickets related to wireless international service requests that were processed during May and June 2011. Of the 120 Remedy tickets reviewed, 98 tickets were related to requests for international service activation and, thus, should have been accompanied by a properly completed Request for Wireless International Roaming Form. We reviewed these 98 requests and determined whether EMT staff processed only requests accompanied by properly completed forms. Additionally, we determined whether EMT staff input relevant request form data into DoITT's "NYC Employee Requests for Wireless International Roaming Service" schedule used to ensure that services were activated and deactivated in a timely manner.

DoITT relies on its three wireless providers to compile and update wireless device inventories. These inventories are largely based on information that DoITT captures and transmits to providers via the M1 Form. To assess the accuracy and reliability of these inventory records, we obtained from DoITT the three wireless provider inventory records. Specifically, we judgmentally selected monthly inventory records for April through June 2011—the most recent records within our scope. We reviewed these records and determined whether DoITT maintained accountability for wireless devices and associated service costs by recording assigned users' names and unique employee identification numbers for each wireless device. We quantified the total number of wireless devices and the total number of instances for which user data was not recorded. We also quantified the total service costs incurred for wireless devices that lacked user data.

To assess whether DoITT adequately monitored usage to identify cost saving opportunities, we reviewed Citywide usage for a three-month period in accordance with the TAR group's informal procedures. We judgmentally selected the three-month period April through June 2011—the most recent period within our scope. We identified wireless devices that incurred no voice, data, or web usage for three consecutive months and quantified the number of instances and associated service costs.

Additionally, we judgmentally selected wireless provider inventory records for April 2011 to June 2011—the most recent inventory records within our scope—and ascertained whether users were issued multiple redundant devices and incurred unnecessary device and service costs. We considered multiple devices that perform the same functions, e.g., multiple cellular phones assigned to a single user, to be redundant. We merged data from the three wireless provider inventories, sorted data based on user name, identified users assigned redundant devices, and quantified the number of redundant devices and associated minimum recurring monthly service costs. When quantifying redundant service costs, we conservatively considered lesser service plan costs to be redundant.

To determine whether DoITT adequately reviewed provider invoices and properly processed payment vouchers, we reviewed wireless provider payment voucher files for the period April through June 2011 for Verizon, Sprint, and AT&T. Specifically, we determined whether vouchers were supported by provider invoices and packing slips and whether CRG staff reviewed invoices to ensure that they: were properly tabulated, reflected contract stipulated discounts, and were certified by EMT staff.

The results of the above audit procedures and tests, while not projected to the populations from which the samples were drawn, provided a reasonable basis for us to satisfy our audit objectives.



Department of Information Technology and Telecommunications
M1 FORM

Enterprise Mobile Technologies
2 Metrotech Center, 2nd Floor, Brooklyn, NY 11201
Email: EnterpriseMobileTech@doitt.nyc.gov

Yisroel Hecht
Associate Commissioner
Wireless Technologies

| Section 1. | | Wireless Coordinator Contact Information | |
|-------------------|--|--|--|
| Agency Name: | | Date: | |
| Agency Division: | | Address Line1: | |
| Contact Name: | | Address Line2: | |
| Contact Number: | | City/State: | |
| Contact Email: | | Zip: | |
| Section 2. | | Service Request Type | |
| Wireless Carrier: | | DoITT PON (DoITT Internal) | |
| Type of Request: | | Order No. (DoITT Internal) | |
| Section 3. | | Agency Justification | |

<Type Justification Here>

| Section 4. For New Service Activations, Add-On Features, Equipment or Other Accessories | | | | | | | | |
|---|-------------|------------------|--------------------|----------------|----------------|-----|------------------|---------------------|
| Employee Name (First, Last) | Employee Id | Item Description | Service Requested | Monthly Access | Equipment Cost | QTY | Est. Equip. Cost | Est. Monthly Access |
| | | | Tethering | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| | | | ---Select Below--- | \$ - | \$ - | | \$ - | \$ - |
| Total Est. Equipment & Monthly Cost: | | | | | | | \$ - | \$ - |
| Total Est. Annual Cost: | | | | | | | \$ - | \$ - |

Section 5. Authorized Signature of Approval

Submission of this request signifies that you have read, understand and agree to the City of New York Cellular Telephone/ Internet Acceptable Use and Email Policies. Any Personal Use of such equipment must be reimbursed to the City according to your agency's methods and procedures. Furthermore, the agency Fiscal Officer, by signing below, certifies that funds are or will be made available within your agency's intra-city telecommunications (402) expense budget with DoITT to fulfill this request for both non-recurring and the recurring monthly charges.

| Commissioner/ Commissioner's Designee | | Agency Fiscal Officer | | Agency Requestor | | DOITT Fiscal Officer | |
|---------------------------------------|------|-----------------------|------|------------------|------|----------------------|------|
| Print Name | Date | Print Name | Date | Print Name | Date | Print Name | Date |
| | | | | | | | |

Section 6. For Upgrade or Replacement of Existing Service Numbers ONLY

| User Name | Direct Connect Number | Existing Cellular Number | New SIM Card or ESN DEC Number | New IMEI or ESN HEX Number | New PIN or SN |
|-----------|-----------------------|--------------------------|--------------------------------|----------------------------|---------------|
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M1 Form: Procedures for Wireless Requests

Section 1: Contact Information

This section will help identify the subscriber requesting equipment and or services.

- Agency Name: Name of the agency the subscriber works for.
- Agency Division: workgroup or unit coordinator belongs to
- Contact Name: Name of the wireless coordinator
- Contact Number: A listed number where the contact can be reached.
- Contact Email: A valid email address for the coordinator
- Contact Number: A listed number where the contact can be reached.
- Address Line 1 & 2: Identifies the business address of the agency coordinator
- City/ State/ Zip: Identifies the business address of the agency coordinator

Section 2: Request Type

This section helps to define the type of service requested. On the below listed items would need to be filled out in this section. Just click the cursor in the cell and select the item from the drop down box.

1. **Wireless Carrier:**
 - a. Select the wireless carrier (ATT, Globalstar, Nextel, Sprint, Verizon)
2. **Type of Request:**
 - a. Accessories: Select this item when requesting accessories for your phone or device.
 - b. New Activations: This pertains to new users with no existing services. The user will be assigned a new service number.
 - c. Modify Existing Services: Select this item if you plan to modify the service plan for an existing user.
 - d. Upgrade/ Replacement: Select this item if you are upgrading or replacing the user's phone or device for an existing user.
 - e. Device Swaps: Select this item if you using a device from your inventory for a device change
 - f. Upgrade/ Replacement: Select this item if you are upgrading or replacing the user's phone or device for an existing user.

Section 3: Agency Justification

This section explains why the individual requires wireless service and the specific equipment requested. Please fill in the justification.

Section 4: Equipment Order Details (Applies to New Service or Accessory Requests)

This section will identify the individual's request for each line item of equipment.

- User Name or Equipment Description: Identify the individual or device name for each line item.
- Model Number: Item description or naming convention for item
- Service Requested: Identify the type of service being requested
- Qty: Identify the number of items requested.
- Unit Price: Identify the cost of the requested device.
- Totals: Displays the estimated equipment, monthly and annual cost ordered per line item.

Section 5: Signature of Approval

This section identifies the user signature of acknowledgement and appropriate authority's review and approval of the user's request. Please sign and date in the appropriate field. Requests missing information and or signatures will delay the process.

Section 6: Equipment Order Details (Applies to Existing Service Numbers ONLY)

- a. User name
 - b. Direct Connect Number: Enter existing direct connect (Nextel) number for the subscriber.
 - c. Existing Cellular Number: Enter existing cell number for the subscriber.
 - d. New SIM Card Number: Enter the SIM CARD number for the device if applicable.
 - e. New IMEI or ESN: Enter IMEI or ESN number for the subscriber
 - f. New PIN or SN: Enter BB PIN or Serial Number for the subscriber.
-
-



Rahul Merchant
Chief Information and
Innovation Officer

January 29, 2013

The Honorable Tina Kim
Deputy Comptroller Audits and Accountancy
Office of the Comptroller
1 Centre Street
New York, New York 10007-2341

Re: Draft Audit Report on the Administration of Wireless Devices and Services by the Department of Information Technology & Telecommunications FN12-061A, dated January 14, 2013

Dear Ms. Kim:

The following constitutes the response of the Department of Information Technology and Telecommunications (DoITT) to the above-referenced report (the "Draft Report"). During the 1990s, the City made the determination that purchasing of wireless devices and service would be more economical if purchasing were done centrally by DoITT rather than by each agency individually. Consolidated purchasing of wireless devices and service has produced considerable savings to the City. During 2011, DoITT handled at least a portion of the wireless procurement and billing for 72 agencies, collectively accounting for more than 38,000 wireless devices. (Since January 2011, incidentally, DoITT has helped agencies identify a cumulative recurring monthly savings of in excess of \$150,000.)

From the time the City made the decision to centrally purchase wireless devices, DoITT has held the City's contracts for most purchases of wireless devices and service. Because DoITT is the contract holder, DoITT receives the bills from vendors, apportions and forwards the bills to DoITT's client agencies for review, and pays the bills out of client agencies' funds held by DoITT for that purpose. DoITT also serves as billing liaison, helping agencies to resolve billing disputes with wireless providers. In addition, to the extent that DoITT's client agencies choose to use DoITT's BlackBerry hosting services, DoITT staff configures only BlackBerrys for those agencies. Otherwise, agencies remain responsible for device configuration.

The only oversight authority vested in DoITT is budgetary – DoITT verifies the availability of agency funds before placing an order for wireless devices and service. Other than budgetary verification, DoITT does not have any other oversight responsibility with regard to City agencies' wireless devices and service.

Each of DoITT's client agencies remains responsible for verifying that the wireless requests conveyed by agency wireless liaisons to DoITT are properly authorized by the agency, wireless devices held by the agency are properly inventoried, deployed and used, and appropriate internal controls are maintained. DoITT has no authority to reject a request for wireless devices or service, other than for lack of budgeted funds.

An audit of 72 agencies to determine whether "adequate controls over wireless device and service administration" are maintained would no doubt be challenging. Rather than do the hard work of auditing the individual agencies, the Comptroller indulged the simpler, yet nonetheless flawed, approach of re-assigning the agencies' responsibilities to DoITT and then criticizing DoITT for failing to carry out those agencies' responsibilities.

The Draft Report goes astray in its very first sentence: "The Department of Information Technology and Telecommunications (DoITT) is charged with administering wireless devices, services, and support to City agencies, Borough Presidents, and Community Boards." Founded as it is on this demonstrably false premise, the balance of the report, its conclusions, and subsequent recommendations are without merit. The fact that the Comptroller's audit was unable to validate \$1.2 million in expenditures has no value in light of the Comptroller's preference for auditing DoITT rather than the responsible agencies. Similarly unrevealing is the Comptroller's inability to verify "accountability" for 30 percent of wireless devices.

A productive discussion might be had regarding the question whether consolidation of wireless administration into a single oversight agency is appropriate, and if so, whether DoITT is the appropriate agency to perform that oversight. That discussion, of course, would need to account for both the costs and benefits of the creation of a new oversight function. The benefits would presumably include a marginal monetary savings. The costs would include a marginal deployment of agencies' resources from unrelated programmatic matters to oversight response, as well as a marginal diminution of agencies' autonomy.

It is for DoITT's client agencies to implement the internal controls that will ensure that those agencies' wireless liaisons have appropriate authority to request wireless devices and services. And it is for DoITT's client agencies to ensure the appropriate administration of the devices and services that are procured by DoITT at the agencies' request.

DoITT staff reviewed these facts with the Comptroller's auditors repeatedly during the audit, and again at the audit exit conference, facts which seem to have been unfortunately ignored in the draft report. As a result, the very purpose of the audit was negated: if there is money to be saved, the Draft Report is of no use in finding those savings.

The Draft Report asserts that DoITT "assumed responsibility" for oversight of City agencies' wireless administration. Again, this is simply not true. It is true that when a member of DoITT's wireless staff, in its regular review of the wireless invoices and various alerts it receives from carriers, comes across wireless usage or deployment that might bear further scrutiny, DoITT brings the situation to the responsible agency's attention. This is not an assumption of responsibility for oversight of the City's wireless administration – it is the responsible act of any conscientious public servant. And again, in this way, DoITT has helped City agencies realize a cumulative recurring monthly savings of more than \$150,000 since January 2011. DoITT's diligent work in this regard should be the subject of commendation, rather than condemnation.

Therefore, absent authority to perform oversight of City wireless administration, DoITT categorically rejects recommendations number 1, 2, 4, 5, 6, 7, 8, 9, and 10, as those recommendations are founded on the erroneous premise that DoITT has oversight authority for citywide wireless administration. The remaining recommendations are:

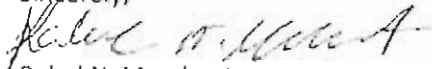
3. Periodically review [DoITT's] "NYC Employee Requests for Wireless International Roaming Service" schedule to ensure that EMT staff input all request data, and activate and deactivate services in a timely manner.

RESPONSE: DoITT staff enters each international roaming request into a spreadsheet, with an end date provided by the requested agency, and the service is deactivated on the end date. Staff adherence to this procedure is strictly enforced. The auditors were made aware of these facts. Therefore this recommendation is moot.

11. Segregate duties for critical wireless administration processes including but not limited to: processing requests and orders, receiving devices, activating services, and recording and making changes to inventory records.

RESPONSE: At the exit conference, the auditors specified five functions that they felt should be separated pursuant to Comptroller's Directive No. 1. When DoITT staff pointed out that the unit that performs these functions has only five employees (not allowing for illnesses, vacations, lunch hours, or other absences), the auditors readily acknowledged that the Comptroller routinely accepts "mitigation" of the Directive No. 1 mandate. The written report, however, omits any mention of such mitigation. DoITT accepts this recommendation to the extent that DoITT agrees to review the separation of functions now in place, in light of the staffing constraints and the likely need for "mitigation" of Directive No. 1. The purpose of DoITT's review will be to ensure that existing resources are deployed in a way that minimizes the possibility of misappropriation or other misconduct – which, it bears mentioning, the Comptroller found no indication of whatsoever, during the course of the 15-month audit.

Sincerely,



Rahul N. Merchant

cc: George Davis III, Mayor's Office of Operations