



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer

COMPTROLLER



MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Audit Report on the Civilian Complaint
Review Board's Controls over Its
Inventory of Computers and Related
Equipment

MD18-067A

May 23, 2018

<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 Civilian Complaint Review Board (CCRB) to determine whether it had adequate controls over its inventory of computers and related equipment. We audit City operations such as this as a means of ensuring that agencies comply with regulations and are accountable for resources.

The audit found that the CCRB's controls over its inventory of computers and related equipment are deficient in a number of areas. Although the auditors were able to locate 96 percent of the sampled equipment listed in the CCRB's inventory records, the audit found that the inventory lists maintained by the CCRB contained inaccurate and incomplete information for some of the listed equipment items and did not list other items that were in the CCRB's custody. In addition, although the CCRB uses sequential, pre-numbered tags to account for its equipment, we identified numerous missing tag numbers that the CCRB could not account for. The audit also found items in the CCRB's custody that did not have number-tags affixed and items that were listed in the CCRB's inventory records without tag numbers. Further, the audit found that the CCRB does not adequately monitor the use of its mobile devices and charged expenses to incorrect budget codes which could lead to inaccurate budget amounts allowed by the Office of Management and Budget.

The audit made 10 recommendations, including that the CCRB should: (1) strengthen its inventory management controls to ensure that all equipment is properly accounted for, assigned to the correct employee, tagged and secured; (2) ensure that tag numbers are sequentially assigned to all equipment and tracked; (3) ensure that its records reflecting all authorized users of all its mobile devices are updated, made complete and accurate and reconciled with billing statements; and (4) ensure that its payments are charged to the correct object codes.

The results of the audit have been discussed with CCRB 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 blue ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MANAGEMENT AUDIT**

**Audit Report on the Civilian Complaint Review
Board's Controls over Its Inventory of Computers and
Related Equipment
MD18-067A**

EXECUTIVE SUMMARY

The objective of this audit was to determine whether the New York City Civilian Complaint Review Board (CCRB) has adequate controls over its inventory of computers and related equipment.

The CCRB is an independent agency that was established by Local Law #1 of 1993. It receives, investigates, prosecutes, mediates, hears, makes findings and recommends action on complaints alleging the use of excessive or unnecessary force, abuse of authority, discourtesy or the use of offensive language by New York City Police Officers. The CCRB consists of 13 members of the public who are City residents and reflect the diversity of the city's population.

Computers and related equipment (including mobile devices) play a vital role in helping CCRB staff achieve the agency's mission. Among other things, investigation squads are assigned cameras, recorders, laptops, and other mobile devices to use in the field.

The CCRB's Management Information System (MIS) Unit and Operations Unit each have responsibilities for managing the agency's inventory of computers and related equipment. The MIS unit is responsible for tracking the CCRB's inventory of network appliances, servers, laptops, printers, and desktop computers, while the Operations Unit maintains the CCRB's inventory of smartphones, desk phones, iPads, voice recorders, and cameras. Each unit maintains its inventory records in Excel spreadsheets, which as of July 31, 2017, included 912 items tracked by the MIS unit and 166 devices tracked by the Operations Unit.

Audit Findings and Conclusion

The CCRB's controls over its inventory of computers and related equipment are deficient in a number of areas. Although we were able to locate 96 percent of the sampled equipment listed in the CCRB's inventory records, we found that the inventory lists maintained by the CCRB contained inaccurate and incomplete information for some of the listed equipment items and did not list other items that were in the CCRB's custody. In addition, although the CCRB uses sequential, pre-numbered property tags to account for its equipment, we identified numerous missing sequential tag numbers that the CCRB could not account for. In the absence of an accounting or a verifiable explanation for why those tag numbers were missing from the CCRB's inventory records, we were unable to ascertain whether they had been assigned to equipment

that was not listed in the CCRB's inventory records or whether they had been skipped, that is, never issued or used by the CCRB. We also found items in the CCRB's custody that did not have number-tags affixed and items that were listed in the CCRB's inventory records without tag numbers. Further, we found that equipment serial numbers for the CCRB's Cisco desk phones are not tracked, making it difficult to account for those items and consequently increasing the risk that they could be misappropriated or lost without detection. Other deficiencies noted in the audit include that the CCRB: (1) does not ensure that obsolete items are relinquished; (2) has inadequate written inventory policies; and (3) maintains an inadequate segregation of duties in relation to its computer equipment management.

Finally, we found that the CCRB does not adequately monitor the use of its mobile devices and incorrectly charged expenses to the budget code 332 (computer equipment) in FMS.

Audit Recommendations

Based on the audit, we make 10 recommendations, including:

- The CCRB should strengthen its inventory management controls to ensure that all equipment is properly accounted for, assigned to the correct employee, tagged and secured.
- The CCRB should ensure that tag numbers are sequentially assigned to all equipment and tracked.
- The CCRB should ensure that Cisco phones are recorded in inventory records along with their serial numbers, and that the phones are tagged.
- The CCRB should comply with OSA's relinquishment policy and ensure that all unused computers and related equipment presently in storage is relinquished in accordance with the requirements.
- The CCRB should ensure that key responsibilities for the management of the inventory of computers and related equipment are adequately segregated or institute compensating controls if a segregation of responsibilities is not feasible.
- The CCRB should ensure that its records reflecting all authorized users of all of its mobile devices are updated, made complete and accurate, and reconciled with its monthly billing statements for mobile device usage, so that it pays only for wireless services actually provided to authorized employees.
- The CCRB should ensure that its payments are charged to the correct object codes.

Agency Response

In its response, the CCRB agreed with the audit's 10 recommendations.

AUDIT REPORT

Background

The CCRB is an independent agency that was established by Local Law #1 of 1993. It receives, investigates, prosecutes, mediates, hears, makes findings and recommends action on complaints alleging the use of excessive or unnecessary force, abuse of authority, discourtesy or the use of offensive language by New York City Police Officers. The CCRB consists of 13 members of the public who are City residents and reflect the diversity of the city's population. Although all are ultimately appointed by the Mayor, the City Council designates five, the Mayor designates five, and the Police Commissioner designates three, pursuant to City Charter §440. The Board's investigative staff, composed entirely of civilian employees, conducts investigations. Based on its review of the investigations, the Board forwards its findings and recommendations to the Police Commissioner. The Board recommends disciplinary actions in those cases where it determines that the investigative findings show that misconduct occurred.

The CCRB encompasses 16 operational units and 17 investigation squads with over 90 full-time civilian investigators.¹ According to the Fiscal Year (FY) 2017 Mayor's Management Report, the CCRB received 4,215 complaints in FY 2017. Computers and related equipment (including mobile devices) play a vital role in helping CCRB staff achieve the agency's mission. Among other things, investigation squads are assigned cameras, recorders, laptops, and other mobile devices to use in the field.

The CCRB's Management Information System (MIS) Unit and Operations Unit each have responsibilities for managing the agency's inventory of computers and related equipment. The MIS unit is responsible for tracking the CCRB's inventory of network appliances, servers, laptops, printers, and desktop computers, while the Operations Unit maintains the CCRB's inventory of smartphones, desk phones, iPads, voice recorders, and cameras. Each unit maintains its inventory records in Excel spreadsheets, which as of July 31, 2017, included 912 items tracked by the MIS unit and 166 devices tracked by the Operations Unit.

According to the *Comprehensive Annual Financial Report of the New York City Comptroller for the Fiscal Year ending June 30, 2017*, the CCRB's FY 2017 Budget was \$16,178,443. The actual expenditures the CCRB made for that same period totaled \$15,173,759, which included \$3,548,725 of Other Than Personal Services (OTPS) spending and \$11,680,809 spent for Personal Services. The OTPS expenses include purchases of computers and related equipment reportedly totaling \$237,500.²

Objective

The objective of this audit was to determine whether the CCRB has adequate controls over its inventory of computers and related equipment.

¹ The 17 investigation squads included two squads that had no assigned staff and that were no longer active but for which equipment was still listed as being assigned in the inventory records.

² The figure reflects the CCRB's reported spending for purchases under object code 332 – "Purchases of Data Processing Equipment" - in the City's Financial Management System (FMS).

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 objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2016, through February 14, 2018 (the last date of our inventory counts). Please refer to the Detailed Scope and Methodology at the end of this report for specific procedures and tests that were conducted.

Discussion of Audit Results with the CCRB

The matters covered in this report were discussed with CCRB officials during and at the conclusion of this audit. A preliminary draft report was sent to the CCRB and discussed at an exit conference held on April 25, 2018. On May 3, 2018, we submitted a draft report to the CCRB with a request for comments. We received a written response from the CCRB on May 21, 2018. In its response, the CCRB agreed with the audit's 10 recommendations.

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

FINDINGS AND RECOMMENDATIONS

The CCRB's controls over its inventory of computers and related equipment are deficient in a number of areas. Although we were able to locate 96 percent of the sampled equipment listed in the CCRB's inventory records, we found that the inventory lists maintained by the CCRB contained inaccurate and incomplete information for some of the listed equipment items and did not list other items that were in the CCRB's custody. In addition, although the CCRB uses sequential, pre-numbered property tags to account for its equipment, we identified numerous missing sequential tag numbers that the CCRB could not account for. In the absence of an accounting or a verifiable explanation for why those tag numbers were missing from the CCRB's inventory records, we were unable to ascertain whether they had been assigned to equipment that was not listed in the CCRB's inventory records or whether they had been skipped, that is, never issued or used by the CCRB. We also found items in the CCRB's custody that did not have number-tags affixed and items that were listed in the CCRB's inventory records without tag numbers. Further, we found that equipment serial numbers for the CCRB's Cisco desk phones are not tracked, making it difficult to account for those items and consequently increasing the risk that they could be misappropriated or lost without detection. Other deficiencies noted in the audit include that the CCRB: (1) does not ensure that obsolete items are relinquished; (2) has inadequate written inventory policies; and (3) maintains an inadequate segregation of duties in relation to its computer equipment management.

Finally, we found that the CCRB does not adequately monitor the use of its mobile devices and incorrectly charged expenses to the budget code 332 (computer equipment) in FMS.

Incomplete and Inaccurate Information Found in CCRB's Inventory Records

Section 28 of the New York City Department of Investigation's *Standards for Inventory Control and Management* (DOI Standards) requires that "[p]ermanent records are maintained, centrally, to track all non-consumable goods 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." As stated in the *Financial Integrity Statement Checklist*, issued under Comptroller's Directive #1, *Principles of Internal Control*, "inventory items require strong controls to ensure accurate record keeping and good security . . . detailed records [are] maintained for supplies and non-capital assets . . . positive identification is used to identify . . . equipment."

Contrary to the abovementioned requirements, our testing revealed that the CCRB's inventory records contained incomplete and inaccurate information for some of the items listed and did not include some of the computer equipment in the agency's custody. For example, the initial inventory records we received from the CCRB dated July 31, 2017 listed 34 computer items and 13 mobile devices without tag numbers.³ Eleven of those 13 mobile devices were also listed without International Mobile Equipment Identity (IMEI) numbers.⁴

³ The 34 computer items included 12 items that were new in the box and locked in storage, 13 items locked in MIS storage, and 9 items that were in use by the agency.

⁴ The IMEI is a unique identifier for mobile devices and hotspots, a form of Electronic Serial Number.

In addition, we identified 12 instances in the CCRB's initial inventory lists where serial numbers—each of which should be a unique identifier a manufacturer assigns to a single item—were instead duplicated as though they belonged to more than one item.⁵ For example, two different monitors with CCRB tag numbers 405 and 486 were listed with the same serial number, CN-0RVC21-74261-312-6JGM. We determined through inspection that that serial number belonged to the monitor with tag number 486 and not to the monitor with tag number 405. In addition, two switches (devices that connect equipment on a computer network) were listed without model numbers, and two Samsung smartphones were incorrectly recorded on the inventory list as iPhones.

We randomly selected 2 of the CCRB's 17 investigation squads and 2 of its 16 operational units, and judgmentally selected 4 additional squads, to determine whether they were in possession of the 194 computers and related items reportedly assigned to them according to the CCRB's inventory records.⁶ We also randomly selected an additional 36 items (cameras, recorders and laptops) assigned to areas throughout the agency to determine whether the items were at the locations reported in the CCRB's inventory lists. In total, we searched for 230 items listed with locations in the CCRB's inventory records and found the following:

- 9 of the 230 items (4 percent)—including a DVD drive, cameras and recorders—could not be located.
- 18 additional items (8 percent) were recorded on the CCRB's inventory lists with inaccurate information (location, assignment or tag number), including 14 recorders for which the listed tag numbers did not match the tags affixed to the items. (This issue is discussed in more detail in the following section of this report.)

In addition, when comparing the computer and related items in the possession of the sampled units with those that the inventory records showed were assigned to those units, we identified three items (an Android smartphone, a recorder, and a desktop) that were in the possession of unit staff but were not listed in any of the CCRB's inventory records.

It appears that the abovementioned errors occurred in large part because the CCRB did not regularly update its inventory records when changes were made and did not conduct periodic inventory counts.⁷ The CCRB's failure to regularly update its inventory records and conduct its own inventory counts hinders the agency's ability to ensure that the items in its inventory are accounted for, which in turn significantly increases the risk that its inventory items could be lost, stolen or misappropriated without detection.

Missing, Duplicate and Unaccounted-for Inventory Tags

The DOI Standards state, “[r]eadable, sturdy property identification tags . . . with a sequential 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.”

⁵ We received initial inventory lists from the CCRB in August 2017 (dated as of July 31, 2017) and updated lists in January 2018 to enable us, in conducting our inventory counts that month, to account for any items that might have been moved or reassigned after the initial lists were provided.

⁶ We judgmentally selected two squads for which we had earlier conducted observations to understand operations and two squads which CCRB officials stated were no longer active, but for which equipment was listed as being assigned to in the inventory records.

⁷ In its most recent Financial Integrity Statement (dated March 13, 2017), which is part of Comptroller's Directive #1 and is intended to help agencies determine whether its internal controls are adequate, the CCRB reported that its perpetual inventory records are not compared with physical inventory counts, which reflects the fact that regular inventory counts are not performed.

As stated previously, the CCRB does not consistently record equipment tag numbers in its inventory records. The CCRB also did not adequately control the tag numbers it issued to ensure that all numbers were sequentially assigned and accounted for. As a result, the CCRB cannot effectively track and account for all computers and related equipment, increasing the risk that such items could be stolen or lost without detection.

We found that 1,031 of the 1,078 items (96 percent) on the inventory lists dated July 31, 2017 were recorded with tag numbers, identifying them as property of the CCRB.⁸ Upon our observation of the 47 items recorded without tag numbers, we confirmed that 32 (68 percent) were in fact not tagged, including 12 Dell laptops that were still in their boxes. The Department of Information Technology and Telecommunications' (DOITT's) Operational Handbook states, "When assets are delivered they are checked for completeness . . . tagged . . . and the asset record is updated . . ." The untagged items are at greater risk of being misappropriated and of such misappropriation not being detected.

As a further indication of the CCRB's deficient recordkeeping for its tags, we found 20 instances where the same tag numbers were listed as being assigned to more than one item—a total of 40 items—on the initial inventory lists we received from the CCRB.⁹ Our physical inspection of the 40 items revealed the following:

- 14 items had the correct tag numbers, locations, and assignments as listed in the inventory records.
- 6 items had different tag numbers affixed than those listed in the records.
- 6 items had the correct tag numbers affixed, but their locations or assignments did not match those reported in the inventory records.
- 1 item could not be located.
- 13 items were not tagged at all.

Our review of the CCRB's inventory records also revealed gaps in what should have been sequentially-issued unique tag numbers affixed to all of the agency's inventoried computers and related equipment. The initial inventory lists provided by the CCRB dated July 31, 2017 reflected 36 gaps and a total of 223 missing numbers among the sequential tag numbers, consisting of:

- 30 gaps encompassing a total of 159 missing numbers in the MIS unit's inventory lists; and
- 6 gaps encompassing a total of 64 missing numbers in the Operations unit's inventory lists.

We selected a sample of 24 of the 223 unaccounted-for tag numbers for follow-up. In January 2018, the CCRB provided us with updated inventory lists that included 10 of the 24 sampled tag numbers that had been missing from the list dated July 31, 2017. We also observed CCRB staff assign one additional missing tag number to an item during our January 2018 inventory count,

⁸ In its most recent Directive #1 Financial Integrity Statement (dated March 13, 2017), the CCRB indicated partial compliance with positively identifying [tagging] expensive non-capital items [e.g. computers], which is an indication that the CCRB was aware that some items were not tagged.

⁹ We identified another three instances where a tag number was used twice, but a further review revealed that these represented duplicates, i.e., 3 items that were each listed twice.

leaving 13 missing tag numbers from our sample unaccounted-for. Of those 13 tag numbers, we found during our count that 1 of the 13 was in fact affixed to a piece of equipment—a recorder—that was listed in the CCRB’s inventory records with a *different* tag number.

Subsequent to our count, we asked the CCRB about the status of the 13 sampled tag numbers that remained unaccounted for in its January 2018 listings. (Included in that group of 13 was the tag number that we found affixed to the recorder.) The CCRB responded that “these tag numbers [including the one assigned to the recorder] were not in use.” That response, which failed to account for a tag number that our count revealed *was* in use, raises a concern that tag numbers that the CCRB believes were not in use may instead have been used and assigned to equipment that is either unaccounted for or recorded with incorrect information in the CCRB’s inventory lists.

The deficiencies in the CCRB’s accounting for its tag numbers can primarily be attributed to both the MIS unit’s and Operations unit’s use of the same roll of tags without maintaining a tracking log of the tag numbers assigned. Failure to track the individual tag numbers undermines their usefulness as a control mechanism.

Because of the deficiencies identified above, we do not have reasonable assurance that the inventory lists provided by the CCRB are complete and accurate. In the absence of adequate recordkeeping and assignment of sequential tag numbers, it is difficult for the CCRB to monitor, track, and account for all computers and related equipment. Also, the risk that computers and related equipment could be stolen or lost without detection is increased.

Cisco Phones Are Not Adequately Tracked or Tagged

According to DOITT’s *Operational Handbook for Asset Management*, all IT hardware assets with a cost of \$200 or more and an estimated useful life of more than two years are required to be tagged. The handbook also states that the asset management process includes “validating IT assets, uniquely identifying each device with an asset tag, determining physical and logical specifications, identifying and recording the relationships of the assets . . . and maintaining the associated information in a centralized database.”

The CCRB maintained an incomplete list of its Cisco desk phones. We compared a list of the Cisco phones prepared by the Deputy Assistant Director for budgetary purposes, which included serial numbers, with the inventory list provided by the Operations unit and identified 19 phones on the budget list that were not recorded on the inventory list. We subsequently located 17 of those 19 phones; Operations unit staff could not provide locations or any explanation for the absence of the 2 phones that remained unaccounted-for. In addition, the inventory list includes only the names and telephone numbers of the individuals to whom the phones are assigned. The CCRB does not track the phones’ serial numbers or tag the phones. Without tag numbers or serial numbers, we were unable to positively identify the phones. Internet research indicates that the Cisco phones used by the CCRB cost over \$200 each and allow users to access Web-based information. (The phones also require regular software updates.)

The CCRB’s failure to record all of its phones in its inventory records, assign sequential tag numbers to the phones and track their serial numbers makes it difficult to account for them and creates an environment where these phones could be easily misappropriated without detection.

Recommendations

1. The CCRB should strengthen its inventory management controls to ensure that all equipment is properly accounted for, assigned to the correct employee, tagged and secured.

CCRB Response: “Agree. The CCRB is in the process of evaluating its current inventory management systems and researching alternative inventory systems and implementing further segregation of duties, where possible. The new system will include tracking of relinquished items, tagging and inventorying of new equipment upon inspection, and track tag numbers both used and unused. Due to a lack of resources (both personnel and capital) and historical high turn-over rates, the CCRB has struggled to maintain accurate records of its mobile inventory, but is actively working to improve this system.”

2. The CCRB should regularly update its inventory records, perform and document annual inventory counts and conduct periodic reconciliations between the inventory records and the purchasing records.

CCRB Response: “Agree. The CCRB MIS and Operations units have already implemented procedures for prompt and accurate updates, regular counts and reconciliations, and annual inventory counts of all agency equipment. The Operations Unit and MIS staff have implemented additional checks and balances to ensure that these procedures are followed correctly. The Agency has worked diligently to correct those inaccurate or incomplete records noted in the Draft Report.”

3. The CCRB should ensure that tag numbers are sequentially assigned to all equipment and tracked.

CCRB Response: “Agree. Prior practice had been not to tag items not yet assigned to a staff member, nor to strictly use tag numbers sequentially. We agree that those unused items should have been tagged and inventoried accordingly and this matter was addressed during the course of the audit. The current CCRB administration inherited a tagging system using two rolls of tags by separate groups, which were not strict in their segregation or sequencing, and gaps were noted in the tag numbers. The CCRB is working to replace the tags where possible and update to sequentially numbered system as soon as possible.”

4. The CCRB should ensure that Cisco phones are recorded in inventory records along with their serial numbers, and that the phones are tagged.

CCRB Response: “Agree. The CCRB has already inventoried all Cisco phones and reconciled those purchased and assigned or decommissioned, where possible. The CCRB is tagging its Cisco desk phones following the audit process.”

Non-Compliance with the City’s Asset Relinquishment Policy

According to the Department of Citywide Administrative Services, Office of Citywide Procurement Policies & Procedures Office of Surplus Activities (OSA) policy, once an agency determines that material is no longer required, it is the agency’s responsibility to relinquish that material to OSA. The relinquishment of surplus material should take place promptly; prompt relinquishment submission enables OSA to determine the appropriate method of disposal and act efficiently on

the best disposition method. In addition, according to the DOI Standards, relinquished items should be deleted from the inventory log, under adequate controls.

However, we found no evidence that the CCRB relinquishes equipment in accord with the OSA policy when it is no longer needed. During our audit, we found that computers and related equipment not being used by CCRB staff had instead been kept in storage indefinitely. We identified 170 items, including laptops, printers, monitors and desktops on the decommissioned inventory list which were kept in a storage room. The CCRB's records did not indicate how long those items had been on that list. According to the Director of Information Technology, the CCRB, because of lack of money in the budget, has not used the services of the City's contracted vendor that disposes of such items.¹⁰ However, according to the OSA policy, agencies that possess certain types of computer items, such as desktop computers, printers, and others, that are no longer useful are required to offer them back to the vendor from which they were purchased as a potential trade-in for comparable equipment. Such an offer could also be an option for the CCRB since items in its decommissioned list include desktops and printers.

According to OSA, by relinquishing unused equipment in accordance with OSA's policy, the City seeks to reuse surplus property by facilitating inter-agency transfers or, when transfer is not a viable option, realize the highest possible revenue through resale. Failure to promptly relinquish items that are no longer needed can hinder the City's efforts to effectively manage its surplus material.

Recommendation

5. The CCRB should comply with OSA's relinquishment policy and ensure that all unused computers and related equipment presently in storage is relinquished in accordance with the requirements.

CCRB Response: "The Draft Report specifies that the OSA policy requires that 'once an agency determines that material is no longer required it is the agency's responsibility to relinquish that material to OSA.' The CCRB's MIS staff will begin steps to relinquish equipment that cannot be used to OSA as noted in the DCAS policy."

Inadequate Written Policies and Procedures

The DOI Standards state that "[a]gency management is responsible for ensuring that there are policies and procedures and that these are updated." Although the CCRB provided us with written procedures, they did not include sufficient detail to aid the CCRB's staff in ensuring that inventory was adequately maintained. The CCRB's procedures, which in total consisted of less than one page of text, omitted fundamental information, such as staff responsibilities regarding: (1) the person(s) responsible for updating the CCRB's inventory records and tagging its equipment; (2) steps for the issuance of mobile devices; (3) person(s) responsible for tracking and processing items to be relinquished; and (4) procedures for conducting periodic inventory counts.

Without adequate written policies, the CCRB limits its ability to ensure that agency personnel are aware of their responsibilities for maintaining the agency's inventory of computers and related equipment. In addition, as noted in the DOI Standards: "[t]he absence of clearly written policies

¹⁰ The New York City Department of Sanitation awarded an Agency Safe Handling Contract to a vendor to remove, process, and handle electronic waste.

and procedures that define limits of authority can result in staff being allowed excessive discretion that can provide opportunities for undetected thefts and other dishonest activities. Lack of procedures renders it more difficult to hold individuals accountable for their actions of failures to act.”

Recommendation

6. The CCRB should create comprehensive written inventory-management policies and procedures that delineate its staff’s responsibilities for computers, related equipment and other assets in conformity with the DOI Standards and the specific needs and operations of the agency.

CCRB Response: “Agree. Prior to the Draft Report, the agency began undertaking expanding and maintaining its agency specific written policies and procedures in response to Directive #1 of the Office of the Comptroller. All units in the agency are currently in the process of updating or drafting such agency specific policies, including inventory-management.”

Lack of Segregation of Duties in the Management of the Computer Inventory

According to Comptroller’s Directive #1, *Principles of Internal Control*, “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.”

Our review and observations disclosed that the MIS Unit Supervisor and the individual responsible for the Operations inventory each performed several key inventory-related tasks for their respective groups. Specifically, the MIS unit supervisor is responsible for receiving, distributing and tagging inventory, recording the items in the inventory records, and updating the inventory records. In the Operations unit, one individual is also responsible for receiving, distributing, tagging, and updating inventory records for the devices tracked by that unit. The CCRB has not established any compensating controls to reduce the risk associated with the lack of segregation of duties.

This lack of segregation of duties creates an environment where the risk that errors and fraud can occur and go undetected is increased since several of the key mechanisms that would aid in identifying such instances are under the control of one individual.

Recommendation

7. The CCRB should ensure that key responsibilities for the management of the inventory of computers and related equipment are adequately segregated or institute compensating controls if a segregation of responsibilities is not feasible.

CCRB Response: “Agree. As noted above, the CCRB is in the process of evaluating its current inventory management systems, researching alternative inventory systems, and implementing further segregation of duties. Due to the small size of the CCRB MIS and

Operations staff, it has historically been difficult to fully segregate responsibilities, however, prior to and following the audit, the agency implemented further segregation of duties among its staff, where possible. As an example, the MIS Deputy will no longer be responsible for counts and updates of the inventory records, and procurement of MIS inventory will be managed by Operations. The Board understands the gravity of this safety measure and thanks the Comptroller's Office for the opportunity to work through how others manage this issue with limited resources."

Other Matters

Mobile Device Usage Not Adequately Monitored

According to the *Citywide Policy on City-Owned Mobile Devices and Services*, the DOITT Telecommunications Audit and Reporting unit provides monthly wireless invoicing to all agency wireless coordinators, and each individual agency is responsible for retrieving and reviewing the records reflecting the agency's wireless usage. The policy also states that it is the responsibility of the agency to maintain accurate records of device assignments and ensure that devices are properly accounted for. Agency wireless coordinators are required to immediately notify DOITT, in writing, if any mobile telephone or other wireless device assignment changes.

However, our review disclosed that contrary to the abovementioned policy the CCRB did not: (1) review wireless usage; (2) maintain accurate records of device assignments; or (3) properly account for its mobile devices. According to the CCRB's inventory records, the agency had only 113 mobile devices (smartphones, iPads, and hotspots) as of July 31, 2017. However, a review of the bills from the CCRB's two wireless service providers indicates that the CCRB was charged for a total of 150 mobile devices, specifically 72 devices listed in the June 2017 Verizon bill and 78 devices listed in the June 2017 AT&T bill. Further review and comparison of the records showed that the CCRB was billed for 67 phone lines for devices that either were not listed or could not be matched to devices listed in its inventory records, such as the iPads that were listed in the inventory records without telephone numbers (mentioned below).

Because of discrepancies between the Verizon and AT&T bills and the CCRB's inventory records, we were unable to reconcile all of the devices listed in inventory records with the bills for mobile-device usage and were unable to determine whether some of the devices listed in the inventory records had been used. Further, significant deficiencies in the CCRB's recordkeeping prevented us from definitively determining which devices were accounted for and which were not. For example, because the CCRB's 17 iPads were listed in its inventory records without phone numbers, the information the CCRB provided was insufficient to permit a reconciliation of the bills for mobile device usage—which may have included iPad-usage—with the CCRB's records of its mobile devices. In addition, although we were able to reconcile the telephone numbers of the hotspots listed in the CCRB's inventory records with the telephone numbers recorded on the Verizon bills; we were not able to consistently reconcile the names of the individuals or units to whom or which they were assigned.

Similarly, the names of the individuals assigned smartphones and the associated telephone numbers as recorded on the mobile-usage bills do not consistently match the names and telephone numbers as recorded in the CCRB's inventory records. For example, some individuals are listed in the inventory records as having been assigned smartphones with specific telephone numbers. However, the mobile-usage bills we reviewed list several of the same smartphones and

telephone numbers not as assigned to any individuals but instead with the designation “CCRB Cell 1.”

Our review also identified instances where the individuals listed on the mobile usage bills are not listed in the CCRB’s inventory records as authorized phone users. For example, the billing statements indicate that the individual in charge of the Operations inventory had two assigned devices, although he is not listed in the inventory records as having been assigned any devices. In addition, although the billing statements indicate that the Executive Director had an assigned smartphone, he is not listed in the inventory records as having been assigned one. Our review of the Verizon bills for April through June 2017 indicates that, in total, 41 of the 73 phone lines that appeared on the Verizon bills for all three months were reportedly assigned to employees or units not listed as authorized phone users in the CCRB’s inventory records. Those 41 phone lines incurred usage and related charges totaling \$2,650 during the three-month period we reviewed.

A further review of the Verizon bills revealed that 26 of the 73 phone lines that the City paid for had no recorded usage at all during the same three-month period, and another 29 lines went at least one month during that period without any usage. For that three-month period, the CCRB paid \$2,447 for mobile telephone lines with no activity and another \$1,302 for the lines with intermittent activity. The CCRB should be reviewing monthly usage records to evaluate whether all lines are needed and whether unused and inactive lines should be canceled.

According to CCRB officials, they do not have access to the Verizon and AT&T wireless bills, since the bills are paid by DOITT.¹¹ Based on the discrepancies identified between the billing statements and the inventory records, and since we received no records of communications between the CCRB and DOITT regarding those discrepancies, we have little, if any, assurance that the CCRB has been reviewing the agency’s wireless usage, which increases the risk that the CCRB may be paying for wireless services that it is not receiving, or that have not been approved, or that are no longer needed.

Purchases Charged to Incorrect Object Codes

According to Comptroller’s Directive #24, *Agency Purchasing Procedures and Controls*, payment voucher approvers must ensure that the appropriate accounting and budget codes are being charged, including the correct object code.

We examined the payments charged to object code 332—*Purchases of Data Processing Equipment*—in FMS. We judgmentally selected all payments of \$2,000 or more and reviewed 24 payments totaling \$220,628. Our review disclosed that 13 payments or portions of payments totaling \$56,002—(25 percent by dollar value)—were incorrectly charged to object code 332. Most of those purchases were for data processing supplies that should have been charged to object code 199 – *Data Processing Supplies*, or for Consultant Services that should have been charged to code 684 – *Professional Services – Computer Services – Contractual*, or to code 400 – *Contractual Expenditures – General*. For example, a payment of \$6,400 for data services was incorrectly charged to object code 332—the code for the purchase of data processing equipment—rather than to 684.

The CCRB needs to strengthen its controls over the recording of purchases to ensure payments are applied to the correct object codes. The use of the correct object codes for expenditures

¹¹ According to the CCRB, the wireless bills it provided were requested from DOITT.

allows an agency to categorize the type and amount of a particular expense item within a fiscal year. Failure to use the correct object codes can compromise the accuracy of management's expense-reporting and its ability to plan future budgets.

Recommendations

8. The CCRB should ensure that it requests and obtains from DOITT access to its monthly wireless bills.

CCRB Response: “Agree. The CCRB had already implemented this recommendation prior to the audit, and is working with DoITT to monitor more closely all mobile and wireless device usage. In the period audited (April – June 2017) the CCRB cancelled more than a dozen inactive mobile devices, and has subsequently cancelled a few dozen more. The devices in question were inherited from previous administrations and once identified by the new Director of Operations, the[y] were decommissioned wherever possible.”

9. The CCRB should ensure that its records reflecting all authorized users of all of its mobile devices are updated, made complete and accurate, and reconciled with its monthly billing statements for mobile device usage, so that it pays only for wireless services actually provided to authorized employees.

CCRB Response: “Agree. The agency is working with DoITT to remedy any inconsistencies. It is worthy of note that monthly billing statements and information reflected thereon is not within the direct control of the CCRB as all wireless services are procured through DoITT.”

10. The CCRB should ensure that its payments are charged to the correct object codes.

CCRB Response: “Agree. The CCRB understands that proper object codes should be utilized for items purchased for a variety of reasons. The Operations staff that is responsible for these tasks have been or are scheduled for retraining on this matter. As such the agency has implemented this recommendation as well.”

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 objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

The audit scope was July 1, 2016, through February 14, 2018 (the last date of our inventory counts).

In order to obtain an understanding of the operations and controls over computer and computer-related equipment at the CCRB, we conducted walkthrough meetings and interviews with CCRB officials and staff in charge of the inventory management.

We reviewed and used as criteria the following: DOITT's *Operational Handbook for Asset Management*; DOITT's *City Wide Policy on City-Owned Mobile Devices and Services*; Comptroller's Directive #1, *Principles of Internal Controls*; Comptroller's Directive #24, *Agency Purchasing Procedures and Control*; and DCAS's *Office of Citywide Procurement Policies & Procedures, Office of Surplus Activities*. We also reviewed the Comptroller's Office Directive #1 Checklist filed by the CCRB in Fiscal Year 2016 dated March 3, 2017. Furthermore, we obtained for review the inventory records maintained by the MIS and Operations Units. We received the following inventory lists:

- From the MIS unit, the *INITIAL_MIS Inventory (7.31.2017)*, updated MIS inventory lists titled *UPDATED_MIS Inventory (updated 8.31.2017)* provided to us after the observation meetings, the latest inventory lists titled *MIS_Inventory_1.8.2018* provided to us on the day we started the inventory tests.
- From the Operations Unit, the *INITIAL_CCRB Operations Inventory 7.31.2017A* and updated inventory lists titled *UPDATED_CCRB Operations Inventory (10.07.2017)*.
- From the Deputy Assistant Director, the *Operations Hardware Inventory*, which was produced by the director after he conducted a floor check of the computer equipment in May 2017.
- Additional inventory lists maintained separately: Cisco landline phones, Servers, and VZ Jetpacks.

To evaluate the accuracy and completeness of the initial MIS and Operations units' inventory lists dated July 31, 2017, we analyzed critical information such as make, model, tag and serial numbers, location, and assignment to staff of the computer items recorded to identify any gaps, missing information and duplicate records. Additionally, we compared the list generated by the Deputy Assistant Director to the initial inventory lists generated by both units and analyzed the discrepancies. We determined whether any discrepancies identified were accurately reflected on the latest inventory records generated on January 8, 2018.

Since the bulk of the equipment is used by the investigation squads, we randomly selected two investigation squads (with 58 assigned computer items) and judgmentally selected four additional investigation squads (with 84 assigned computer items), including two squads that had no

assigned staff and were no longer active, and randomly selected two operation units (with 52 assigned computer items) to conduct observations of the computer equipment in the possession of these units to determine whether the items were accurately recorded and accounted for in the inventory records. We also conducted observations of the equipment listed on the inventory records as being assigned to these units to determine whether the computer equipment was accurately recorded on the lists and whether the equipment assigned to them could be accounted for. We also ascertained whether the equipment was assigned to the employees or the location recorded on the inventory lists. In total, we reviewed a sample of 194 (18 percent) of the 1,078 computer and computer-related items.

We found during the observations that control risks were high for the inventory of the cameras, recorders, and laptops so we randomly selected an additional 36 items from the inventory lists for testing, including 10 cameras, 10 recorders and 16 laptops. Therefore, we reviewed a total of 230 (21 percent) of the population of 1,078 computer and computer related items. We determined whether any discrepancies identified were the result of updates to the inventory that were reflected on the latest inventory records generated on January 8, 2018.

Additionally, to determine whether the CCRB regularly reconciled its inventory records as required by the procedures, we ascertained whether the records with duplicate tag and serial numbers, and items with missing critical information on the initial lists were appropriately updated in the latest inventory records. We conducted observations to determine whether the items existed. Furthermore, to assess the completeness of the inventory records, we randomly selected a sample of 24 of the 223 missing tag numbers from the gaps identified in the sequential tag numbers on the initial inventory lists and determined whether they were included in the latest inventory lists.

To determine whether the CCRB complied with its purchasing procedures, we reviewed two purchases coded as data processing equipment (object code 332) with the highest dollar amounts. We determined whether the computer items purchased were recorded on the inventory lists. We also judgmentally selected additional payments of \$2,000 or more charged to object code 332 in FMS to determine whether the CCRB charged the payments to the correct object codes. We further determined whether all mobile devices paid for on the Verizon billing statements for April, May and June 2017 reconciled with the inventory records and were being used by CCRB staff.

To assess the CCRB's compliance with the relinquishment procedures, we determined whether the sampled computer items that were listed on the decommissioned items list were handled as required by the procedures. We also interviewed the appropriate officials to get an understanding of the CCRB's relinquishment process.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis for us to evaluate the CCRB's controls over the management of computers and related equipment.



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FREDERICK DAVIE
CHAIR

Date: May 17, 2018

To: Marjorie Landa, Office of the Comptroller

From: Jonathan Darche, Executive Director
Civilian Complaint Review Board

Re: DRAFT Audit Report on the Civilian Complaint Review Board's Controls over Its Inventory of Computers and Related Equipment MD18-067A

Dear Ms. Landa:

This letter is in response to the above captioned draft Audit Report on the Civilian Complaint Review Board's (CCRB) Controls over its Computers and Related Equipment, dated May 3, 2018 (the "Draft Report").

Thank you for giving the Board the opportunity to formally review and comment upon the Draft Report. I want to thank you and your staff for your effort and diligence in the preparation of the Draft Report, in particular, your responsiveness to suggestions made by the CCRB in the preliminary draft process. Over the last eighteen months, the CCRB has undergone substantial changes in leadership, both amongst the Board and the executive staff. As such, we appreciate the opportunity to review our own controls and inventory mechanisms and welcome recommendations on improvement and compensating controls. The Board takes the proper practices and inventory of all items very seriously.

The Board is pleased that 96% of the items sampled were located during the audit and that the vast majority of the items that could not be immediately located by the auditors are items with limited value and high portability. The Board had begun to implement some of the Draft Report's recommendations before the audit process either began or thereafter. The Board will work to implement the remaining recommendations as addressed below.

Recommendation #1

The CCRB should strengthen its inventory management controls to ensure that all equipment is properly accounted for, assigned to the correct employee, tagged and secured.

Agree. The CCRB is in the process of evaluating its current inventory management systems and researching alternative inventory systems and implementing further segregation of duties, where possible. The new system will include tracking of relinquished items, tagging and inventorying of new equipment upon inspection, and track tag numbers both used and unused. Due to lack of resources (both personnel and capital) and historical high turn-over rates, the CCRB has struggled to maintain accurate records of its mobile inventory, but is actively working to improve this system.

The CCRB is both physically small and operated on a limited budget. Consequently, the CCRB does not have the budgetary ability to assign every staff member who is in need of technology a laptop or mobile phone, and often these are assigned to an investigative “squad” by the manager. Therefore, laptops or other equipment have been temporarily shared among staff, with supervisor knowledge.

Recommendation #2

The CCRB should regularly update its inventory records, perform and document annual inventory counts and conduct periodic reconciliations between the inventory records and the purchasing records.

Agree. The CCRB MIS and Operations units have already implemented procedures for prompt and accurate updates, regular counts and reconciliations, and annual inventory counts of all agency equipment. The Operations Unit and MIS staff have implemented additional checks and balances to ensure that these procedures are followed correctly. The Agency has worked diligently to correct those inaccurate or incomplete records noted in the Draft Report.

Recommendation #3

The CCRB should ensure that tag numbers are sequentially assigned to all equipment and tracked.

Agree. Prior practice had been not to tag items not yet assigned to a staff member, nor to strictly use tag numbers sequentially. We agree that those unused items should have been tagged and inventoried accordingly and this matter was addressed during the course of the audit. The current CCRB administration inherited a tagging system using two rolls of tags by separate groups, which were not strict in their segregation or sequencing, and gaps were noted in the tag numbers. The CCRB is working to replace the tags where possible and update to sequentially numbered system as soon as possible.

Recommendation #4

The CCRB should ensure that Cisco phones are recorded in inventory records along with their serial numbers, and that the phones are tagged.

Agree. The CCRB has already inventoried all Cisco phones and reconciled those purchased and assigned or decommissioned, where possible. The CCRB is tagging its Cisco desk phones following the audit process.

Recommendation #5

The CCRB should comply with OSA's relinquishment policy and ensure that all unused computers and related equipment presently in storage is relinquished in accordance with the requirements.

The Draft Report specifies that the OSA policy requires that "once an agency determines that material is no longer required it is the agency's responsibility to relinquish that material to OSA." The CCRB's MIS staff will begin steps to relinquish equipment that cannot be used to OSA as noted in the DCAS policy.

Recommendation #6

The CCRB should create comprehensive written inventory management policies and procedures the delineate its staff's responsibilities for computers, related equipment and other assets in conformity with DOI Standards and the specific needs and operations of the agency.

Agree. Prior to the Draft Report, the agency began undertaking expanding and maintaining its agency specific written policies and procedures in response to Directive #1 of the Office of the Comptroller. All units in the agency are currently in the process of updating or drafting such agency specific policies, including inventory-management.

Recommendation #7

The CCRB should ensure that key responsibilities for the management of inventory of computers and related equipment are adequately segregated or institute compensating controls if a segregation of responsibilities is not feasible.

Agree. As noted above, the CCRB is in the process of evaluating its current inventory management systems, researching alternative inventory systems, and implementing further segregation of duties. Due to the small size of the CCRB MIS and Operations staff, it has historically been difficult to fully segregate responsibilities, however, prior to and following the audit, the agency implemented further segregation of duties among its staff, where possible. As an example, the MIS Deputy will no longer be responsible for counts and updates of the inventory records, and procurement of MIS inventory will be managed by Operations. The Board understands the gravity of this safety measure and thanks the Comptroller's Office for the opportunity to work through how others manage this issue with limited resources.

Recommendation #8

The CCRB should ensure that it requests and obtains from DoITT access to its monthly wireless bills.

Agree. The CCRB had already implemented this recommendation prior to the audit, and is working with DoITT to monitor more closely all mobile and wireless device usage. In the period

audited (April – June 2017) the CCRB cancelled more than a dozen inactive mobile devices, and has subsequently cancelled a few dozen more. The devices in question were inherited from previous administrations and once identified by the new Director of Operations, the were decommissioned wherever possible.

Recommendation #9

The CCRB should ensure that its records reflecting all authorized users of all of its mobile devices are updated, made complete and accurate, and reconciled with its monthly billing statements for mobile usage, so that it pays only for wireless services actually provided to authorized employees.

Agree. The agency is working with DoITT to remedy any inconsistencies. It is worthy of note that monthly billing statements and information reflected thereon is not within the direct control of the CCRB as all wireless services are procured through DoITT.

Recommendation #10

The CCRB should ensure that its payments are charged to the correct object codes.

Agree. The CCRB understands that proper object codes should be utilized for items purchased for a variety of reasons. The Operations staff that is responsible for these tasks have been or are scheduled for retraining on this matter. As such the agency has implemented this recommendation as well.

Once again, the CCRB would like to thank the Comptroller's Office for the opportunity to respond to the Draft Report.