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 City Commission on Human Rights' Controls over Its Inventory of Computers and Computer-Related Equipment

June 13, 2018

To the Residents of the City of New York:

My office has audited the New York City Commission on Human Rights (CCHR) to determine whether the agency has adequate controls in place over its inventory of computers and related equipment. We perform audits such as this to ensure that City agencies maintain appropriate safeguards for protecting their resources.

The audit concluded that CCHR needs to improve its controls over its inventory of computers and related equipment. Specifically, CCHR's policies and procedures did not provide sufficient guidance to its staff for the accounting and safeguarding of its computers and related equipment. In addition, the agency did not ensure that annual inventory counts were conducted. Further, although CCHR was generally able to account for the items sampled from its inventory records, we found a number of inventory weaknesses relating to the tagging of computer assets, the maintenance of an accurate inventory list of those assets, and their disposal. Improvement in CCHR's controls over its inventory operations would help reduce the risk of its computer assets being misplaced or misappropriated.

To address these and other issues, the audit made 11 recommendations, including that CCHR: develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment; conduct independent annual inventory counts of its computers and related equipment; ensure that asset tag numbers are issued in sequential order and that any gaps in those numbers are investigated; ensure that it assigns a unique asset tag number to each item; ensure that asset information is correctly recorded on its inventory records; and ensure that all of the items claimed to have been disposed of are easily traceable from the disposal records to the inventory records.

The results of the audit have been discussed with CCHR officials, and their comments have been considered in preparing this report. CCHR's complete written response is attached to this report.

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

Sincerely,

Scott M. Stringer

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THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
MANAGEMENT AUDIT

Audit Report on the City Commission on Human Rights' Controls over Its Inventory of Computers and Computer-Related Equipment

ME18-062A

EXECUTIVE SUMMARY

The New York City Commission on Human Rights (CCHR) is responsible for enforcing the New York City Human Rights Law (Title 8 of the Administrative Code of the City of New York). Under that law, it is illegal to discriminate against persons seeking employment, housing, and public accommodations on the basis of, among other things, age, race, national origin, sexual orientation, gender identity, religion/creed, and citizenship status.

CCHR has two major Bureaus—Law Enforcement and Community Relations. The Law Enforcement Bureau is responsible for the intake, investigation, and prosecution of complaints alleging violations of the Human Rights Law. The Community Relations Bureau provides public education regarding the Human Rights Law and assists in cultivating an understanding and respect for the City's many diverse communities through its borough-based Community Service Centers (CSCs) and various educational and outreach programs. CCHR has five CSCs, one in each borough. The Manhattan office is a combined central office and CSC.

CCHR's inventory of computers and related equipment is managed and tracked through use of a handheld scanner to upload the asset tag and serial numbers of computer-related items into its Inventory Management System (IMS). According to CCHR policy, all computers and related items with a value of $50 or more should be tagged.

From July 1, 2015 through June 30, 2017, CCHR expended approximately $200,000 on computers and related equipment. As of August 18, 2017, CCHR's Asset Inventory Listing (inventory list) identified a total of 1,062 computers and related items.

Audit Findings and Conclusions

CCHR management needs to improve its controls over the agency's inventory of computers and related equipment. CCHR's policies and procedures did not provide sufficient guidance to its staff for the accounting and safeguarding of its computers and related equipment. In addition, the agency did not ensure that annual inventory counts were conducted.

Although CCHR was generally able to account for the items sampled from its inventory records, we found a number of inventory weaknesses relating to the tagging of computer assets, the maintenance of an accurate inventory list of those assets, and their disposal.

Improvement in CCHR's controls over its inventory operations would help reduce the risk of its computer assets being misplaced or misappropriated.

Audit Recommendations

To address these issues, the audit recommends, among other things, that CCHR:

- Develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment.

- Conduct independent annual inventory counts of its computers and related equipment.

- Ensure that all computers and related items worth more than $50 are, upon receipt, promptly tagged and recorded in the agency's inventory records.

- Ensure that asset tag numbers are issued in sequential order and that any gaps in those numbers are investigated and the reasons for them adequately documented.

- Ensure that it assigns a unique asset tag number to each item and that no items are distributed to staff until the items have been tagged and the tag numbers have been added to the inventory list.

- Ensure that asset information is correctly recorded on its inventory records, both when an item is initially received and when an update is needed, such as when an asset is reassigned or relocated.

- Ensure that all of the items claimed to have been disposed of are easily traceable from the disposal records to the inventory records

Agency Response

In its response, CCHR stated that it agreed to implement all of the audit's 11 recommendations. The full text of CCHR's response is included as an addendum to this report.

AUDIT REPORT

Background

CCHR is responsible for enforcing the New York City Human Rights Law (Title 8 of the Administrative Code of the City of New York). Under the New York City Human Rights Law, it is illegal to discriminate against persons seeking employment, housing, and public accommodations on the basis of, among other things, age, race, national origin, sexual orientation, gender identity, religion/creed, and citizenship status.

CCHR has two major Bureaus—Law Enforcement and Community Relations. The Law Enforcement Bureau is responsible for the intake, investigation, and prosecution of complaints alleging violations of the Human Rights Law. The Community Relations Bureau provides public education regarding the Human Rights Law and assists in cultivating an understanding and respect for the City's many diverse communities through its borough-based CSCs and various educational and outreach programs. CCHR has five CSCs, one in each borough. The Manhattan office is a combined central office and CSC.

CCHR's inventory of computers and related equipment is managed and tracked through use of a handheld scanner to upload the asset tag and serial numbers of computer-related items into its IMS. According to CCHR policy, all computers and related items with a value of $50 or more should be tagged.

From July 1, 2015 through June 30, 2017, CCHR expended approximately $200,000 on computers and related equipment. As of August 18, 2017, CCHR's inventory list identified a total of 1,062 computers and related items.

Objective

To determine whether CCHR has adequate controls in place over its inventory of computers and related equipment.

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 objective. 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 scope period for the audit was July 1, 2016 through January 26, 2018.

Discussion of Audit Results with CCHR

The matters covered in this report were discussed with CCHR officials during and at the conclusion of this audit. A preliminary draft report was sent to CCHR on April 27, 2018 and was

discussed at an exit conference held on May 11, 2018. On May 17, 2018, we submitted a draft report to CCHR with a request for written comments. We received a written response to the draft report on June 1, 2018. In its response, CCHR agreed to implement all 11 of the audit's recommendations.

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

FINDINGS AND RECOMMENDATIONS

CCHR management needs to improve its controls over the agency's inventory of computers and related equipment. CCHR's policies and procedures did not provide sufficient guidance to its staff for the accounting and safeguarding of its computers and related equipment. In addition, the agency did not ensure that annual inventory counts were conducted. Further, although CCHR was generally able to account for the items sampled from its inventory records, we found a number of inventory weaknesses relating to the tagging of computer assets, the maintenance of an accurate inventory list of those assets, and their disposal.

Improvement in CCHR's controls over its inventory operations would help reduce the risk of its computer assets being misplaced or misappropriated.

The details of our findings are discussed in the following sections of this report.

Inadequate Policies and Procedures for Managing Inventory of Computers and Related Equipment

According to the New York City Department of Investigation's *Standards for Inventory Control and Management* (DOI Standards), agency management is required to ensure that policies and procedures are prepared (and distributed) that detail the agency's inventory control objectives, staff responsibilities, and inventory control methods. It further states that "the absence of clearly written policies and procedures that define limits of authority can result in staff being allowed excessive discretion that can provide opportunities for undetected thefts and other dishonest activities."

CCHR has not developed written policies and procedures that provide sufficient guidance to its staff who are responsible for managing the agency's inventory of computers and related equipment. CCHR officials provided us with two internal memos, one dated August 11, 2016 (three pages), entitled *Mobile Equipment Policy and Procedure,* and another dated August 9, 2017 (two pages), entitled *Asset & Inventory Management.* However, those memos do not provide sufficient guidance to CCHR staff on many aspects of inventory control. While CCHR policy requires that all computers and related items with a value of $50 or more be tagged, the two memos do not indicate: when items should be tagged; which employees are responsible for tagging them; that tag numbers need to be assigned in sequential order; or the item-specific types of information (such as model, serial, and asset tag numbers) that should be included on the inventory list. Additionally, CCHR currently uses a handheld scanner to enter computer-related equipment information into its IMS. To date, however, CCHR has not formulated written procedures on the scanning process.

The lack of procedures can lead to staff confusion as to what their roles and responsibilities are concerning the safeguarding and tracking of the agency's computer-related assets. The lack of procedures also renders it more difficult to hold individuals accountable for their actions or failures to act.

Recommendation

1. CCHR should develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment.

> **CCHR Response:** "The Commission is finalizing its *IT Inventory Management Policy and Procedures*, which the Commission was in the process of developing before the audit started. The Commission paused that effort when the Comptroller started this audit last summer, and decided to wait until the conclusion of the audit before finalizing the document in order to incorporate the Comptroller's recommendations as needed into the final document. Now that the audit is complete, the Commission expects to promptly finalize its written policy."

No Annual Inventory Counts Performed

The DOI Standards states that "a count of all stored goods [should be] conducted at least once a year to ensure the accuracy of the perpetual inventory records. Physical inventory count totals [should be] compared with the perpetual inventory records. Auditors or those independent from the inventory operations investigate discrepancies before submitting reconciliation adjustments to management for approval." Also, according to Comptroller's Directive #1, *Principles of Internal Control*, "an agency must establish physical control to secure and safeguard vulnerable assets. Examples include . . . computers and other equipment, which might be vulnerable to risk of loss or unauthorized use. Periodic counting and comparison to control records for such assets is an important element of control of these assets."

CCHR officials informed us in September 2017 that no reports relating to its inventory management of computers and related equipment had been prepared within the preceding three years. Subsequently, CCHR officials informed us that the agency had performed an inventory count in October/November 2016. However, CCHR was unable to provide us with the actual dates of the count, the names of the individuals who oversaw and conducted the count, or any documentation, such as the count sheets used in the count. Also, there was no evidence that a comparison between the October/November 2016 results and a perpetual inventory record was performed, as required by the DOI Standards. Consequently, we are unable to verify CCHR's claim that an inventory count had been conducted.

When independent physical inventory counts are not regularly conducted, there is an increased risk that items might be misappropriated or improperly disposed of without detection.

Results of Auditors' Inventory Count

To ascertain the reliability of CCHR's inventory records, we performed an inventory count of the agency's computers and related equipment. We used a January 9, 2018 inventory list from CCHR for our January 10 through 12, 2018 inventory inspection of the Manhattan location, and a January 23, 2018 inventory list from CCHR for our January 25 and 26 inventory inspections of the Bronx and Brooklyn locations, respectively. According to those lists, the agency maintained 1,045 computer and related equipment items at those three different borough locations. (Most of the items were maintained at the Manhattan location.) From those lists, we selected 161 items and determined whether they existed at the locations indicated on the lists. The breakdown of the 161 includes:

- All 47 items listed for the Bronx location;
- All 64 items[1] listed for the Brooklyn location; and

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[1] In addition to the 64 items that the January 23, 2018 inventory list indicated were located at the Brooklyn office, we found 3 other items at the Brooklyn office that were reflected on the list as being located in Manhattan.

- 50 of the 934 items listed for the Manhattan location.

We were able to locate 159 (99 percent) of the 161 sampled items. For the two remaining items—two Plantronics headsets—we found the charging bases but were unable to locate the headsets. CCHR was unable to determine the headsets' whereabouts.

However, during our observations we identified a few items in the agency's custody that were not listed in the inventory records. We also found that some of the 161 items that were on the list were not at the locations (or assigned to the persons) indicated on the list. Additionally, we found errors relating to the recording of model, asset tag, and serial numbers on the inventory list.

These and other deficiencies are discussed in more detail in the following sections of this report.

Recommendation

2. CCHR should conduct independent annual inventory counts of its computers and related equipment.

    CCHR Response: "The Commission is planning a count before the end of the calendar year. While the Comptroller is correct that an annual 'count' was not performed . . . , the Commission performed a complete review of its computer equipment in late 2016 and created a new perpetual inventory record. . . . Pursuant to standards issued by the Department of Investigation, a 'count' should be 'conducted at last once a year to ensure the accuracy of the perpetual inventory record.' In this case, however, less than a year had passed since the 2016 creation of the new perpetual inventory record when this audit started. Now that the audit is complete, the Commission intends to perform a count before the end of the calendar year and will be conducting one annually thereafter."

Inventory Record Weaknesses

CCHR Did Not Properly Account for Asset Tags

According to the DOI Standards, an agency is responsible for assigning property identification tags to items of significant value. The DOI Standards state that "readable, sturdy property identification tags . . . with a sequential internal control number [should be] assigned and affixed to valuable items. An inventory log containing the internal control number assignments, updated to account for relocation, [should be] maintained." In addition, the New York City Department of Information Technology and Telecommunications' (DoITT's) *Operational Handbook for Asset Management* states that assets should not be distributed (emphasis added) until barcodes are secured and logged on inventory lists.

However, our review of CCHR's management of asset tags found the following deficiencies:

Gaps in Asset Tag Numbers

CCHR did not adequately control the asset tag numbers it used to ensure that all numbers were sequentially assigned and accounted for. CCHR's August 18, 2017 inventory list, which was provided to us at the start of the audit, had 15 sequential gaps with a total of 803 missing/unaccounted for asset tag numbers.

One of the reasons for the gaps is the fact that the Information Technology and the Operations departments share the same asset tag rolls even though they maintain separate inventory lists. The Information Technology department purchases computer-related equipment, while the Operations department purchases non-computer-related equipment, such as desks and cabinets. CCHR claimed that 767 of the 803 missing/unaccounted for asset tag numbers on the Information Technology inventory list were used by the Operations department. CCHR officials acknowledged that for the remaining 36 instances, the tags had been lost or used out of sequence, or the tag numbers were simply not recorded on the inventory list.

As a result of their using the same tag rolls, it is not possible for either department, on its own, to identify gaps in the tag numbers it assigns to its assets. Rather, someone would need to reconcile CCHR's two separate inventory lists to see whether any tag numbers were missing. Accordingly, it is in the agency's best interest to purchase and maintain separate asset tag rolls so that each of the two responsible departments can account for, reconcile, and provide accurate information on its own inventory.

Gaps in assigned asset tag numbers raise questions about whether all purchased items have been properly accounted for. CCHR would be better assured that all purchased items are properly accounted for if its tag numbers were sequentially assigned.

Duplicate Tag Numbers Used

CCHR used the same tag numbers for two sets of items.[2] For one set of items, CCHR acknowledged that duplicate tag numbers had been used and that the error would be corrected. For the other set of items, CCHR officials stated that the asset tag had been used on a printer that already had an asset tag and that the tag was removed from the printer and placed on another computer-related item. However, the January 9, 2018 and the January 23, 2018 inventory lists show both items with the same tag number. Duplicate tag numbers increase the risk that an item with the same tag number as one or more other items might be misappropriated without detection.

Some Items Listed on Records without Tag Numbers

Our review found that for 45 items[3] (4 percent) of the 1,137 items identified on CCHR's January 23, 2018 inventory list, the asset tag numbers were not shown. For 25 of the 45 items, CCHR officials stated that because the agency decided to dispose of the items, they elected not to put asset tags on them. Even if it was logical for CCHR not to tag items just before it disposed of them, the explanation raises a concern that the agency apparently did not place asset tags on those items when they were first purchased or when they were assigned for use. Further, five other items that CCHR did not intend to dispose of had apparently also not been appropriately tagged when purchased or assigned for use. In addition, for seven items, CCHR officials stated that tag numbers had been placed on the items but that the numbers had been erroneously left off the inventory list.[4] Whether the failure to maintain complete lists of these items is the result of not tagging newly obtained items or simply not properly recording tag numbers on the inventory

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[2] One set was a monitor and a phone with the same tag number, and another was a printer and a keyboard/mouse with the same tag number.

[3] Thirty-three of these 45 items also lacked asset tag numbers on the August 18, 2017 and January 9, 2018 inventory lists. Of the remaining 12 items, 11 also lacked tag numbers on the January 9, 2018 inventory list (but were not previously identified on the August 2017 list) and one was not previously identified on either the August 2017 or the January 9, 2018 lists.

[4] The remaining eight items included four that were duplicates, two that cost under $50 each, one item that was actually the property of an employee (but included on the inventory list), and one item (a Verizon Android device) that CCHR stated must have been entered onto the inventory list in error because the agency had not purchased such a device.

list, such mistakes weaken the agency's ability to effectively track such items, to ensure that they are properly allocated, and to be alerted to any misappropriation.

In addition, eight other items that were on the August 18, 2017 inventory list without asset tag numbers were listed on the January 2018 inventory lists with asset tag numbers. Even though the tag numbers for those items were included on the January 2018 inventory lists, some of the items are considered to be highly desirable and were more susceptible to having been misappropriated without detection during the period when their tag numbers were not properly recorded. For example, CCHR's August 18, 2017 inventory record did not show the asset tag numbers assigned to two Apple iPhone 6 cell phones and an Apple iPad. For all eight items, CCHR officials indicated that the items had not been tagged when they were initially purchased. The DOI Standards state that "an inventory log containing the internal control number assignments, updated to account for relocation, [should be] maintained."

In those instances where it does not identify asset tag numbers on its inventory records, CCHR is impairing its ability to effectively track the assets from the time they are purchased to the time the items are disposed of. As a result, the risk that some items might be misappropriated without the agency being aware is increased.

Inventory Record Inaccuracies

According to the DOI Standards, agencies are required to "track all non-consumable goods issued to each agency unit, including type of equipment, manufacturer, serial number, agency control number, . . . [and] location." Based on our inventory inspections at selected CCHR office locations, we found that the information on the inventory list was inaccurate for 47 (16 percent) of the 285 items in our sample.[5] Specifically, we found discrepancies in the following fields (some items had more than one discrepancy):

- the "location" field—21 items

- the "assigned to" field—14 items

- the "model" field—11 items

- the "serial #" field—5 items

- the "asset tag" number field—2 items

Errors of this nature can raise questions as to whether the actual items purchased are available at the agency. For three of the items, the models presented on the inventory list appear to be somewhat more expensive than the models that we found during our inventory inspections.

Inaccurate inventory information makes it more difficult for an agency to ensure that inventory in its custody is accounted for in its records, which increases the risk for inventory items being lost, stolen or misappropriated without detection.

To determine whether CCHR's inventory lists were complete, we conducted testing to determine whether we were able to trace items that we physically observed back to the inventory lists. For the Manhattan location, we randomly selected 121 items identified on site and determined whether they were recorded in CCHR's inventory records. For the Brooklyn and Bronx locations, we determined whether all items observed at these offices were reflected on the inventory list. We found that 3 of the 121 items observed in Manhattan and 3 items observed in the Bronx (6 in

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[5] As noted above, we selected 161 items from the January 2018 inventory lists and inspected them at CCHR. In addition, we inspected 124 items that we observed at CCHR to determine whether they were properly reflected on the inventory lists.

total) were not recorded in their inventory lists. The three items at the Manhattan location that were omitted from CCHR's inventory list were a Cisco phone, a package containing two Samsung memory cards, and an Apple power adapter. CCHR officials did not provide an explanation as to why these items had not been recorded on the inventory list when they were first purchased or assigned for use. All three items at the Bronx location that were omitted from CCHR's inventory list were cameras: a Panasonic Lumix; a Canon Powershot; and a Nikon Coolpix. Regarding each of these items, CCHR officials stated that "this item was not discovered when IT updated to the new tagging system <u>nor during routine visits to the office</u> (emphasis added). The item has since been placed into IMS and has an asset tag on it."

As noted above, CCHR also did not always tag and post to its inventory records all of the computer-related equipment it purchased. While according to CCHR officials the agency tags and records in its inventory records all computer-related equipment valued at $50 or more, we found this to not always be the case. We reviewed 21 invoices for computer-related equipment purchases made during Fiscal Years 2016 and 2017 (totaling $54,828). CCHR obtained 65 items through those purchases (and 24 related service plans). Serial numbers were shown on the invoices for only 27 of the items. Of those 27 items, 2 Apple laptops valued at a total of $1,898 were not recorded on CCHR's inventory list. When a newly purchased item is not added to the inventory record, the risk of the item's being misappropriated without detection is greatly increased.

Disposals Inadequately Documented

The January 2018 inventory lists identified 15 items on the August 2017 inventory list whose status had changed to "disposed." However, CCHR's documentation on these disposals did not adequately demonstrate that these items had been properly disposed of. While CCHR officials provided us with an invoice from Veolia Environmental Services (a waste-removal vendor) indicating that the vendor had disposed of electronics waste for the agency on November 28, 2017, that invoice did not reflect the items' asset tag control numbers or serial numbers. Without such information, it is not possible to reconcile the asset disposal information on the invoice to the disposal information on the inventory list. As a result, CCHR does not have any assurance that the items identified on the inventory list as having been disposed of were actually disposed of properly.

Without being able to verify that all of the items claimed to have been disposed of were in fact properly disposed of, CCHR has no assurance that these items had not been misappropriated.

Recommendations

3. In accordance with agency policy, CCHR should ensure that all computers and related items worth more than $50 are, upon receipt, promptly tagged and recorded in the agency's inventory records.

   CCHR Response: "The Commission has already updated its inventory receiving procedures to provide better controls over incoming computer and computer-related items consistent with the feedback received during the audit. The Commission's written policies will ensure that all such items are prompt[ly] tagged and recorded in the perpetual inventory record upon receipt."

4. CCHR should maintain separate asset tag rolls for its Information Technology and Operations departments (as long as the two units maintain separate inventory lists) to ensure that each unit is accountable for the assets it has been provided.

   CCHR Response: "The Commission is changing its past practice of using a single asset tag roll for both its IT and Operations units and will, going forward, purchase and maintain separate asset tag rolls for each unit. The Commission had used one asset tag roll for both units in an effort to save money."

5. CCHR should ensure that asset tag numbers are issued in sequential order and that any gaps in these numbers are investigated and the reasons for them adequately documented.

   CCHR Response: "The Comptroller noted a number of gaps in the sequential numbering of the Commission's computer and computer-related perpetual inventory record. . . . In large part—for 767 of the 803 asset tags in those gaps—this was the product of two units sharing one asset roll tag, which the Commission is addressing as noted in its response to Recommendation 4. The Commission expects that any gaps going forward will be identified and investigated, at the very least, during annual counts."

6. CCHR should ensure that it assigns a unique asset tag number to each item.

   CCHR Response: "Of the 1,137 items identified on the Commission's January 2018 inventory list, 45 were missing tag numbers (4 percent). . . . 25 of those 45 were not tagged because the Commission's CIO had determined that they were being disposed of and that it did not seem to make sense to apply tags to items that were targeted for disposal. The Commission anticipates that errors like this will be minimized following the dissemination of the policies and procedures referenced in response to Recommendation No. 1 and the planned counts referenced in response to Recommendation No. 2."

   Auditor Comment: CCHR needs to ensure that the agency's new *IT Inventory Management Policy and Procedures* adequately addresses the tagging of items when they are purchased and assigned.

7. CCHR should ensure that no items are distributed to staff until the items have been tagged and the tag numbers have been added to the inventory list.

   CCHR Response: "The Commission's procedure is not to assign items until they have been tagged. This is part of the written policy and procedures referenced in response to Recommendation No. 1."

8. CCHR should periodically reconcile purchasing and inventory records to ensure that its inventory list includes all of the computer and computer-related items it has purchased and received.

   CCHR Response: "The Commission has already started to link purchasing numbers with its inventory management system to facilitate this reconciliation."

9. CCHR should ensure that asset information is correctly recorded on its inventory records, both when an item is initially received and when an update is needed, such as when an asset is reassigned or relocated.

   CCHR Response: "The Commission addressed the errors discovered during the audit. . . . After investigation, some errors—for example, mistakes in the location field of certain items—were attributed to human error arising from staff not inputting the changed location until they returned to their desk. The Commission is transitioning to SharePoint 365, which will enable Commission staff to enter changes immediately, without delay, thereby reducing the incidence of human error attributable to that delay. In addition, the Commission has already updated its procedures to instruct responsible staff to update the location field in the inventory management system immediately after the item has been moved."

10. CCHR should ensure that the status information (e.g., active, inactive, disposed) on the items on its inventory list is accurate.

    CCHR Response: "The Commission has corrected the status field errors discovered during the audit. The Commission has also adjusted its 'status' field in the inventory management system to better reflect each item's current status: thus, items are no longer assigned status values of 'dispose' or 'auction'—which terms did not distinguish between intent and completion—and instead are assigned status values of 'auction***ed***' or 'dispos***ed***' only after confirmation of such action."

11. CCHR should ensure that all of the items claimed to have been disposed of are easily traceable from the disposal records to the inventory records.

    CCHR Response: "The Commission intends to develop additional procedures to address this. The Comptroller recommends that the Commission obtain confirmation from vendors that they have disposed of the shipped items by asset tag number and serial number. In order to account for the possibility that vendors may not provide such detailed information on their own, the Commission intends to adopt procedures designed to obtain adequate documentation of disposal. This includes maintaining a list for each disposal shipment that identifies all items being disposed of at that time by serial and asset tag numbers and verified by a staff member outside of the IT unit. The Commission will also ask vendors to return a countersigned copy of the list after receipt."

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 objective. 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 scope of the audit was July 1, 2016 through January 26, 2018.

In order to obtain an understanding of CCHR's controls over its inventory of computers and computer-related equipment, we reviewed CCHR's *Asset & Inventory Management* and *Mobile Equipment Policy and Procedure* memorandums and interviewed the Chief Information Officer, the Executive Director of Operations, the Computer Operations Manager, and two Computer Operations Associates regarding their inventory control duties and responsibilities. We also reviewed the following inventory control guidelines:

1. The New York City Department of Investigation's *Standards for Inventory Control and Management*;

2. The New York City Department of Information Technology and Telecommunications' *Operational Handbook for Asset Management*; and

3. The New York City Comptroller's Directive #1, *Principles of Internal Control*.

To assess the accuracy and completeness of CCHR's inventory list, we visited CCHR's Manhattan, Brooklyn, and Bronx offices, which constitute three of its five offices. (We did not visit the Queens and Staten Island offices.) We selected the Manhattan, Brooklyn, and Bronx offices, since these had the highest number of computer-related items of the five offices, with a total of 993 (94 percent) of the 1,062 items recorded on CCHR's August 18, 2017 inventory list, which CCHR provided us at the start of the audit.

We conducted our physical inventory counts in the Manhattan office (from January 10, 2018 through January 12, 2018) using the agency's January 9, 2018, inventory list, and in the Bronx and Brooklyn offices (on January 25, 2018 and January 26, 2018, respectively) using the agency's January 23, 2018 inventory list.

For the Manhattan office, which is a combined central office/CSC and is by far the largest office (accounting for 934 [84 percent] of the 1,113 items on the January 9, 2018 inventory list), we selected a random sample of 50 of the 934 computer-related items on the inventory list and a random sample[6] of 121 items physically present at the office. For the Brooklyn and Bronx offices, we inspected all of the computer-related items on the January 23, 2018 inventory list, along with any computer-related items present at these locations that were not on the list. In each case we compared the information (such as model, serial, and asset tag numbers) on the items we observed at the offices to the information on the items presented on the inventory lists.

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[6] We judgmentally selected 14 locations in the Manhattan office. For 12 of the 14 locations, we observed all of the computer-related items present and determined whether they were properly reflected on the inventory list. For each of two locations (a cabinet and a storage room) with many items, we selected a systematic random sample of items to observe.

We also reviewed the three inventory lists that CCHR provided us to determine whether tag numbers were provided as required, whether the numbers were issued sequentially, and whether duplicate tag numbers were used. In addition, we identified all items that had a status of "disposed," as reflected on CCHR's January 9, 2018 inventory record, and requested and reviewed related documentation to determine whether the items had in fact been disposed of and, if so, whether they had been disposed of properly.

To determine whether computers and computer-related equipment purchased during Fiscal Years 2016 and 2017, as reflected in the City's Financial Management System (FMS), were properly tagged and recorded in CCHR's inventory records, we judgmentally selected the following vendors: Apple Inc., Lenovo Inc., and Ben's Distribution Center Inc. and reviewed their invoices.[7] There were a total of 21 invoices relating to computer and related purchases from these vendors during this time period, totaling $54,828. CCHR obtained 65 items through these purchases (and 24 related service plans).

To determine whether the agency performed annual physical inventory counts, we requested documentation of the agency's annual inventory counts performed during the last three years.

Although the results of our sampling tests were not statistically projected to their respective populations, these results, together with the results of our other audit procedures and tests, provided a reasonable basis for us to evaluate CCHR's controls over the management of its inventory of computer and computer-related equipment.

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[7] Based on our review of FMS lists of CCHR's computer-related purchases for the two fiscal years and on our online review of the business focus of the identified vendors, we selected vendors that primarily sell computer hardware rather those that primarily provide consulting or other computer-related services..

NYC **Commission on Human Rights**

June 1, 2018

Marjorie Landa
Deputy Comptroller for Audit
Office of the Comptroller, City of New York
1 Centre Street
New York, New York 10007

> Re: Audit ME18-062A – NYC Commission on Human Rights
> Controls over Inventory of Computer and Computer-Related
> Equipment

Dear Ms. Landa –

Thank you for the opportunity to review and respond to the findings and recommendations in the above-referenced draft audit report. The Commission takes its controls of computer inventory seriously and values recommendations intended to improve them. Indeed, the Commission's Chief Information Officer (CIO) was already in the process of reviewing and improving inventory controls when the audit was announced last summer. As such, the Comptroller's recommendations are particularly timely and helpful in fine-tuning the policies and procedures our CIO was in the process of preparing. The Commission agrees with the Comptroller's recommendations and each is discussed in more detail below.

Recommendation 1. CCHR should develop and disseminate detailed written policies and procedures governing the agency's management of its inventory of computers and related equipment.

The Commission is finalizing its *IT Inventory Management Policy and Procedures*, which the Commission was in the process of developing before the audit started. The Commission paused that effort when the Comptroller started this audit last summer, and decided to wait until the conclusion of the audit before finalizing the document in order to incorporate the Comptroller's recommendations as needed into the final document. Now that the audit is complete, the Commission expects to promptly finalize its written policy.

Recommendation 2. CCHR should conduct independent annual inventory counts of its computers and related equipment.

The Commission is planning a count before the end of the calendar year. While the Comptroller is correct that an annual "count" was not performed (p. 6), the Commission performed a complete review of its computer equipment in late 2016 and created a new perpetual inventory record. This effort was deemed necessary by the

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Commission's then newly hired Chief Information Officer and performed, under her supervision, by the Commission's Computer Operations Manager and a consultant. Pursuant to standards issued by the Department of Investigations, a "count" should be "conducted at last once a year to ensure the accuracy of the perpetual inventory record."[1] In this case, however, less than a year had passed since the 2016 creation of the new perpetual inventory record when this audit started. Now that the audit is complete, the Commission intends to perform a count before the end of the calendar year and will be conducting one annually thereafter.

Recommendation 3. In accordance with agency policy, CCHR should ensure that all computers and related items worth more than $50 are, upon receipt, promptly tagged and recorded in the agency's inventory records.

The Commission has already updated its inventory receiving procedures to provide better controls over incoming computer and computer-related items consistent with the feedback received during the audit. The Commission's written policies will ensure that all such items are prompted tagged and recorded in the perpetual inventory record upon receipt.

Recommendation 4. CCHR should maintain separate asset tag rolls for its Information Technology and Operations departments (as long as the two units maintain separate inventory lists) to ensure that each unit is accountable for the assets it has been provided.

The Commission is changing its past practice of using a single asset tag roll for both its IT and Operations units and will, going forward, purchase and maintain separate asset tag rolls for each unit. The Commission had used one asset tag roll for both units in an effort to save money.

Recommendation 5. CCHR should ensure that asset tag numbers are issued in sequential order and that any gaps in these numbers are investigated and the reasons for them adequately documented.

The Comptroller noted a number of gaps in the sequential numbering of the Commission's computer and computer-related perpetual inventory record. (Audit Report at p. 7.) In large part—for 767 of the 803 asset tags in those gaps—this was the product of two units sharing one asset roll tag, which the Commission is

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[1] NYC Department of Investigations, Standards for Inventory Control and Management (July 1992, Revised) at Standard 18, p. 10.

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addressing as noted in its response to Recommendation 4. The Commission expects that any gaps going forward will be identified and investigated, at the very least, during annual counts.

Recommendation 6. CCHR should ensure that it assigns a unique asset tag number to each item.

Of the 1,137 items identified on the Commission's January 2018 inventory list, 45 were missing tag numbers (4 percent). (Audit Report at p. 8.) 25 of those 45 were not tagged because the Commission's CIO had determined that they were being disposed of and that it did not seem to make sense to apply tags to items that were targeted for disposal. The Commission anticipates that errors like this will be minimized following the dissemination of the policies and procedures referenced in response to Recommendation No. 1 and the planned counts referenced in response to Recommendation No. 2.

Recommendation 7. CCHR should ensure that no items are distributed to staff until the items have been tagged and the tag numbers have been added to the inventory list.

The Commission's procedure is not to assign items until they have been tagged. This is part of the written policy and procedures referenced in response to Recommendation No. 1.

Recommendation 8. CCHR should periodically reconcile purchasing and inventory records to ensure that its inventory list includes all of the computer and computer-related items it has purchased and received.

The Commission has already started to link purchasing numbers with its inventory management system to facilitate this reconciliation.

Recommendation 9. CCHR should ensure that asset information is correctly recorded on its inventory records, both when an item is initially received and when an update is needed, such as when an asset is reassigned or relocated.

The Commission addressed the errors discovered during the audit. (Audit Report at p. 9.) After investigation, some errors—for example, mistakes in the location field of certain items—were attributed to human error arising from staff not inputting the changed location until they returned to their desk. The Commission is transitioning to SharePoint 365, which will enable Commission staff to enter changes immediately,

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without delay, thereby reducing the incidence of human error attributable to that delay. In addition, the Commission has already updated its procedures to instruct responsible staff to update the location field in the inventory management system immediately after the item has been moved.

Recommendation 10. CCHR should ensure that the status information (e.g., active, inactive, disposed) on the items on its inventory list is accurate.

The Commission has corrected the status field errors discovered during the audit. The Commission has also adjusted its "status" field in the inventory management system to better reflect each item's current status: thus, items are no longer assigned status values of "dispose" or "auction"—which terms did not distinguish between intent and completion—and instead are assigned status values of "auction*ed*" or "dispos*ed*" only after confirmation of such action.

Recommendation 11. CCHR should ensure that all of the items claimed to have been disposed of are easily traceable from the disposal records to the inventory records.

The Commission intends to develop additional procedures to address this. The Comptroller recommends that the Commission obtain confirmation from vendors that they have disposed of the shipped items by asset tag number and serial number. In order to account for the possibility that vendors may not provide such detailed information on their own, the Commission intends to adopt procedures designed to obtain adequate documentation of disposal. This includes maintaining a list for each disposal shipment that identifies all items being disposed of at that time by serial and asset tag numbers and verified by a staff member outside of the IT unit. The Commission will also ask vendors to return a countersigned copy of the list after receipt.

The Commission strives to continuously improve its work practices and procedures. If you have any further questions or need additional information, please contact me.

Sincerely,

Damion K. L. Stodola
General Counsel