City of New York

OFFICE OF THE COMPTROLLER

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AUDITS AND SPECIAL REPORTS

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Deputy Comptroller for Audit

Audit Report on the Office Equipment Inventory Practices at the Office of the City Clerk and Clerk of the Council

SR16-114A

October 6, 2016

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THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, NY 10007

SCOTT M. STRINGER
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October 6, 2016

To the Residents of the City of New York:

My office has audited the New York City Office of the City Clerk and Clerk of the Council (City Clerk) to determine whether the City Clerk is complying with certain inventory procedures as set forth in the Department of Investigation's (DOI) *Standards for Inventory control and Management* and is maintaining effective internal controls over office equipment as required by New York City Comptroller's Directive #1. We audit City agencies such as the City Clerk as a means of increasing accountability and ensuring that City resources are used effectively, efficiently and in the best interest of the public.

This audit found that the City Clerk has segregated the duties for purchasing, receiving, and maintaining the inventory of office equipment among different staff members in accordance with Comptroller's Directive #1. However, the City Clerk did not maintain complete and accurate inventory records for all office equipment as required by DOI's *Standards for Inventory Control and Management*. Thus, we were not able to determine if any items were missing since the inventory lists were incomplete. Specifically, during our observations at the City Clerk's offices, we identified 17 pieces of equipment that were not listed on the inventory records and 27 items that were listed without serial numbers or with incorrect serial numbers. Based on the omissions and inaccuracies found in the inventory records, there are increased risks of loss, misappropriation or theft. In addition, we found that the City Clerk purchased five items of office equipment using incorrect object codes. Furthermore, the City Clerk purchased 11 new PCs at a time when it already had 4 unused new PCs in reserve-storage, and subsequently placed 5 of the 11 newly purchased PCs in storage as well, ultimately increasing the number of reserve PCs to 9.

The audit made the following four recommendations: (1) the City Clerk should maintain complete and accurate records of all office equipment in accordance with DOI's *Standards of Inventory Control and Management* and Comptroller's Directive #1; (2) the City Clerk should affix only one sequentially numbered property identification tag to each office equipment item; (3) the City Clerk should purchase only items that are needed for its operations; and (4) the City Clerk should purchase all office equipment using correct object codes in accordance with Comptroller's Directive #24: Agency Purchasing Procedures and Controls.

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

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

Sincerely,

Scott M. Stringer

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THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
AUDITS AND SPECIAL REPORTS

Audit Report on the Office Equipment Inventory Practices at the Office of the City Clerk and Clerk of the Council

SR16-114A

EXECUTIVE SUMMARY

This audit of the New York City Office of the City Clerk and Clerk of the Council (City Clerk) was conducted to determine whether the City Clerk is complying with certain inventory procedures as set forth in the Department of Investigation's (DOI) *Standards for Inventory Control and Management* and is maintaining effective internal controls over office equipment as required by New York City Comptroller's Directive #1.

The City Clerk serves as both the Clerk of the City of New York and the Clerk of the Council. Among other responsibilities, the City Clerk attests to the authenticity of leases and deeds of City property, grants, agreements, bonds, tax notes, and other forms of obligations of the City. The City Clerk also maintains the City's official papers and documents, including the Mayor's executive and administrative orders and certificates of judicial appointments.

In addition, the City Clerk operates two separate bureaus: the Lobbying Bureau and the Marriage Bureau. The Lobbying Bureau is responsible for the enforcement of the City's Lobbying Law, including the registration of lobbyists and the receipt of periodic reports from lobbyists on their lobbying activities, as well as the audit of those reports. The Marriage Bureau provides marriage licenses, registers domestic partnerships, and conducts civil marriage ceremonies. The City Clerk maintains an office in each of the five boroughs of the City.

Audit Findings and Conclusion

The City Clerk has segregated the duties for purchasing, receiving, and maintaining the inventory of office equipment among different staff members in accordance with Comptroller's Directive #1, which states that key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. However, the City Clerk did not maintain complete and accurate inventory records for all office equipment as required by DOI's *Standards for Inventory Control and Management.* Thus, while we did not identify any items that were missing, we were not able to determine if anything was, in fact, missing since the inventory lists were incomplete. Specifically, during our observations at the City Clerk's offices, we identified 17 pieces of equipment that were not listed on the inventory records and 27 items that were listed

without serial numbers or with incorrect serial numbers. Based on the omissions and inaccuracies found in the inventory records, we conclude that there are risks of loss, misappropriation or theft.

In addition, we found that the City Clerk purchased five items of office equipment using incorrect object codes. Furthermore, the City Clerk's office purchased 11 new PCs at a time when it already had 4 unused new PCs in reserve-storage, and subsequently placed 5 of the 11 newly purchased PCs in storage as well, ultimately increasing the number of reserve PCs to 9.

Audit Recommendations

Based on the audit findings, we make the following four recommendations:

- The City Clerk should maintain complete and accurate records of all office equipment in accordance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1.
- The City Clerk should affix only one sequentially numbered property identification tag to each office equipment item.
- The City Clerk should purchase only items that are needed for its operations.
- The City Clerk should purchase all office equipment using the correct object code in accordance with Comptroller's Directive #24: Agency Purchasing Procedures and Controls.

Agency Response

The City Clerk agreed with the report's findings and recommendations and described steps it has taken or will take to implement the report's recommendations. Specifically, the City Clerk stated, "This office has reviewed the draft report and we accept the recommendations."

AUDIT REPORT

Background

The City Clerk serves as both the Clerk of the City of New York and the Clerk of the Council. Among other responsibilities, the City Clerk attests to the authenticity of leases and deeds of City property, grants, agreements, bonds, tax notes, and other forms of obligations of the City. The City Clerk also maintains the City's official papers and documents, including the Mayor's executive and administrative orders and certificates of judicial appointments.

In addition, the City Clerk operates two separate bureaus: the Lobbying Bureau and the Marriage Bureau. The Lobbying Bureau is responsible for the enforcement of the City's Lobbying Law, including the registration of lobbyists and the receipt of periodic reports from lobbyists on their lobbying activities as well as the audit of those reports. The Marriage Bureau provides marriage licenses, registers domestic partnerships, and conducts civil marriage ceremonies. The City Clerk maintains an office in each of the five boroughs of the City.

As the Clerk of the City Council, the primary function of the City Clerk is to attest to all laws enacted by the City Council. The City Clerk is also responsible for keeping transcripts of the proceedings of the City Council.

During Fiscal Year 2015, Other Than Personal Service expenditures for the City Clerk amounted to $1,771,722.

Objectives

The objectives of this audit were to determine whether the City Clerk is complying with certain inventory procedures as set forth in DOI's *Standards for Inventory Control and Management* and is maintaining effective internal controls over office equipment as required by New York City Comptroller's Directive #1.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

This audit covered the period July 1, 2014, through July 20, 2016. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The findings in this report were discussed with City Clerk officials during and at the conclusion of this audit. A preliminary draft report was sent to City Clerk officials and was discussed at an exit conference held on September 8, 2016. On September 15, 2016, we submitted a draft report to the City Clerk with a request for comments. We received a written response from City Clerk officials on September 29, 2016. In its response, the City Clerk agreed with the report's findings and recommendations and described steps the office has taken or will take to implement the report's recommendations. Specifically, the City Clerk stated, "This office has reviewed the draft

report and we accept the recommendations." The full text of its response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

The City Clerk has segregated the duties for purchasing, receiving, and maintaining the inventory of office equipment among different staff members in accordance with Comptroller's Directive #1, which states that key duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud. However, the City Clerk did not maintain complete and accurate inventory records for all office equipment as required by DOI's *Standards for Inventory Control and Management.* Although we found no instances of missing equipment, we found that the inventory lists were incomplete and so were unable to determine if anything was, in fact, missing. Specifically, during our observations at the City Clerk's offices, we identified 17 pieces of equipment that were not listed on the inventory records and 27 items that were listed without serial numbers or with incorrect serial numbers. Based on the omissions and inaccuracies found in the inventory records, we conclude that there are risks of loss, misappropriation or theft.

In addition, we found that the City Clerk purchased five items of office equipment using incorrect object codes. Furthermore, the City Clerk purchased 11 new PCs at a time when it already had 4 unused new PCs in reserve-storage, and subsequently placed 5 of the 11 newly purchased PCs in storage as well, ultimately increasing the number of reserve PCs to 9. These issues are discussed in detail in the following sections of this report.

Incomplete Inventory Records

We examined the inventory records and visually observed 409 office equipment items in the City Clerk's various borough offices, including 129 items purchased from July 1, 2014, through May 2016 at a total cost of $177,527.29, and found that, except for 52 items, the equipment was correctly listed in the inventory records and properly tagged as property of the City Clerk. The following instances of non-compliance were found in relation to a total of 52 pieces of office equipment:

- Seventeen items (10 laptops, 3 monitors, 1 computer, 1 printer, 1 computer server, and 1 amplifier) observed during our walk-throughs were not found on the City Clerk's inventory list. Sixteen of the 17 items omitted from the inventory list were in the Manhattan office, and 1, a monitor, was in the Queens office.
- Twenty-six items (14 cell phones, 9 monitors, 2 computers, and 1 computer server) were recorded on the inventory list with incorrect serial numbers. Twenty of these items with incorrect serial numbers were in the Manhattan office, 3 were in the Bronx office, 2 were in the Brooklyn office, and 1 was in the Queens office.
- One shredder in the Manhattan office had no serial number recorded on the inventory list.
- One computer in the Brooklyn office was listed twice on the inventory list.
- Three items (one cell phone and two printers) in the Brooklyn office had incorrect locations recorded on the inventory list.
- Two monitors in the Queens office had incorrect agency tag numbers recorded on the inventory list.
- One typewriter in the Manhattan office and one monitor in the Bronx office were each assigned two agency tag control numbers.

Section 28 of DOI's *Standards for Inventory Control and Management* 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."[1] This standard was not consistently followed by the City Clerk.

In addition, on July 20, 2016, during our inventory observation at the City Clerk's Manhattan office, we observed nine new Lenovo M73 PCs still in their original boxes. The City Clerk's office purchased four of these PCs on March 13, 2015, and the remaining five PCs on June 10, 2015, at a total cost of $8,181.81. According to City Clerk officials, these nine PCs were tagged and added to the inventory list when they were originally received and were being held in reserve for use as replacements if needed. We found that on June 10, 2015, 11 Lenovo M73 PCs were purchased at a point in time when 4 new, unused PCs were already in reserve-storage, still in boxes, and 5 of the 11 newly purchased Lenovo M73 PCs were also placed in storage. The City Clerk, throughout its 5 borough offices, maintained a total of 77 Lenovo M73 PCs of which 9 (or approximately 12 percent) were being held in storage. Although it may be necessary to have spare PCs on hand, we question the necessity of purchasing 11 additional computers while 4 new, unused computers remained in storage.

Incorrect Object Codes Charged

The City Clerk purchased five office equipment items (two fax machines, two shredders and a scanner) for a total of $12,606 using incorrect object codes.[2] Using incorrect objective codes prevents the City Clerk from accurately categorizing the type and amount of a particular expense item during the fiscal year. This can compromise management's ability to plan future budgets.

Comptroller's Directive #24, §6.0, states, "Payment Voucher approvers must ensure that the appropriate accounting and budget codes are being charged. This includes charging the correct unit of appropriation and correct object code within that unit of appropriation."

Recommendations

The City Clerk should ensure that it:

1. Maintains complete and accurate records of all office equipment in accordance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1: Principles of Internal Control.

   City Clerk Response: "Regarding the first recommendation, we will distribute DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1 to each Deputy City Clerk, senior staff member, and each member of the IT Department. In addition, we will schedule several meetings during the year for the purpose of reviewing inventory practices, equipment purchases, and ensuring that each staff person adheres to the stated directives."

2. Affixes only one sequentially numbered property identification tag to each office equipment item.

   City Clerk Response: "With respect to the second recommendation, we are in the process of reviewing our inventory list to ensure that every instance of non-compliance listed in the seven bullet points on page [5] of the audit report is corrected. We will examine the inventory list in the first scheduled inventory practices meeting (described in the previous paragraph) and ensure that one sequentially numbered property

[1] An agency control number is a unique sequential number affixed to equipment and used on the inventory list that aides in the taking of physical inventory and provides an accurate method of identifying individual assets, current user, and location.

[2] The City Clerk incorrectly used object codes 1000-supplies and materials, 6000-contractual services, and 4020-telephone and other communications instead of using 3150-office equipment or 3320-purchases of data processing equipment.

identification tag has been affixed to each office equipment item and the same is properly listed in the inventory records."

3. Purchases only items that are needed for its operations.

   City Clerk Response: "Regarding the third recommendation, we will only purchase items as needed for operations recognizing the concern raised during the exit conference that late deployment of equipment results in the loss of value of warranty time. In addition, since the exit conference, we have started the installation of five of the nine PCs listed on page 5 of the audit report and will complete installation next week. The four remaining PCs are slated for installation in our customer kiosks pending approval from DoITT."

4. Purchases all office equipment using the correct object code in accordance with Comptroller's Directive #24: Agency Purchasing Procedures and Controls.

   City Clerk Response: "With respect to the fourth recommendation, we will use correct object codes in the future."

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93 of the New York City Charter.

The audit covered the period July 1, 2014, through July 20, 2016.

To obtain an understanding of the inventory procedures and regulations that the City Clerk is required to follow, we used as criteria DOI's *Standards for Inventory Control and Management*, Comptroller's Directive #1: Principles of Internal Control, and Comptroller's Directive #24: Agency Purchasing Procedures and Controls. We interviewed staff at each City Clerk's borough office to obtain an understanding of the inventory procedures in use and to determine how physical assets are safeguarded.

To determine whether the items listed in the City Clerk's inventory records were physically present in the City Clerk's offices, we reviewed the most current inventory records, which were provided to us on June 21, 2016, and physically observed all 392 equipment items listed, including computers, monitors, printers, scanners, laptops, fax machines and televisions, at the various City Clerk's offices throughout the five boroughs of the City. During the inventory observations, which were conducted from July 7, 2016, through July 20, 2016, we also checked whether all office equipment items observed were properly tagged as property of the City Clerk and determined whether the items were listed in the City Clerk's inventory records. We also verified whether the inventory lists included the type of equipment, correct serial number, agency control number, and location. Finally, we ascertained whether non-consumable major equipment items purchased during the audit period were properly recorded on the City Clerk's inventory lists and were tagged as property of the City Clerk.

We reviewed the City Clerk's purchase documents for Fiscal Year 2014 through Fiscal Year 2016 and matched the purchases to FMS to determine whether the purchased office equipment items were recorded in FMS and were purchased using the correct object codes. To obtain an understanding of object codes, we reviewed the Chart of Accounts Expenditures Description of Object Codes. We then determined whether all 129 office equipment items purchased were present at the City Clerk's borough offices and properly recorded on the inventory lists.

THE CITY OF NEW YORK
OFFICE OF THE CITY CLERK
141 WORTH STREET
NEW YORK, N.Y. 10013

MICHAEL McSWEENEY
CITY CLERK, CLERK OF THE COUNCIL

September 29, 2016

By Hand Delivery

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

RE: Audit Report on the Inventory Practices Over Office Equipment at the Office of the City Clerk and Clerk of the Council SR16-114A

Dear Deputy Comptroller Landa:

Thank you for your letter dated September 15, 2016 regarding the above-captioned draft report. This office has reviewed the draft report and we accept the recommendations.

Regarding the first recommendation, we will distribute DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1 to each Deputy City Clerk, senior staff member, and each member of the IT Department. In addition, we will schedule several meetings during the year for the purpose of reviewing inventory practices, equipment purchases, and ensuring that each staff person adheres to the stated directives.

With respect to the second recommendation, we are in the process of reviewing our inventory list to ensure that every instance of non-compliance listed in the seven bullet points on page 4 of the audit report is corrected. We will examine the inventory list in the first scheduled inventory practices meeting (described in the previous paragraph) and ensure that one sequentially numbered property identification tag has been affixed to each office equipment item and the same is properly listed in the inventory records.

Regarding the third recommendation, we will only purchase items as needed for operations recognizing the concern raised during the exit conference that late deployment of equipment results in the loss of value of warranty time. In addition, since the exit conference, we have started the installation of five of the nine PCs listed on page 5 of the audit report and will

complete installation next week. The four remaining PCs are slated for installation in our customer kiosks pending approval from DoITT.

With respect to the fourth recommendation, we will use correct object codes in the future. Thank you for the cooperation and assistance of the members of your auditing staff.

Sincerely,

Michael McSweeney
City Clerk, Clerk of the Council