



# City of New York

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## OFFICE OF THE COMPTROLLER

Scott M. Stringer  
COMPTROLLER



## AUDITS AND SPECIAL REPORTS

**Marjorie Landa**

Deputy Comptroller for Audit

Audit Report on the Office of the  
Special Narcotics Prosecutor's Controls  
over Its Computers and Computer-  
Related Equipment

SR17-090A

**March 31, 2017**

<http://comptroller.nyc.gov>

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

MARJORIE LANDA  
DEPUTY COMPTROLLER FOR  
AUDIT

BUREAU OF AUDIT

March 31, 2017

To the Residents of the City of New York:

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

The audit found that although the SNP maintained inventory and relinquishment records that together accounted for nearly all of its tested electronic office equipment, several errors and omissions in those records evidenced weaknesses in the SNP's compliance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1. We were able to account for 746 of 747 items listed in the SNP's inventory records. However, we identified three items purchased by the SNP that were physically located on SNP's premises but not listed in its current inventory records. We also found that nine items that had been relinquished were incorrectly reported in the SNP's inventory list as either being "in use" or on "shelf". From those results it appears that there were gaps in the SNP's updating of its inventory records to reflect the office's receipt of incoming items and items removed. In addition, we found instances of missing, erroneous, or duplicated tag numbers and serial numbers in the SNP's records. The abovementioned inventory control weaknesses could expose the SNP to a potential risk of loss, misappropriation or theft.

The audit made the following three recommendations: 1) maintain complete and accurate records of all equipment in accordance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1; 2) update inventory records promptly and accurately when any inventory changes occur, including the acquisition and relinquishment of equipment; and 3) conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items and their locations is properly recorded in the inventory records.

The results of the audit have been discussed with SNP 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](mailto:audit@comptroller.nyc.gov).

Sincerely,

Scott M. Stringer

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

## Audit Report on the Office of the Special Narcotics Prosecutor's Controls over Its Computers and Computer-Related Equipment

SR17-090A

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### EXECUTIVE SUMMARY

This audit was conducted to determine whether the Office of the Special Narcotics Prosecutor (SNP) is complying with certain inventory procedures set forth in the Department of Investigation's (DOI's) *Standards for Inventory Control and Management*, and whether it is maintaining internal control systems as required by the New York City Comptroller's Directive #1.

The SNP was founded in 1971 to enhance law enforcement's response to major drug trafficking crimes in the City. In accordance with New York State Judiciary Law, Article 5-B, §177-C, the SNP was granted concurrent jurisdiction to investigate cases brought to it by federal, state and local law enforcement agencies, and was given authority to prosecute narcotics felonies in the City's five counties. In carrying out those responsibilities, the SNP routinely works with national and international law enforcement agencies.

The SNP is headed by a Special Assistant District Attorney who is appointed by the five District Attorneys located in New York City. The Special Assistant District Attorney initiates and implements policies and procedures concerning the prosecution of felony narcotics cases and directs the SNP's internal operations. For Fiscal Years 2015 and 2016 (July 1, 2014 through June 30, 2016), the SNP spent \$52,224 to purchase electronic office equipment, such as computers, monitors and printers.

### Audit Findings and Conclusions

The audit found that although the SNP maintained inventory and relinquishment records that together accounted for nearly all of its tested electronic office equipment, several errors and omissions in those records evidenced weaknesses in the SNP's compliance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1. We were able to account for 746 of 747 items listed in the SNP's inventory records. However, we identified three items purchased by the SNP that were physically located on SNP's premises but not listed in its current inventory records. We also found that nine items that had been relinquished were incorrectly reported in the SNP's inventory list as either being "in use" or on "shelf". From those results it

appears that there were gaps in the SNP's updating of its inventory records to reflect the office's receipt of incoming items and items removed. In addition, we found instances of missing, erroneous, or duplicated tag numbers and serial numbers in the SNP's records. The abovementioned inventory control weaknesses could expose the SNP to a potential risk of loss, misappropriation or theft.

## **Audit Recommendations**

Based on the audit findings, we make the following three recommendations to the SNP:

1. Maintain complete and accurate records of all equipment in accordance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1.
2. Update inventory records promptly and accurately when any inventory changes occur, including the acquisition and relinquishment of equipment.
3. Conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items and their locations is properly recorded in the inventory records.

## **Agency Response**

The SNP agreed with the report's findings and recommendations and described the steps it has taken or will take to implement the report's recommendations.

# AUDIT REPORT

## Background

The Office of the Special Narcotics Prosecutor for the City of New York (the City) was founded in 1971 to enhance law enforcement's response to major drug trafficking crimes in the City. In accordance with New York State Judiciary Law, Article 5-B, §177-C, the SNP was granted concurrent jurisdiction to investigate cases brought to it by federal, state and local law enforcement agencies, and was given authority to prosecute narcotics felonies in the City's five counties. In carrying out these responsibilities, the SNP routinely works with national and international law enforcement agencies.

The SNP is headed by a Special Assistant District Attorney who is appointed by the five County District Attorneys located in New York City. The Special Assistant District Attorney initiates and implements policies and procedures concerning the prosecution of felony narcotics cases and directs the SNP's internal operations.

The SNP is funded by the City, New York State and federal governments. For Fiscal Years 2015 and 2016 (July 1, 2014 through June 30, 2016), the SNP spent \$52,224 to purchase electronic office equipment, such as computers, monitors and printers.

Pursuant to Comptroller's Directive # 1, all inventory items are required to have strong controls to ensure accurate recordkeeping. Further, DOI's *Standards for Inventory Control and Management* (the DOI Standards) require City agencies to establish standards for the receipt, storage, distribution, and control of their inventories. Under those standards, agencies are allowed to develop policies and procedures that are more stringent than DOI's but not less so.

## Objectives

The objectives of this audit were to determine whether the SNP is: (1) complying with certain inventory procedures set forth in the DOI's *Standards for Inventory Control and Management*, and (2) maintaining internal control systems as required by the 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.

The scope of this audit covered July 1, 2014, through January 18, 2017. Please refer to the "Detailed Scope and Methodology" at the end of this report for the specific procedures and tests that were conducted.

## Discussion of Audit Results

The findings in this report were discussed with SNP officials during and at the conclusion of this audit. A preliminary draft report was sent to the SNP and discussed at an exit conference held on March 15, 2017. On March 17, 2017, we submitted a draft report to SNP officials with a request for comments. We received a written response from the SNP on March 28, 2017. In its response, the SNP agreed with the report's findings and recommendations and described steps the office has taken or will take to implement the report's recommendations.

## FINDINGS AND RECOMMENDATIONS

The audit found that although the SNP maintained inventory and relinquishment records that together accounted for nearly all of its tested equipment, there were several errors and omissions in those records that evidenced weaknesses in the SNP's compliance with DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1. We were able to account for 746 of 747 items listed in the SNP's inventory records. However, we identified three items purchased by the SNP that were physically located on SNP's premises but not listed in its current inventory records. We also found that nine items that had been relinquished were incorrectly reported in the SNP's inventory list as either being "in use" or on "shelf".<sup>1</sup> From those results it appears that there were gaps in the SNP's updating of its inventory records to reflect the office's receipt of incoming items and items removed. In addition, we found instances of missing, erroneous, or duplicated tag numbers and serial numbers in the SNP's records. The abovementioned inventory control weaknesses could expose the SNP to a potential risk of loss, misappropriation or theft. The findings are described in detail below.

### Incomplete and Inaccurate Inventory Records

We discovered approximately 50 omissions and inaccuracies in the SNP's inventory records, based on our physical observation of 740 computers and related items in the SNP's offices, compared with 747 items shown on the SNP's inventory list dated November 2016 and our review of 31 items purchased from July 1, 2014 through June 30, 2016, at a total cost of \$52,224.

Specifically, in conducting physical observations of equipment on-site in the SNP's offices we could not locate 10 of the 747 items listed in the SNP's inventory records. Officials from the SNP could not explain the whereabouts of one item, a portable DVD writer.<sup>2</sup> The remaining nine items (four projectors, one computer, one laptop, one monitor, one switch, and one battery) were shown on the inventory list with a status of either "in use" or on the "shelf." Subsequently, SNP provided documents indicating that the nine items had instead been relinquished as early as February 2015, approximately 22 months before our observations, and were no longer in its possession. We also found three items (one computer, one monitor, and one printer) in the SNP's offices that were not listed in its inventory records. In addition, we found that the SNP did not always accurately record an item's tag number and serial number, as shown in Table 1 below.

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." Further, Section 18 of DOI's Standards states, "[a] count of all stored goods is conducted at least once a year to ensure the accuracy of the perpetual inventory records." Moreover, Section 9 of DOI's *Standards for Inventory Control and Management* requires that "[r]elinquished items are deleted from the inventory log." In addition, Comptroller's Directive #1 states that all of the inventory items require strong controls to ensure accurate recordkeeping.

The SNP's inventory procedures state that an annual internal inventory check is conducted in compliance with Section 18 of DOI's *Standards for Inventory Control and Management*. The latest annual inventory check was conducted in November 2016. The Fiscal Unit and IT Unit each

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<sup>1</sup> The nine items were removed from the premises and salvaged.

<sup>2</sup> A portable DVD writer valued at approximately \$27.



documented the results of their inventory check in a memo. However, the annual checks appear to have been incomplete, since auditors found three items (one computer, one monitor, and one printer) omitted from the SNP inventory records, nine items incorrectly listed in the inventory list that had been relinquished, and one item that cannot be accounted for.

The following chart identifies the deficiencies we found in the SNP's inventory records.

**Table I**  
**Areas of Inventory Noncompliance**  
**on Inventory-List**

SNP Inventory	Items Tested	Item(s) Not Included on List	Item(s) Missing Serial No. on Inv. List	Item(s) With Incorrect Serial No.	Item(s) Missing Tag No. on Inv. List	Item(s) with Duplicate Tag No. Reported on Inv. List.	Item(s) Observed with Multiple Tag Nos. Affixed	Relinquished Item(s) Included on Inv. List	Total Number of Discrepancies
Computers, Monitors, Laptops, and Typewriters	583	2	0	5	1	7	0	3	18
Printers and Scanners	77	1	1	2	0	1	0	0	5
Switches and Battery	31	0	0	1	0	5	0	2	8
Copy and Fax Machines	21	0	0	2	0	0	1	0	3
Projectors and Projector Screen	10	0	1	0	0	0	0	4	5
Servers	9	0	0	0	0	5	0	0	5
TVs and Blue-Ray/DVD Players	9	0	3	0	0	1	0	0	4
DVD Writer and Duplicator	6	0	0	0	0	0	0	0	0
Other Technical Accessories	4	0	0	0	0	2	0	0	2
<b>Total</b>	<b>750*</b>	<b>3</b>	<b>5</b>	<b>10</b>	<b>1</b>	<b>21</b>	<b>1</b>	<b>9</b>	<b>50</b>

\*750 comprises 747 items listed on the inventory list and 3 items which were not listed.

## Recommendations

The Office of the Special Narcotics Prosecutor should:

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

**SNP Response:** "Agree. OSNP is in the process of evaluating/acquiring a new Inventory Management System (IMS) to replace and consolidate its current dated inventory systems. The new IMS will include common functions such as data validation, integrity check, audit trail, reporting, and user access control for separation of duties."

2. Update its inventory records promptly and accurately when any inventory changes occur, including the acquisition and relinquishment of equipment.

**SNP Response:** "Agree. OSNP IT unit has established internal record keeping procedures to ensure that its inventory system is promptly and accurately updated when changes occur. Checks and balances have been implemented to ensure these procedures are followed explicitly. All errors listed in the audit findings have been corrected. IT staff have been trained on these new procedures and relinquished items will be removed from the system rather than noted as relinquished only."

3. Conduct an annual inventory count of all its computer and computer-related equipment, ensuring that accurate information regarding all such items and their locations is properly recorded in the inventory records.

**SNP Response:** "Agree. OSNP has revised its internal inventory check/audit procedures as recommended. IT unit will conduct an annual inventory count of all computer and computer related equipment items, while Fiscal unit will perform an annual agency-wide inventory audit."

## DETAILED SCOPE AND METHODOLOGY

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

The scope period of this audit covers July 1, 2014, through January 18, 2017.

To gain an understanding of the inventory procedures and regulations with which the SNP is required to comply, we reviewed relevant provisions of the DOI's *Standards for Inventory Control and Management* and Comptroller's Directive #1 *Financial Integrity Statement* and Comptroller's Directive #1: Principles of Internal Control and SNP's inventory procedures.

We interviewed the SNP's Chief Financial Officer, Chief Information Officer and the Deputy in charge of the IT Unit. We conducted walkthroughs of the office to evaluate the controls in place and determine how physical assets are safeguarded.

### Tests of Inventory Records

To determine whether the items listed on the SNP's inventory records were physically present, we reviewed the inventory records dated November 2016, selected all 747 computer and other computer-related equipment items present on the inventory list and physically observed all equipment including computers, monitors, printers, scanners, laptops, fax machines, and televisions at SNP's office. During the inventory observations, which were conducted on December 19, 2016, December 20, 2016, and January 18, 2017, we also checked whether the computer equipment observed in the SNP's office was properly tagged as property of New York City. We also verified whether the inventory lists included the type of equipment, correct serial numbers, agency control number, and location. Finally, we ascertained whether the non-consumable computer items purchased during the audit period were properly recorded on SNP's inventory list and tagged as property of New York City.

During our observations we also documented another three items (one computer, one monitor, and one printer) that had been purchased with City funds but were not recorded on the SNP's inventory records.

We reviewed purchase documents to determine whether the office used correct object codes to purchase 31 items of electronic equipment for Fiscal Years 2015 through 2016, and to determine whether the items were properly recorded on the inventory records. We also checked whether all 31 items were on the premises at the SNP's office, during the tests described in the preceding paragraphs.



**Office of the  
Special Narcotics Prosecutor  
for the City of New York**

Bridget G. Brennan, Special Narcotics Prosecutor

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March 27, 2017

**BY HAND**

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

Re: Audit Report on the Office of the Special Narcotics  
Prosecutor's Controls over its Computers and Computer-  
Related Equipment SR17-090A

Dear Ms. Landa:

This letter is in response to the draft Audit Report on the Office of the Special Narcotics Prosecutor's (OSNP) Controls over its Computers and Computer-Related Equipment, dated March 17, 2017.

The above-mentioned audit was conducted with a 100% sample size. The complete inventory of OSNP IT computer and computer-related equipment acquired with city funds was audited on site. The audit found that OSNP maintained inventory and relinquishment records that together accounted for 746 of the 747 items reported. The one item that OSNP could not explain the location of was a portable DVD writer valued at approximately \$27.

The remaining audit findings and recommendations are addressed below.

**Recommendation #1:**

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

Agree. OSNP is in the process of evaluating/acquiring a new Inventory Management System (IMS) to replace and consolidate its current dated inventory systems. The new IMS will include common functions such as data validation, integrity check, audit trail, reporting, and user access control for separation of duties.

Recommendation #2:

**Update its inventory records promptly and accurately when any inventory changes occur, including the acquisition and relinquishment of equipment.**

Agree. OSNP IT unit has established internal record keeping procedures to ensure that its inventory system is promptly and accurately updated when changes occur. Checks and balances have been implemented to ensure these procedures are followed explicitly. All errors listed in the audit findings have been corrected. IT staff have been trained on these new procedures and relinquished items will be removed from the system rather than noted as relinquished only.

Recommendation #3:

**Conduct an annual inventory count of all its computer and computer related equipment, ensuring that accurate information regarding all such items and their locations is properly recorded in the inventory records.**

Agree. OSNP has revised its internal inventory check/audit procedures as recommended. IT unit will conduct an annual inventory count of all computer and computer related equipment items, while Fiscal unit will perform an annual agency-wide inventory audit.

Please let me know if you require any additional information in connection with this audit report.

Sincerely,



Steven Goldstein  
Chief Assistant District Attorney  
Office of the Special Narcotics Prosecutor