



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

MARJORIE LANDA
DEPUTY COMPTROLLER FOR
AUDIT

BUREAU OF AUDIT

September 19, 2017

Mr. Roy Mogilanski
Executive Director
Office of Payroll Administration
450 West 33rd Street, 4th Floor
New York, NY 10001

**Re: Final Letter Report on the Office of Payroll Administration's Controls Over its
Computer and Other Computer-Related Equipment
(Audit Number SR17-113AL)**

Dear Mr. Mogilanski:

I am sending this Final Letter Report to provide you with the results of the audit of the controls the Office of Payroll Administration's (OPA) has over its computer and computer-related equipment. The objective of this audit was to determine whether OPA is complying with certain inventory procedures as set forth in the Department of Investigation's (DOI) *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.

Background

OPA processes payroll and employee benefit services for more than 300,000 workers at over eighty New York City government agencies. The office is responsible for the continued development and enhancement of the Payroll Management System and related sub-systems, distributing employee pay, maintaining payroll bank accounts, coordinating payroll-related matters between different City agencies as well as external organizations (such as health insurance companies and the Internal Revenue Service), developing and disseminating uniform payroll procedures, and maintaining the integrity and accuracy of the City's payroll.

For Fiscal Year 2016, OPA's Other Than Personal Services (OTPS) budget was approximately \$1.8 million, of which \$330,000 was allocated to the purchase of data processing equipment.¹ For Fiscal Year 2017, the office's OTPS budget was approximately \$1.8 million, of which \$261,000 was allocated to the purchase of data processing equipment.

¹ Data processing equipment includes computers, printers, monitors, laptops, scanners, fax machines, and tablets.

Audit Finding

The audit found that OPA has segregated the duties for purchasing, receiving, and maintaining the inventory of computer and computer-related equipment among different staff members in accordance with Comptroller's Directive #1. The directive states that key duties and responsibilities need to be divided or segregated among different staff members, to reduce the risk of error or fraud. The audit also found that OPA maintained complete and accurate inventory records for 365 computers and computer-related equipment (including 219 items purchased from July 1, 2015 through April 17, 2017, at a cost of \$108,821) as required by DOI's Standards for Inventory Control and Management. The 365 computers and computer-related equipment items were listed on the inventory list with the correct descriptions, serial numbers, model numbers, tag numbers, locations and were appropriately tagged with an asset tag numbers and as property of OPA.

However, the audit found that OPA did not include 72 monitors on its inventory list with an estimated replacement value of \$5,038. DOI's *Standards for Inventory Control and Management* require 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."²

OPA officials explained that the 72 monitors that were not included on OPA's inventory list are old monitors that no longer have maintenance contracts, and are assigned as second monitors to staff. For that reason, OPA decided to take them off of its inventory list. These monitors did have tags with asset tag numbers and tags identifying them as property of OPA. However, while the monitors are old and no longer have maintenance contracts, OPA is required by DOI's *Standards for Inventory Control and Management* to include them on its inventory list. Those standards require assets with a life expectancy of more than one year to be included on the inventory list. The purpose of inventory controls is to safeguard all assets against possible theft and misuse.

Recommendation

OPA should ensure that the 72 monitors that were not included on OPA's inventory list are added to it in accordance with the DOI Standards and Comptroller's Directive #1.

OPA Response: "We considered ourselves in compliance with Citywide guidelines based on the following:

- As a technology agency, we look to the Citywide Policies and Guidelines published by DoITT as guidance. DOITT's Citywide Policy for Asset Management states that

² A commodity is considered non-consumable if it has a life expectancy of more than a year.

- tagging is not required for IT assets under \$200 (section 6.3).
- Comptroller's Directive 1 Section 3.3 states it is important for management to ensure that the design and implementation of agency internal controls is based on justifiable cost and benefit relationships.
 - Section 26 of the DOI standard states that "Application of the requirements of the Standards depends upon available staff and physical resources and the nature, number and value of goods" as well as "establishing property identification for items of significant value.

FISA - OPA would welcome a clarification of what is considered valuable. There is a need to have a scope established so we can appropriately focus our resources and have a more accurate picture of what items the Comptroller's Office deems necessary to track and include in our asset management system."

Auditor Comment: In its response, OPA stated that it "makes every effort to be in compliance with all NYC directives and guidelines." Indeed, except for the 72 monitors that were not on OPA's inventory list, the audit did not find areas of noncompliance. However, OPA, as well as other City agencies, are required to follow DOI's *Standards for Inventory Control and Management*, which requires assets with a life expectancy of more than one year to be included on the inventory list. OPA did not contend that the life expectancy of these 72 monitors were less than a year. In fact, these 72 monitors were tagged with asset tag numbers, which indicates that OPA considered these monitors to be assets that should be tracked even though, as OPA notes in its response, "DoITT's Citywide Policy for Asset Management states that tagging is not required for IT assets under \$200." Further, as OPA also notes, the applicability of the DOI standards "depends upon available staff and physical resources and the nature, number and value of goods." Given the totality of the circumstances, we think it prudent and appropriate for OPA to list the monitors at issue in its inventory. We urge the agency to follow our recommendation.

Audit 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 to July 21, 2017.

We used as criteria two City-wide inventory guides: (1) DOI's *Standards for Inventory Control and Management*, Comptroller's Directive #1: Principles of Internal Control; and (2)

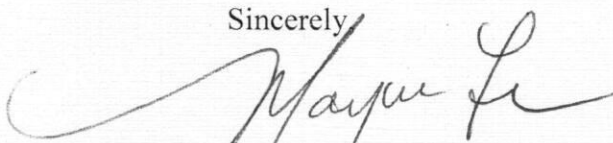
Comptroller's Directive #24: Agency Purchasing Procedures and Controls. To obtain an understanding of the inventory procedures and regulations that OPA is required to follow we reviewed these materials. Further, we requested and reviewed OPA's internal policies and procedures, and interviewed OPA officials to obtain an understanding of the inventory procedures in use and to determine how physical assets are safeguarded.

To determine whether the items listed on OPA's inventory records were physically present, we reviewed the inventory records dated 2017, selected all 365 computer and other computer-related equipment items present on the inventory list and physically observed all equipment including, computers, monitors, printers, phones, tablets, and scanners at OPA's office. We conducted physical observations of OPA's inventory on June 9, 2017 and July 21, 2017 to determine whether office equipment items listed on OPA's inventory records were located in their office. We also determined whether OPA's inventory records included required information such as type of equipment, serial number, agency control number and location. During our observations, we also documented a total of 72 monitors that had not been listed on OPA's inventory records. We researched what it would cost to replace these monitors using the internet.

We reviewed the OPA's purchase documents for Fiscal Year 2015 through April 17, 2017 and matched the purchases to the City's Financial Management System (FMS) to determine whether the purchased computer and computer-related 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 219 computer and computer-related equipment items purchased during the above period were present at OPA's office and properly recorded on the inventory lists.

The matters covered in this letter report were discussed with OPA officials during and at the conclusion of this audit. The preliminary letter report was sent to OPA officials and was discussed at an exit conference held on August 30, 2017. Discussions with OPA officials were considered in preparation of this draft letter report. On September 5, 2017, we submitted a draft letter report with a request for comments. We received a written response from OPA officials on September 13, 2017. In its response, OPA officials stated "FISA – OPA has recently combined the asset management function of our two agencies and makes every effort to be in compliance with all NYC directives and guidelines. As the mentioned \$70 cost for each monitor is not significant, management had made a practical business decision to allocate resources to other priorities." The full text of its response is included as an addendum to this letter report.

Sincerely



Marjorie Landa

- c: Frank Acevedo, Director of Auditing and Internal Controls
- Emily Newman, Acting Director, Mayor's Office of Operations
- George Davis III, Deputy Director, Mayor's Office of Operations



The City of New York

Financial Information Services Agency

Office of Payroll Administration

Roy Mogilanski, Executive Director
Andrea Glick, First Deputy Executive Director

September 13, 2017

Ms. Marjorie Landa
Deputy Comptroller of Audits
Office of the Comptroller
1 Centre Street Room 1100
New York, N.Y. 1007-2341

Re: Report SR17-113AL on the Office of Payroll Administration's Controls Over Its
Computer and Other Computer Related Equipment

Dear Ms. Landa:

Attached for your review is OPA's response to the Draft Letter Report dated September 5,
2017. If you or your staff have any questions, please contact Richard McCarrick, Director of
Internal Audit, FISA-OPA, at (212) 857-1534.

Sincerely,

A handwritten signature in blue ink, appearing to read "RM", written over the word "Sincerely,".

Roy Mogilanski
Executive Director, FISA-OPA

Attachment

cc: Lawrence Welgrin, Audit Manager, Office of the Comptroller
Andrea Glick, First Deputy Executive Director, OPA
Richard McCarrick, Director of Internal Audit, FISA-OPA
Frank Acevedo, OPA Audit Director

Recommendation:

1. OPA should ensure that the 72 monitors that were not included on OPA's inventory list are added to it in accordance with the DOI Standards and Comptroller's Directive #1.

Response:

FISA – OPA has recently combined the asset management function of our two agencies and makes every effort to be in compliance with all NYC directives and guidelines. As the mentioned \$70 cost for each monitor is not significant, management had made a practical business decision to allocate resources to other priorities.

We considered ourselves in compliance with Citywide guidelines based on the following:

- As a technology agency, we look to the Citywide Policies and Guidelines published by DoITT as guidance. DOITT's Citywide Policy for Asset Management states that tagging is not required for IT assets under \$200 (section 6.3).
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