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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

March 21, 2014

Ms. Emily Lloyd
Commissioner
New York City Department of Environmental Protection
59-17 Junction Boulevard
Flushing, NY 11373

Re: Controls Over Computers
Report 2013-F-27

Dear Commissioner Lloyd:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Department of Environmental Protection (Department) to implement the recommendations contained in our audit report, *Controls Over Computers* (Report 2010-N-7).

Background, Scope, and Objectives

The Department is a New York City (City) agency that protects the environmental health, welfare and natural resources of the City and its residents. The Department manages the City's water supply, 14 in-City wastewater treatment plants, as well as seven treatment plants upstate. The Department also implements Federal Clean Water Act rules and regulations, handles hazardous material emergencies and toxic site remediation, and oversees asbestos monitoring and removal. As the agency responsible for the City's environment, the Department also regulates air quality and hazardous waste. As of June 30, 2013, the Department had 5,571 full-time employees in 20 separate bureaus.

Our initial audit report, which was issued January 10, 2012, examined the Department's controls over computer equipment. We found that Department managers did not place enough priority on ensuring that these assets are properly controlled and appropriately used. For example, we found insufficient controls for safeguarding computer equipment through the establishment of an inventory system that maintains comprehensive inventory records. We also found that the Department did not conduct periodic physical inventories or routinely tag equipment to identify it as Department property. We concluded that these weak management practices increased the

risk that equipment may be misappropriated, or used for personal use outside of the Department, without detection.

The objective of our follow-up was to assess the extent of implementation, as of February 13, 2014, of the four recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Department officials have made some progress in addressing the issues identified in our initial report. However, additional improvements are still needed. Of the four prior recommendations, one has been implemented, two have been partially implemented, and one has not been implemented.

Follow-Up Observations

Recommendation 1

Focus increased attention on ensuring that non-capital assets, such as computers and related equipment, are adequately protected from loss, theft or misuse by:

- requiring that all such equipment be appropriately marked to identify City ownership;
- maintaining an appropriate inventory system that establishes responsibility and accountability for the assets by denoting the location of each item and the employee to whom it is assigned; and
- monitoring the accuracy of, and compliance with, the system through periodic tests and physical inventories.

Status - Partially Implemented

Agency Action - The Department has increased its efforts to ensure that non-capital assets, such as computers and related equipment, are protected from loss, theft, or misuse by centralizing the monitoring of computer inventory under one of its departments: the Office of Information Technology (OIT). OIT uses a software program that tracks all deployed computers in real-time, provided they are turned on. The system also notes the location of each item and, in most instances, the employee to whom it is assigned. Department officials periodically take physical inventory of machines that do not communicate with the Department server for 60 days or more, as well as machines in storage.

NYC Comptroller Directive #1 requires that all computers be tagged for internal inventory control purposes; however, we found that most of the tags that the Department uses for inventory control do not identify City ownership. As of October 16, 2013, only 22 of 4,089 machines had a tag indicating City ownership.

Recommendation 2

Determine whether any computers currently held in storage can be redeployed to fill needs in other areas.

Status - Implemented

Agency Action - Inventory records showed that as of October 16, 2013 the Department had 55 computers in storage and by December 11, 2013 had redeployed 31 of them. We sampled 18 of the 31 redeployed machines and confirmed that they had been redeployed to active users. In addition, in 2013 the Department instituted a policy requiring each of its bureaus to deploy all newly purchased computers within 120 days of the date received. Machines not deployed within this time frame are placed in a common pool, available to other bureaus through an online application process.

Recommendation 3

Refrain from purchasing additional equipment that is not necessary for current operations.

Status - Partially Implemented

Agency Action - The Department has taken several steps to refrain from purchasing additional equipment that is not necessary for its current operation. It has centralized the monitoring of computer inventory under OIT. Under this centralized system, OIT has started to implement a program to replace all computers that are over five years old. In addition, the Department instituted a policy in 2013 requiring each Department bureau to deploy all newly purchased computers within 120 days of the date received. These steps are intended to limit the practice of purchasing, and storing, computers that are not needed for current operations.

We asked OIT officials to explain the need for each of the recently purchased computers held in storage, to ascertain whether each one was purchased for a specific reason related to current operations. OIT officials responded that “the remaining computers [currently] in storage will be used to support the interim PC needs for bureaus while we transition into the centralized PC purchasing.” The Department did not provide documentation to justify the operational needs for the computers purchased.

Recommendation 4

Monitor equipment assigned to staff who leave Department employment and ensure that all items have been properly returned and accounted for.

Status - Not Implemented

Agency Action - The Department has not modified its procedures to adequately ensure the return of all equipment assigned to staff who leave Department employment. The Department's separation policy requires employees to return all Department-issued computer equipment to their supervisor before their last day of active employment and to complete a "Return of DEP Property" form - or their bureau's own version thereof - confirming that all Department property has been returned. However, we found that the Department still lacks assurance that all equipment is properly returned. We examined personnel files for 30 of the 504 former Department employees who left the agency during fiscal year 2013, and found that half were still missing any type of "Return of DEP Property" form. We also noted that the "Return of DEP Property" form still does not require important identifying details of the equipment being returned, such as serial number, tag number, model, etc. Additionally, none of the forms we reviewed included a section listing all the equipment assigned to the employee during his/her employment with the Department, which could be used to verify that all items had been returned upon separation.

Major contributors to this report were Santo Rendón, Jeremy Mack, and Raymond Louie.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We thank the Department management and staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Michael Solomon, CPA
Audit Manager

cc: John Lento, DEP Liaison
George Davis, Mayor's Office