

# ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



July 28, 2015

## Review of Internal Controls over IT Equipment

*The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.*

## **Introduction**

---

The New York State Office of the State Comptroller (OSC) audited the Ulster County Department of Information Services (IS) in April 2010 as a part of a multi-governmental audit. The audit was designed to determine if government entities were disposing of their computer equipment in an environmentally safe manner when taken out of service. The report found that Ulster County did not have a complete computer equipment inventory, preventing full accountability over the safe and effective disposal of computer equipment owned and operated by the County facilities.

OSC recommended that Ulster County maintain detailed records of computer equipment inventory and ensure these records are continuously updated and accurate. Each piece of computer equipment was to have a property record file including a description of the item by make, model and serial number, along with the County's identification number. The date, cost, vendor information and related voucher number for the purchase was to be recorded, along with a record of the department having custody of the asset.

Further, the asset inventory records were to include essential information about the removal and disposition of computer equipment taken out of service, including the date removed from service, the reason for removal, and the method of disposal.

## **Objective**

---

The objective of this review was to assess the extent to which IS has taken appropriate steps in response to the OSC Audit. In particular, we sought to assess whether protocols were in place to ensure that: (i) inventory records were complete and accurate, (ii) adequate oversight existed over departments in possession of IT inventory, (iii) IT equipment purchases during 2014 received appropriate approvals and were updated properly in the asset management system, and (iv) obsolete IT equipment disposed of in 2014 was disposed of in accordance with County policy and properly updated in the asset inventory management system.

## **Background**

---

The OSC audited was conducted in 2010. In conjunction with a countywide PC replacement project that began in 2012, IS implemented an asset inventory software system, Wedge Advanced Software Product Barcode Technology (WASP). The WASP software system provides the department with multiple user access to a shared database. This allows administrators to sort assets by building site, unit, department,

item, or serial number. The software also allows for the linking of any type of record associated with an asset, which should consist of purchase order, invoice, and warranty information.

The introduction of this software provided many improvements in the tracking of equipment inventory. Our present audit sought to evaluate the effectiveness of the new software in improving controls over IT equipment inventory.

## **Scope**

---

Using the audit software tool Interactive Data Extraction and Analysis (IDEA), a random sample of 110 equipment items from the 2014 inventory listing was selected for testing. A sample of thirty items was selected from “Asset Additions”, and samples of forty items were selected from both “Beginning Inventory” and “Asset Disposals.”

## **Equipment Procedures**

---

During the planning phase of our audit, we conducted an interview with IS Department staff to develop an understanding of the internal controls currently employed by the department. We determined the following procedures were currently being used to manage computer equipment inventory:

### WASP Tracking:

IS currently maintains inventory records based on the department to which it is assigned but does not track the personnel currently in possession of the equipment.

IS maintains the following information for equipment where available:

- Asset tag (Manufacturers’ serial number)
- Asset description
- Asset type
- Site
- Location
- Serial number
- Manufacturer
- Model
- Category
- Purchase date
- Purchase order

### Beginning Inventory:

The initial set up of the WASP system began by entering all county computer equipment on hand through manual entry and importing of excel spreadsheets. Some old items which were transferred into the WASP system were entered based upon an IT equipment list maintained as an excel file and sorted by manufacturer's number. We note that prior to the implementation of WASP, IS was not tracking some of the information listed above, and therefore were unable to import those fields into the new system.

### Asset Additions:

The addition procedure can be initiated by either a "Tech Request Form" completed by the requesting department, or through county-wide IT update initiatives. Once a request is received by IS, the County Procurement Policy is followed, and the resulting requisition form is approved by the Director of IS. Once the requisition has been approved by IS, the Purchasing Department will create and send the Purchase Order directly to the vendor, attaching a digital copy in the County's financial accounting software.

The equipment is received at the IS facility located on South Manor Avenue. At the time of receipt, the items are scanned into the WASP system via a scanner which copies the manufacturer's number as the identifying asset code, captures the purchase order reference number and other relevant information.

### Asset Disposals:

The disposal procedure is initiated by either an incident report filed by a department or as part of a regular county-wide update initiative. Upon receipt of an incident report, an IS technician will inspect the item, and determine if the equipment is repairable or in need of replacement. If the item is unrepairable or not needed for parts, a technician will add the item to the ongoing disposal list. All items marked for disposal, are approved by the Deputy County Executive and transported to the Ulster County Resource Recovery Agency (UCRRA), in accordance with IS disposal procedures. Once the equipment has been transported to the UCRRA, the disposal list confirming all items were properly disposed of according to the applicable mandates is approved by the UCRRA receiving clerk. The WASP system is then updated by IS personnel for all items on the disposal list, changing their status to "disposed."

### Internal Audit:

During our fieldwork, we were notified by IS that they were beginning an internal audit of the County's IT Equipment Inventory, for the purpose of updating and verifying current information. This will allow IS to update information for all equipment currently in the county's possession, and, once completed, IS hopes to achieve a full, detailed and accurate, IT Equipment Inventory listing.

### **Physical Security & Storage:**

At the time of our audit, IS was using an off-site storage facility to maintain equipment not currently in use whether new, slated for disposal, or in need of repair. Since the time of our fieldwork, IS has indicated that this facility would no longer be in use, and that all equipment inventory would be maintained at the department's central location. Furthermore, it was determined that seven keys to this off-site location were currently in circulation amongst members of both the IS and Buildings and Grounds Departments, and security cameras on the premises were not active.

### **OSC Recommendations**

---

In response to the recommendations made by the OSC (see **Exhibit 1**), IS has implemented the WASP inventory system, which has allowed them to develop a platform for maintaining detailed records of computer equipment inventory. The procedures adopted address all OSC items except those which require Legislative action. In addition to the procedures developed, IS has also initiated an internal audit of all IT equipment.

Although, with the initial set up of the WASP inventory system IS encountered some difficulties associated with importing old asset information, asset additions contained appropriate approvals and documentation as detailed in the policies and procedures. Furthermore, asset disposals appear to be conducted in accordance with the policies and procedures noted above. All items of documentation contained appropriate approvals and were properly retained.

### **Findings & Recommendations**

---

Based on the objective of our audit, our fieldwork resulted in the following findings and recommendations:

## 1. Storage Facility Security

Finding: Seven keys to the storage facility were in circulation and records of personnel in possession of the keys were not maintained. The security cameras at the storage site were not active, leaving the facility susceptible to theft.

Recommendation: At our preliminary meeting, we discussed the apparent lack of security at the off-site location with IS. IS was immediately responsive to our concerns and will no longer be using the off-site facility. In the meantime the cameras are now operational, and until all assets have been relocated, the camera feed should be monitored by the Department Head or designated personnel, and a log maintained of the dates, times, reason for visit, and personnel name and title of those who enter the location.

## 2. Beginning Inventory

Finding: The Beginning Inventory tested during our fieldwork lacked pertinent information such as purchase order and voucher information. The missing information was not maintained prior to the implementation of WASP. Without this information we were unable to determine if the assets were obtained in accordance to County Policy.

Recommendation: The IS Department is currently performing an internal audit of equipment inventory. Any missing information should be updated in the WASP system, including purchase order, and related voucher number, where available.

## 3. Equipment Location Detail

Finding: We were unable to verify the location of five of the sixty assets tested, based on the initial information provided. Upon further investigation, IS was able to locate all of these items, and updated the location within WASP. Currently, there is no policy requiring oversight of IT equipment on a departmental level.

Recommendation: In response to our review, IS is in the process of developing a policy that will transition the responsibility of maintaining records of the personnel to which assets are assigned, to the Head of the Administrative unit in custody of the item.

#### 4. Disposal Detail

Finding: Reasons for an asset's disposal are not included in IS tracking records as recommended by the OSC.

Recommendation: We recommend that each disposed piece of equipment have an added column in the WASP system which describes the reasoning of the disposal.

#### Conclusion

---

We conclude that the quality of the Department of Information Services tracking of IT equipment inventory has improved since the 2010 report issued by the OSC. In addition, even before our audit was complete, as we shared our findings and recommendations it was apparent that IS management was responsive and diligent in tightening the controls over this area.

This report, in draft, was provided to the Department of Information Services and the corresponding Deputy County Executive overseeing that Department for review and response. Their comments (**Appendix A**) have been considered in the preparation of the final draft and specific responses to their comments can be found in **Appendix B**. We appreciate the courtesy and cooperation of the Department of Information Services, specifically, management and staff who participated on this assignment.

**EXHIBIT 1:  
2010 OSC RECOMMENDATIONS**

1. The County should perform a full inventory of its computer equipment and a comprehensive inventory or property record of computer equipment should be maintained and updated for any acquisitions, relocations and disposals. Periodic physical inspections of the equipment should be performed and compared with the inventory/property records to ensure accuracy and completeness.
2. County officials should request and obtain itemized invoices that describe the computer equipment picked up by the recycling company, regardless of whether or not the County is charged.
3. County officials should request and receive documentation (such as recycling/disposal certifications, etc.) affirming that recycled computer equipment was disposed of in an environmentally safe manner.
4. County personnel should document the item description and serial number of all computer equipment taken out of service, as required.
5. The Legislature should amend the County's sale of surplus and obsolete materials and equipment policy to include requirements that computer equipment be disposed of in an environmentally safe manner.
6. The Legislature and/or a designated committee should approve all computer equipment disposals and such decisions should be documented in the Legislative or committee minutes.

**APPENDIX A**

**RESPONSE FROM DEPARTMENT OF INFORMATION SERVICES**

**Information Services' Response to UC Comptroller's  
"Review of Internal Controls over IT Equipment"**

Sylvia Wohlfahrt  
July 16, 2015

1. Recommendation on page 2, Tracking of Equipment indicates that "The software also allows for the linking of any type of record associated with the asset, which should consist of purchase order, invoice, and warranty information."  
However, I contend that since the asset record already contains the purchase order number and the purchase order number can be cross referenced with the purchase order number in the New World Systems Logos Financial System and the PO and invoice are accessible in Logos that it would be duplicate effort and inefficient to also attach the records to the asset in WASP.
2. Findings and Recommendations
  - a. Storage Facility Security: As noted, IS restored the camera functionality at the 63 Golden Hill Storage site and it is monitored by the Assistant Director of Operations. A Log Book has been placed at the entrance to the storage facility and a sign has been posted instructing anyone who enters the facility to sign in and out with date, time in/out, name, dept, reason for entry. A record of all keys issued for the storage facility is being compiled.
  - b. Beginning Inventory: We acknowledge that we do not have complete purchase order/voucher information for equipment prior to the initiation of the WASP inventory system. As we perform our audit we are completing any missing information that we can determine. We have tried tracing back the old equipment to determine the original purchase order number and have been unsuccessful. It entails searching through boxes of old paper work to try to match serial number on packing slips. The effort involved does not seem warranted compared to the value of having this information for the old inventory. The inventory with the missing POs dates prior to 2012 with the majority of it prior to 2010 and most of these items have a useful life of five years. Much of it is being replaced with the ongoing PC Replacement Plan and Print Management Project.
  - c. Equipment Location Detail: As noted, the development of the procedure is in process.
  - d. Disposal Detail: Since the instances that we dispose of equipment for a reason other than it is no longer useful to the County are rare (for example we return a piece of equipment,) for the sake of efficiency, I suggest that we add the reason for the disposal into the Notes field only in these instances and document this in our procedure.

**APPENDIX B**

**ULSTER COUNTY COMPTROLLER'S OFFICE COMMENTS ON THE  
DEPARTMENT OF INFORMATION SERVICES' RESPONSE**

Note 1

The Department of Information Services has the responsibility of maintaining a detailed, complete and accurate IT equipment inventory listing. All available information related to the asset should be maintained in the inventory equipment management system as a source record, notwithstanding the fact that it may also be tracked through the County's financial software system, New World.

Note 2

The Department of Information Services should establish a written procedure which details the review process of the camera feed. This procedure should include the personnel who is to review the information, the time table of when the information will be reviewed, along with a process to follow in the case of any revealing evidence.

Note 3

We are aware the useful life of most IT equipment is five years, and that the majority of the assets considered "Beginning Inventory" will likely be disposed of in the coming years. Notwithstanding, it remains the obligation of the Department of Information Services to maintain a complete and accurate IT equipment inventory, which is not available as of the date of our report.

Note 4

The equipment designated for disposal is most likely no longer useful to the County. However, the reasons for a disposal, such as: the item was broken, the item was outdated, the item was replaced as part of a county-wide initiative, etc., are relevant to the management of inventory for such things as to monitor the useful life of certain products or to track the incidents of damage through employee use or misuse.