

H. CARL McCall
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 30, 2001

Mr. John A. Johnson
Commissioner
Office of Children and Family Services
Capital View Office Park
52 Washington Street
Rensselaer, NY 12144

Re: Report 2001-F-4

Dear Mr. Johnson:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by officials of the Office of Children and Family Services (OCFS) as of March 26, 2001, to implement the recommendations contained in our report: *Office of Children and Family Services CONNECTIONS System Equipment (Report 98-S-61)*. The report, issued February 29, 2000, examined the adequacy of the internal controls established by OCFS over CONNECTIONS desktop computers, laptop computers, file servers and printers.

Background

OCFS administers New York State's child welfare programs. In 1995, the development of an automated, integrated information system, known as CONNECTIONS began. When fully implemented, CONNECTIONS is intended to be the single system for collecting and recording child protective, preventive, foster care and adoption service information statewide. The system will be "connecting" all 58 local social service districts and voluntary organizations with OCFS.

By June 30, 2000, total costs for the CONNECTIONS system were \$232.8 million. The Federal government pays 50 percent of system development costs, including the first phase of equipment purchases and installation; the State pays for the remaining costs.

Summary Conclusions

Our prior audit found that some CONNECTIONS equipment was missing from some New York City (NYC) locations and could not be accounted for. We also found that CONNECTIONS inventory records were not accurate and reliable, and that OCFS needed to strengthen internal controls over CONNECTIONS equipment.

Our follow-up review found that OCFS has made some improvements in its inventory practices. However, we found that some procedures need to be strengthened so that inventory records show the current location of items.

Summary of Status of Prior Recommendations

Of our five recommendations, OCFS officials have implemented one recommendation, have partially implemented two recommendations, and have not implemented two recommendations.

Follow-up Observations

Recommendation 1

Periodically conduct physical inventories of CONNECTIONS equipment. This could be done by taking a statistical sample of equipment items for verification or by selecting certain districts for inventory review. Update inventory records as needed.

Status – Not Implemented

Agency Action – To date, OCFS has not conducted physical inventories and updated inventory records as recommended. OCFS indicated that it is in the process of implementing an asset management tool, to better identify and track the devices on the network. This software will electronically verify inventory and alert the agency to equipment, which is not connected to the network. Discrepancies will be rectified by the local LAN administrator, or by installers making on-site visits.

To update the inventory management system, new equipment installers will be able to access a web page and enter on-line inventory control information, as well as, resolving discrepancies in the current inventory.

Recommendation 2

Establish and update equipment inventory records based on internal receiving and installation reports that are independent of the equipment vendor.

Status – Partially Implemented

Agency Action – OCFS has procedures in place to update equipment inventory records based on receiving and installation reports. However, as discussed under Recommendation 5, we found that despite these procedures, five items of equipment could not be located (three desktop computers and two laptops) at the time that we asked for them. Therefore, we believe steps need to be taken to foster adherence to these procedures.

Recommendation 3

Reconcile existing discrepancies and errors in the equipment inventory records.

Status – Not Implemented

Agency Action – OCFS procedures to update equipment inventory records based on receiving and installation reports do not provide adequate assurance that discrepancies and errors in the equipment inventory records are reconciled. For example, our review of the inventory records for selected items showed that the records did not always reflect the actual location of the items.

Recommendation 4

Report all instances of lost or stolen equipment to the State Comptroller's Office, as required.

Status – Implemented

Agency Action – OCFS provided us with copies of a procedure that required the reporting of lost or stolen equipment to the State Comptrollers Office. OCFS officials advised us that there were no instances where it was necessary to use this procedure because none of the equipment covered by this requirement was lost or stolen.

Recommendation 5

Investigate the equipment items that could not be located during our audit. Determine why these items cannot be located and update the inventory records as necessary.

Status – Partially Implemented

Agency Action – OCFS officials responded to our original audit that they had located all but six of the 86 items cited therein. For this follow-up review, we judgmentally selected 16 of the 86 items (costing \$40,400) for review. All 16 items were reportedly kept at offices of the New York City Administration for Children's Services (ACS). Five of these 16 items (costing \$16,625), could not be located at the time of our visit. Several weeks later, ACS and OCFS officials located the remaining five missing items. The three missing desktop computers were at an ACS site in New York City; the two missing laptop computers were at an OCFS site. Since almost one-third of our selected items could not be located initially, we believe OCFS needs to strengthen controls over the CONNECTION inventory.

Major contributors to this report were Rick Sturm, Barry Mordowitz and Emma Wohlberg.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address any unresolved matters discussed in this report. We also thank the management and staff of the Office of Children and Family Services and the Administration for Children's Services for the courtesies and cooperation extended to us during this review.

Very truly yours,

William P. Chalice
Audit Director

cc: S. Cuccia
M. Flaxman
N. Scoppetta
C. Conaway