



City of New York

OFFICE OF THE COMPTROLLER

Scott M. Stringer
COMPTROLLER



FINANCIAL AUDIT

Marjorie Landa

Deputy Comptroller for Audit

Audit Report on the Department of
Citywide Administrative Services'
Controls over the Transfer, Sale, and
Disposal of Surplus Goods

FK19-088A

August 2, 2021

<http://comptroller.nyc.gov>



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

August 2, 2021

To the Residents of the City of New York:

My office has audited the Department of Citywide Administrative Services' (DCAS') to determine whether it maintains adequate controls over the transfer, sale, and disposal of surplus goods and accurately reports sales revenue. We perform audits such as this to increase accountability and to ensure that the City receives all the funds to which it is entitled.

The audit found that DCAS did not maintain adequate controls over the disposal of surplus metal goods, in part, because it did not perform quantitative analysis to determine the disposal method that would yield the most revenue for the City. Specifically, DCAS did not estimate and compare potential revenue generated from the bulk disposal of surplus metal goods through online public auctions and through its authorized scrap metal contracts. Based on our analysis of bulk disposals of voting machines, we estimate that DCAS failed to realize revenue totaling \$315,134.79 during Calendar Year 2018.

Additionally, DCAS did not maintain adequate controls over the disposal of surplus metal goods because it did not enforce contract terms for weigh scale standards and locations, did not observe weighings, did not independently test the accuracy and precision of weigh scales, and did not ensure that vendors submitted required records and reports documenting weighings as required. Consequently, DCAS cannot be reasonably assured that scrap metal vendors accurately reported scrap metal weights and, ultimately, that the City received all of the scrap metal revenue to which it was entitled. DCAS also did not maintain adequate controls over billings for both online public auctions and scrap metal disposals and did not reliably estimate cost savings realized from interagency transfers of surplus goods.

The audit makes 20 recommendations, including that DCAS should: estimate, document, and compare estimated online auction revenue to estimated scrap metal revenue to determine and document the most appropriate disposal method; annually request weigh scale calibration and certification records; periodically conduct unannounced observations of scrap metal weighings; enforce the requirement that agency Salvage Officers or other authorized agency personnel witness scrap metal weighings; and ensure that billings are made and collected in all instances where they are feasible or required.

The results of the audit have been discussed with DCAS officials, and their comments have been considered in preparing this report. DCAS' 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott M. Stringer".

Scott M. Stringer

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER FINANCIAL AUDIT

Audit Report on the Department of Citywide Administrative Services' Controls over the Transfer, Sale, and Disposal of Surplus Goods

FK19-088A

EXECUTIVE SUMMARY

The Department of Citywide Administrative Services (DCAS) provides support services to City agencies including, among other things, coordinating and disposing of their surplus goods. The DCAS Office of Citywide Procurement Policies and Procedures states that

The Office of Surplus Activities (OSA) is responsible for the timely and proper disposition of surplus City assets relinquished from the various Mayoral and other City agencies (Non-Mayoral). . . . OSA seeks to ensure that the City of New York reuses surplus property whenever and wherever possible by facilitating inter-agency transfers or, when transfer is not a viable option, realizing the highest possible revenue through resale. . . . Except as noted below, all materials must be itemized and processed by the relinquishing agency by creating an . . . Electronic Relinquishment. . . .

At other times, when material having metal content is to be relinquished to OSA the relinquishing agency may indicate that the material has no transfer or resale value and requests to discard the material via [an authorized] Scrap Metal Contract.

Each agency must designate an employee to be its Salvage Officer and that person is responsible for, among other things, submitting electronic requests to dispose of surplus goods (Electronic Relinquishments).

The City contracts with three vendors to dispose of surplus metal goods. The three authorized scrap metal vendors pay the City based on either: (1) an agreed-upon price per lot which is adjusted annually; or (2) the metal weight and an agreed-upon percentage of the applicable American Metal Market (AMM) price on the collection date. The AMM is a subscription based online provider of metal pricing information that includes the United States scrap metal markets.

The DCAS Office of Citywide Procurement Policies and Procedures states that

After material has been transferred or sold, an accounting for the value/revenue must be maintained. This value/revenue is based on either an estimate of the cost avoidance value (in the case of inter-agency transfers), or the actual revenue generated through resale.

During Calendar Year 2018, DCAS reported revenue of \$1,793,956 and cost savings of \$444,035.

Audit Findings

DCAS did not maintain adequate controls over the disposal of surplus metal goods, in part, because it did not perform quantitative analyses to determine the disposal method that would yield the most revenue for the City. Specifically, DCAS did not estimate and compare potential revenue generated from the bulk disposal of surplus metal goods through online public auctions and through its authorized scrap metal contracts. Based on our analysis of bulk disposals of voting machines, we estimate that DCAS failed to realize revenue totaling \$315,134.79 during Calendar Year 2018.

Additionally, DCAS did not maintain adequate controls over the disposal of surplus metal goods because it did not enforce contract terms for weigh scale standards and locations, did not observe weighings, did not independently test the accuracy and precision of weigh scales, and did not ensure that vendors submitted required records and reports documenting weighings. Additionally, DCAS did not ensure that agency personnel witnessed and documented scrap metal weighings as required. Consequently, DCAS cannot be reasonably assured that scrap metal vendors accurately reported scrap metal weights and, ultimately, that the City received all of the scrap metal revenue to which it was entitled.

DCAS also did not maintain adequate controls over billings for both online public auctions and scrap metal disposals. DCAS did not ensure that payments were collected in all instances or appropriately. Specifically, based on the information provided by DCAS, it appears that the agency may have improperly refunded \$32,050 to public auction bidders. Further, with regard to its authorized scrap metal vendors, DCAS improperly waived Late Payment Charges of \$11,290, did not evaluate the impact of AMM pricing structure changes on scrap metal revenue, and did not bill for Class E and Class G scrap metals using the correct AMM markets. Consequently, the City did not receive all of the revenue to which it was entitled. Additionally, DCAS did not appropriately separate the duties between staff members for billing scrap metal vendors and collecting cash. Consequently, DCAS increased the risk that assets could be misappropriated and go undetected, and that cash would not be deposited timely.

With regard to the interagency transfer of surplus goods, DCAS did not reliably estimate or document reported cost savings of \$444,035 for Calendar Year 2018.

Audit Recommendations

Based on our findings, we made 20 recommendations to DCAS, including that DCAS should:

- Estimate and document potential online auction revenue based on prior auctions or other sales records for similar goods (i.e., goods which were of similar type and condition), estimate and document potential scrap metal revenue based on estimated or actual weights and AMM Index pricing, and compare estimated online auction revenue to

estimated scrap metal revenue to determine and document the most appropriate disposal method.

- Annually request weigh scale calibration and certification records.
- Periodically conduct unannounced observations of scrap metal weighings to ensure that contractors use certified scales to weigh vehicles loaded with scrap metal taken from agency locations when the vehicle enters the processing facility and after that vehicle is unloaded and to independently test the accuracy and precision of weigh scales.
- Enforce the requirement that agency Salvage Officers or other authorized agency personnel witness scrap metal weighings to ensure that scrap metal vendors use certified scales to weigh loaded and empty containers.
- Ensure that billings are made and collected in all instances where they are feasible or required.

Agency Response

In its response, DCAS stated that it agreed or partially agreed with 13 of the report's 20 recommendations. DCAS stated that it did not agree with five recommendations and did not specifically address the remaining two recommendations.

However, to the extent that DCAS stated in its response that it disagreed in whole or in part with our recommendations, DCAS' statements were contrary to the relevant provisions of the New York City Charter, New York City Comptroller's Directive #21, the City's contracts with authorized scrap metal vendors, or DCAS' own policies and procedures. We address each area of disagreement in auditor comments following the recommendations and the applicable DCAS response.

AUDIT REPORT

Background

DCAS provides support services to City agencies including, among other things, coordinating and disposing of their surplus goods.¹ The DCAS Office of Citywide Procurement Policies and Procedures states that “[a]ny material that an agency has purchased with City funds that is no longer required by that agency is to be considered surplus. Once an agency determines that material is no longer required, it is the agency’s responsibility to relinquish that material to [DCAS].” Each agency must designate an employee to be its Salvage Officer and that person is responsible for, among other things, submitting electronic requests to dispose of surplus goods (Electronic Relinquishments).

The DCAS Office of Citywide Procurement Policies and Procedures states that

The Office of Surplus Activities (OSA) is responsible for the timely and proper disposition of surplus City assets relinquished from the various Mayoral and other City agencies (Non-Mayoral). . . . OSA seeks to ensure that the City of New York reuses surplus property whenever and wherever possible by facilitating inter-agency transfers or, when transfer is not a viable option, realizing the highest possible revenue through resale. . . . Except as noted below, all materials must be itemized and processed by the relinquishing agency by creating an . . . Electronic Relinquishment. . . .

At other times, when material having metal content is to be relinquished to OSA the relinquishing agency may indicate that the material has no transfer or resale value and requests to discard the material via [an authorized] Scrap Metal Contract.

In 2015, DCAS contracted with The Public Group, LLC to facilitate the disposal of surplus goods through its Public Surplus web-based system (Public Surplus). OSA uses Public Surplus to process and manage the disposal of surplus goods through: (1) interagency transfers; (2) online public auctions; and (3) authorized scrap metal contracts.

The City contracts with three vendors to dispose of surplus metal goods—Cousins Metal Industries, PK Metals, and Deer Park Recycling, Inc. Each of the three authorized scrap metal vendors is responsible for disposing of different types of metal classes. Cousins Metal Industries disposes of aluminum (Class A), PK Metals disposes of bullet brass cartridge cases (Class C) and bullet lead (Class D), and Deer Park Recycling, Inc. disposes of mixed iron/steel and brass (Class E) and heavy and light steel (Class G). The three authorized scrap metal vendors pay the City based on either: (1) an agreed-upon price per lot which is adjusted annually;² or (2) the metal

¹ The DCAS Fleet Management Office manages the disposal of surplus vehicles which are processed differently than the disposal of other types of surplus goods. This audit does not cover the disposal of surplus vehicles.

² The PK Metals contract states that the price per lot will be adjusted annually on the contract anniversary date. The price per lot will be adjusted, up or down, by the percentage increase or decrease of the applicable published AMM price index on the contract commencement date and the contract anniversary date.

weight and an agreed-upon percentage of the applicable AMM price³ on the collection date⁴ as detailed in Table 1 below. The AMM is a subscription based online provider of metal pricing information that includes the United States scrap metal markets. Users must purchase a data license to access AMM pricing information.

³ The Cousins Metal Industries contract states that the applicable AMM price for Class A “miscellaneous aluminum” is the AMM published price for “Scrap Aluminum, Dealers NY Area, Old Aluminum, Sheet & Cast New York.” The Deer Park Recycling, Inc. contract states that the applicable AMM price for Class E “mixed iron/steel and brass” is the AMM published price for “Scrap Ferrous, Export Yard-NY Area, No. 1 Heavy Melting, New York,” and the applicable AMM price for Class G “heavy and light steel” is the AMM published price for “Scrap Ferrous, Export Yard-NY Area, No. 2 Bundles, New York.”

⁴ The Cousins Metal Industries and Deer Park Recycling, Inc. contracts state that “[i]f the collection date is not a AMM publication date, the published price of the AMM publication date immediately prior the collection date is used.”

Table 1Summary of the Authorized Scrap
Metal Vendor Payment Terms

Authorized Scrap Metal Vendor	Initial and Renewal Contract Periods	Metal Class	Metal Type	Unit of Measure	Payment Terms
Cousins Metal Industries	June 1, 2017 – May 31, 2020; June 1, 2020 – May 31, 2023	Class A	Miscellaneous Aluminum	Per Pound	80 percent of the applicable AMM price
PK Metals	July 3, 2017 – July 2, 2020; July 3, 2020 – July 2, 2023	Class C	Once Fired Cartridge Cases (Brass)	Per Lot - One lot consists of 48 55-gallon drums of material (approximately 33,600 pounds)	\$35,280
PK Metals	July 3, 2017 – July 2, 2020; July 3, 2020 – July 2, 2023	Class D	Bullet Lead	Per Lot – One lot consists of 48 55-gallon drums of material (approximately 35,040 pounds)	\$14,892
Deer Park Recycling, Inc.	January 27, 2017 – January 26, 2020; January 27, 2020 – January 26, 2023	Class E	Mixed Iron/Steel and Brass	Per Gross Ton ⁵	96 percent of the applicable AMM price
Deer Park Recycling, Inc.	January 27, 2017 – January 26, 2020; January 27, 2020 – January 26, 2023	Class G	Heavy and Light Steel	Per Gross Ton	121 percent of the applicable AMM price

⁵ The Deer Park Recycling, Inc. contract states that “a ‘Gross Ton’ shall mean the British measurement equal to two thousand two hundred forty pounds (2,240 lbs.).”

When requesting to dispose of scrap metal, agency Salvage Officers must first create an Electronic Relinquishment which states that “I and/or my designee shall ensure that disposal will take place via the DCAS/OSA Scrap Metal Container Services Contract. All contract terms and conditions, including witnessing of all weighing, shall be complied with.” If OSA approves the agency request, OSA will issue a Scrap Order authorizing the agency to dispose of goods through the appropriate scrap metal vendor. The agency Salvage Officer may then contact the appropriate vendor to arrange for pick-up of containers loaded with scrap metal. Both agency and vendor personnel witness the weighing of scrap metal and are required to submit records and reports documenting weighings including, among other things, Weight Tickets.

The DCAS Office of Citywide Procurement Policies and Procedures states that

After material has been transferred or sold, an accounting for the value/revenue must be maintained. This value/revenue is based on either an estimate of the cost avoidance value (in the case of inter-agency transfers), or the actual revenue generated through resale.

During Calendar Year 2018, DCAS reported revenue of \$1,793,956 and cost savings of \$444,035, as detailed in Table 2 below.

Table 2

DCAS Surplus Goods Revenue and
Cost Savings Reported for Calendar
Year 2018

Source	Dollar Amount
Revenue generated from the sale of surplus metal goods through authorized scrap metal contracts	\$918,247
Revenue generated from the sale of surplus goods through online public auctions	\$875,709
Cost savings reported for interagency transfers of surplus goods	\$444,035
Total Revenues and Cost Savings Generated from the Disposal of Surplus Goods	\$2,237,991

Objective

The objective of this audit was to determine whether DCAS maintains adequate controls over the transfer, sale, and disposal of surplus goods and accurately reports sales revenue.

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 Calendar Year 2018. We expanded the audit scope for certain tests related to scrap metal weigh scales and scrap metal pricing to cover authorized scrap metal vendors' three-year initial contract periods and three-year renewal contract periods. 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 matters covered in this report were discussed with DCAS officials during and at the conclusion of this audit. A preliminary draft report was sent to DCAS and discussed with DCAS officials at an exit conference held on June 7, 2021. On June 11, 2021, we submitted a draft report to DCAS with a request for written comments. We received a written response from DCAS on June 25, 2021.

In its response, DCAS stated:

The report contains many recommendations that are duplicative in some instances and which, in others, are not feasible due to the lack of resource availability and the associated expense of increasing resources, not just within DCAS but across all agencies with salvage operations.

The audit report makes impractical recommendations because, as the audit team conducting this audit acknowledged during the Exit Conference, it conducted no cost-benefit analyses before formulating the recommendations. . . .

The surplus goods operation is not designed solely to generate revenue for the City of New York, but also to find the best use of obsolete items across all City agencies. The operation considers revenue generation as one avenue to this end, as well as ways to reduce waste and unnecessary spending by the agencies DCAS serves. . . .

While we do not agree with all findings and recommendations contained in the draft report, DCAS is deeply committed to continuous quality improvement, and will carefully review the Comptroller's recommendations and implement them as resources permit.

DCAS also stated that it agreed or partially agreed with 13 of the report's 20 recommendations. It further stated that it did not agree with five recommendations pertaining to:

- physically inspecting surplus goods (Recommendations #2 and #20);
- estimating, documenting, and comparing potential online auction revenue and potential scrap metal revenue to determine and document the most appropriate disposal method (Recommendation #3);

- ensuring that staff scan and upload Weight Tickets and completed Scrap Metal Removal/Receipt Job Tickets in the Public Surplus system (Recommendation # 9); and
- evaluating and documenting which AMM pricing terms yield the most revenue for the City (Recommendation #17).

DCAS did not address the remaining two recommendations, specifically, that DCAS document the basis for issuing refunds (Recommendation #15), and that DCAS consider not renewing a contract where there has been a change in a material element of the contract and that it evaluate in such cases whether renegotiating the contract or letting a new contract out to bid would be the best course for the City (Recommendation #16).

To the extent that DCAS stated that it disagreed in whole or in part with our recommendations, DCAS' statements were contrary to the relevant provisions of the New York City Charter, New York City Comptroller's Directive #21, the City's contracts with authorized scrap metal vendors, or DCAS' own policies and procedures. We address each area of disagreement in auditor comments following the recommendations and the applicable DCAS response.

Additionally, DCAS' assertion that "the report makes impractical recommendations because. . . the audit team . . . conducted no cost-benefit analyses before formulating the recommendations" is unfounded. A preliminary draft report and a draft report detailing our findings and recommendations were sent to DCAS on May 21, 2021, and June 11, 2021, respectively, that included recommendations related to the potential receipt by DCAS of higher payments in connection with its disposal of surplus property. In response, DCAS asserted that certain recommendations were not cost effective because they "would require a Citywide investment . . . in the forms of new staff needed, additional labor hours and increased storage requirements." However, DCAS did not provide us with *any* documentation to substantiate its claim or quantify the projected cost it asserts the City would incur if DCAS fully implemented our recommendations. Therefore, DCAS' response provides no basis for us to modify our recommendations.

The full text of the DCAS' response is included as an addendum to this report.

FINDINGS AND RECOMMENDATIONS

DCAS did not maintain adequate controls over the disposal of surplus metal goods, in part, because it did not perform quantitative analysis to determine the disposal method that would yield the most revenue for the City. Specifically, DCAS did not estimate and compare potential revenue generated from the bulk disposal of surplus metal goods through online public auctions and through its authorized scrap metal contracts. Based on our analysis of bulk disposals of voting machines, we estimate that DCAS failed to realize revenue totaling \$315,134.79 during Calendar Year 2018.

Additionally, DCAS did not maintain adequate controls over the disposal of surplus metal goods because it did not enforce contract terms for weigh scale standards and locations, did not observe weighings, did not independently test the accuracy and precision of weigh scales, and did not ensure that vendors submitted required records and reports documenting weighings. Additionally, DCAS did not ensure that agency personnel witnessed and documented scrap metal weighings as required. Consequently, DCAS cannot be reasonably assured that scrap metal vendors accurately reported scrap metal weights and, ultimately, that the City received all of the scrap metal revenue to which it was entitled.

DCAS also did not maintain adequate controls over billings for both online public auctions and scrap metal disposals. DCAS did not ensure that payments were collected in all instances or appropriately. Specifically, based on the information provided by DCAS, which was incomplete because the agency did not include communications which it stated were protected by attorney-client privilege, it appears that the agency DCAS may have improperly refunded \$32,050 to public auction bidders. Further, with regard to its authorized scrap metal vendors, improperly waived Late Payment Charges of \$11,290, did not evaluate the impact of AMM pricing structure changes on scrap metal revenue, and did not bill for Class E and Class G scrap metals using the correct AMM markets. Consequently, the City did not receive all of the revenue to which it was entitled. Additionally, DCAS did not appropriately separate the duties between staff members for billing scrap metal vendors and collecting cash. Consequently, DCAS increased the risk that assets could be misappropriated and go undetected, and that cash would not be deposited timely.

With regard to the interagency transfer of surplus goods, DCAS did not reliably estimate or document reported cost savings of \$444,035 for Calendar Year 2018.

These findings are discussed in the following sections of the report.

DCAS Did Not Determine the Most Appropriate Disposal Method for Surplus Metal Goods

As previously noted, the DCAS Office of Citywide Procurement Policies and Procedures states that “OSA seeks to ensure that the City of New York reuses surplus property whenever and wherever possible by facilitating inter-agency transfers or, when transfer is not a viable option, realizing the highest possible revenue through resale.” Further, the DCAS Office of Citywide Procurement Policies and Procedures states that after an agency submits an Electronic Relinquishment, OSA will review it and

will evaluate the type, quality and quantity of material that is being made available to determine the most appropriate method of disposition (i.e., internal reallocation

and/or public offering). In certain cases, material must be physically inspected to determine its condition and to estimate its value.

On March 23, 2021, DCAS stated,

It has always been the general practice of OSA staff to conduct site visits regularly as needed to assess the potential for revenue opportunities and cost savings of items that are being considered for salvage by agencies. In Calendar 2018, OSA staff along with scrap metal vendors conducted multiple site visits to other agencies for this purpose.

However, OSA generally did not document that it conducted site visits and did not estimate and compare potential revenue generated from the disposal of surplus metal goods through online public auctions and scrap metal contracts to determine the most appropriate method of disposition.

During Calendar Year 2018, City agencies submitted 187 Electronic Relinquishments for surplus metal goods including, among other things, voting machines, boats, automotive parts, cabinets, carts, containers, lockers, shelving, tables, and chairs. On March 25, 2021, we requested that DCAS provide us with documentation of site visits and quantitative or other analysis used by DCAS to assess potential revenue and to determine the disposal method that would yield the most revenue for bulk disposals of surplus metal goods during Calendar Year 2018.

Although City agencies submitted 187 Electronic Relinquishments for surplus metal goods during Calendar Year 2018, DCAS provided us with photos to document only six site visits and did not provide us with documentation to show that it performed quantitative or other analyses to assess potential revenue and determine the most appropriate disposal method. Rather, DCAS stated, without providing documentation, that it “review[s] auction history for similar/comparable items to estimate potential revenue for either public auction or scrap metal disposition options” and considers other factors including, among other things, the agency’s capacity to store surplus goods and assist in the transfer of surplus goods.

The *OSA Creating an Online Auction (Electronic Relinquishment)* states that Electronic Relinquishments should include items’ categories and descriptions which include information such as item type, quantity, material, and dimensions. Additionally, *OSA Creating an Online Auction (Electronic Relinquishment)* states to “be sure to include measurements and weights where applicable.” However, 178 of the 187 Electronic Relinquishments for surplus metal goods which were created by relinquishing agencies and reviewed by OSA did not include metal types and precise actual or estimated weights in the descriptions. Therefore, aside from voting machines disposed of during our audit period, we generally could not: (1) reliably estimate and compare revenue generated from the disposal of surplus metal goods through online public auctions and authorized scrap metal contracts; and (2) determine whether DCAS chose the most appropriate disposal method for surplus metal goods. However, based on our analysis of bulk disposals of voting machines, we found that DCAS did not always determine the most appropriate disposition method.

During Calendar Year 2018, the Board of Elections (BOE) submitted 10 Electronic Relinquishments for 7,480 steel voting machines and 26 tons of parts with a combined estimated

weight of 5,587,200 pounds.⁶ For 6 of the 10 Electronic Relinquishments, DCAS disposed of 1,930 voting machines and 26 tons of parts through its authorized scrap metal contract. For the remaining four Electronic Relinquishments, DCAS disposed of 5,550 voting machines through four online public auctions. For those four public auctions, DCAS allowed only prequalified vendors to bid on voting machines. In order to bid (i.e., prequalify), DCAS required vendors to submit a scrap metal dealers license.

However, based on our analysis, disposing of surplus voting machines through online public auctions was not the most appropriate disposal method in accordance with the DCAS Office of Citywide Procurement Policies and Procedures. DCAS generated \$248,669.72 from the disposal of voting machines through online public auctions. However, we estimate that DCAS could have generated \$563,804.51 from the disposal of voting machines through its authorized scrap metal contract based on: (1) metal type recorded on Electronic Relinquishment descriptions; (2) estimated metal weight which was reported on Electronic Relinquishment descriptions and converted to tons as defined in the contract; (3) the applicable AMM metal price on the auction start date; and (4) the applicable scrap metal contract bid amount percentage. Consequently, we estimate that DCAS failed to realize revenue of \$315,134.79 as detailed in Table 3 below.

⁶ We conservatively estimated the combined weight of the voting machines by multiplying (1) the number of voting machines reported on Electronic Relinquishments (7,480) by (2) the lowest estimated weight reported on Electronic Relinquishments (740 pounds). We further conservatively estimated the combined weight of voting machine parts by multiplying (1) the combined total number of tons for voting machine parts reported on Electronic Relinquishments (26 tons) by (2) the United States measurement for tons, i.e., 2,000 pounds.

Table 3

Comparative Analysis of Actual Revenue Generated from the Disposal of Voting Machines via Online Public Auctions and Estimated Revenue Generated from Disposal via DCAS' Authorized Scrap Metal Contract

Public Auction Start Date	Electronic Relinquishment Number	Number of Voting Machines	Actual Net Revenue Generated via Online Public Auction	Estimated Revenue Generated via DCAS' Authorized Scrap Metal Contract	Forgone Revenue (Difference between Actual Net Revenue and Estimated Revenue)
March 2, 2018	2001635	750	\$17,760.00	\$71,652.61	\$53,892.61
March 2, 2018	2035825	500	\$14,800.00	\$47,768.40	\$32,968.40
March 2, 2018	2035826	300	\$8,880.00	\$28,661.62	\$19,781.62
March 13, 2018	2045438	4,000	\$207,229.72	\$415,721.88	\$208,492.16
Total		5,550	\$248,669.72	\$563,804.51	\$315,134.79

DCAS informed us that there was no prior auction history for voting machines and, therefore, DCAS did not know whether it would yield more revenue by disposing of surplus voting machines through online public auction or through its authorized scrap metal contract. Given that there was no prior auction history, DCAS could have conducted a small trial auction to determine whether it would yield more revenue by disposing of surplus voting machines through an online public auction. Further, DCAS could have set a minimum auction bid price based on the estimated potential revenue it would yield by disposing of voting machines through its authorized scrap metal contract to ensure that the City would realize the most revenue. Additionally, after the first online public auction, DCAS had sufficient information to be aware that it would realize more revenue by disposing of surplus voting machines through its authorized scrap metal contract.

DCAS Response: “[T]he report posits a missed opportunity to maximize \$315,134.79 in revenue but suggests improvements that, if fully implemented, would require a Citywide investment which would likely cost several times the posited loss, in the forms of new staff needed, additional labor hours and increased storage requirements.”

Auditor Comment: DCAS did not disagree with our finding that it missed an opportunity to realize \$315,134.79 in additional revenue. Rather, it claimed without providing any supporting documentation or analysis that DCAS would incur increased costs for additional staff, labor hours, and storage if it fully implemented Recommendations #1 through #3.

However, with regard to Recommendations #1 and # 2, we are simply recommending that DCAS enforce its existing policies and procedures. Additionally, with regard to Recommendation #3, DCAS asserted that it already generally performs an analysis of potential revenue. Please refer to DCAS responses and auditor comments for Recommendations #1 through #3.

Recommendations

DCAS should:

1. Require agencies to include metal types and actual or estimated weights of surplus metal goods in Electronic Relinquishments;

DCAS Response: “Partially agree. DCAS agrees in principle that Salvage Officers should provide information requested on the Electronic Relinquishment form. . . . DCAS disagrees that Salvage Officers can be expected to possess the necessary expertise and resources to correctly identify metal type and to accurately estimate weight. Personnel serving as Salvage Officers typically perform the duty on a limited, part-time basis and have other responsibilities. Vendors are expected as a contractual matter to provide accurate weights and to verify correct metal type on pick up.”

Auditor Comment: In its response, DCAS agrees only in principle that Salvage Officers should record required information on Electronic Relinquishments but states that Salvage Officers may not be able to correctly identify metal type and to accurately estimate weight. However, DCAS’ response is contrary to its own procedures which require Salvage Officers to include materials and weights on Electronic Relinquishments. Specifically, the *OSA Creating an Online Auction (Electronic Relinquishment)* states that Electronic Relinquishments should include items’ categories and descriptions which include information such as item type, quantity, material, and dimensions. Additionally, *OSA Creating an Online Auction (Electronic Relinquishment)* states to “be sure to include measurements and weights where applicable.” Therefore, we reiterate that DCAS should enforce its own procedures and require agencies to include metal types and actual or estimated weights of surplus metal goods in Electronic Relinquishments. If Salvage Officers are not able to correctly identify metal type and to accurately estimate weight, they should seek assistance from DCAS.

2. Physically inspect surplus metal goods to assess their condition and value in certain cases including, not limited to, bulk disposals and disposals for which relinquishing agencies did not provide metal types and actual or estimated weights; and

DCAS Response: “Disagree. . . . DCAS disagrees with the recommendations that OSA staff inspect surplus goods in person This is a resource issue.”

Auditor Comment: DCAS’ response is contrary to its own procedures and to statements made during the audit that acknowledged the need to physically inspect surplus goods to assess their condition and value. Specifically, the DCAS Office of Citywide Procurement Policies and Procedures states, “In certain cases, material must be physically inspected to determine its condition and to estimate its value.” DCAS recently affirmed this procedure. Specifically, on March 23, 2021,

DCAS stated, “It has always been the general practice of OSA staff to conduct site visits regularly as needed to assess the potential for revenue opportunities and cost savings of items that are being considered for salvage by agencies.” Therefore, we reiterate that DCAS should physically inspect surplus metal goods to assess their condition and value in certain cases including, not limited to, bulk disposals and disposals for which relinquishing agencies did not provide metal types and actual or estimated weights.

3. Estimate and document potential online auction revenue based on prior auctions or other sales records for similar goods (i.e., goods which were of similar type and condition), estimate and document potential scrap metal revenue based on estimated or actual weights and AMM Index pricing, and compare estimated online auction revenue to estimated scrap metal revenue to determine and document the most appropriate disposal method.

DCAS Response: “Disagree. DCAS agrees that documentation of the analysis conducted when selecting disposal method and/or AMM market could be improved but disagrees that the required analysis is not generally being done. . . .

Predicting actual revenue from auctions is difficult, particularly when an auction has not previously [been] used for disposal. Disposal decisions are not based solely on the potential to generate revenue. There are broader goals to consider, including eliminating waste, safeguarding the environment, and donating surplus goods where they are most needed. . . .

DCAS already documents and tracks potential revenue for items posted to auction and will build on this to create an internal form to document the selection of disposal method and AMM market for each relinquishment.”

Auditor Comment: As previously stated, DCAS did not provide us with documentation to show that it performed quantitative or other analyses to assess potential revenue and determine the most appropriate disposal method during Calendar Year 2018.

In its response, DCAS also asserts that “[d]isposal decisions are not based solely on the potential to generate revenue. There are broader goals to consider, including eliminating waste, safeguarding the environment, and donating surplus goods where they are most needed.” DCAS offers surplus goods to other City agencies first, for a period of seven days, before disposing of surplus goods through other means. For those surplus goods which are not donated to other City agencies, DCAS can simultaneously meet its broader goals of eliminating waste and safeguarding the environment and its stated goal of “realizing the highest possible revenue” whether DCAS disposes of surplus metal goods through online public auctions or authorized scrap metal contracts. Therefore, we reiterate that DCAS should estimate and document potential online auction revenue based on prior auctions or other sales records for similar goods (i.e., goods which were of similar type and condition), estimate and document potential scrap metal revenue based on estimated or actual weights and AMM Index pricing, and compare estimated online auction revenue to estimated scrap metal revenue to determine and document the most appropriate disposal method.

DCAS Failed to Maintain Adequate Controls over Scrap Metal Weighings

DCAS failed to maintain adequate controls over scrap metal weighings because it did not enforce contract terms for weigh scale standards and locations, did not observe the weighing of scrap metal (weighings), did not independently test the accuracy and precision of weigh scales, and did not ensure that vendors submitted required records and reports documenting weighings. Additionally, DCAS did not ensure that agency personnel witnessed and documented scrap metal weighings as required by the DCAS Office of Citywide Procurement Policies and Procedures. Consequently, DCAS cannot be reasonably assured that scrap metal vendors accurately reported scrap metal weights and, ultimately, that the City received all of the scrap metal revenue to which it was entitled.

Each of the above-mentioned issues is discussed more fully below.

DCAS Did Not Ensure That Scales Used to Weigh Scrap Metal Were Accurate

The Cousins Metal Industries and Deer Park Recycling, Inc. contracts include, among other things, the following provisions to ensure the accuracy of scrap metal weighings:

- Contractors' weigh scale must be located in New York City, calibrated at least once every 12 months, and certified by the Department of Consumer Affairs (DCA) at least once every 12 months;
- Contractors must provide DCAS with weigh scale calibration and certification records upon request; and
- DCAS may, at any time and without prior notice, observe scrap metal weighings and test the accuracy and precision of weigh scales and weigh scale computers.

However, DCAS did not enforce or exercise any of the above-detailed contract provisions throughout the three-year initial contract periods, or prior to or during the three-year renewal contract periods.

Based on our review, Deer Park Recycling, Inc. weigh scales were not located in New York City and were never certified by DCA. Based on Weight Tickets for Cousins Metal Industries sampled pick-ups, Cousins Metal Industries used a DCA-licensed facility to weigh scrap metal. However, DCAS never requested weigh scale calibration and certification records, observed weighings, or independently tested the accuracy and precision of weigh scales used by Cousins Metal Industries and Deer Park Recycling, Inc.

On March 23, 2021, DCAS stated that "licensed / certified vendors with weigh-stations contracted with DCAS, weigh the scrap metals in the presence of agency salvage officers or authorized personnel. Weigh-tickets previously provided to the auditors, include signatures / initials of agency personnel authorized to verify the weight of scrap metals." To qualify for a weighmaster license, applicants must provide evidence of good character; the ability to weigh accurately and make correct weight tickets; and access to a suitable stationary scale that has been tested and certified by either a state or municipal weights and measures official. New York State Consolidated Laws, Article 16, Section 195(3) states that "[e]ach weight ticket issued by a weighmaster shall contain the date, full signature and license number of the weighmaster." However, Cousins Metal

Industries and Deer Park Recycling, Inc. Weight Tickets did not contain the signature and license number of a weighmaster. Consequently, DCAS cannot be assured that licensed weighmasters weighed scrap metal and, ultimately, that scrap metal weights were accurately reported.

Additionally, agency personnel did not consistently observe scrap weighings and submit Weight Tickets. This issue is discussed in detail in the section of the report that follows below.

At our exit conference held on June 7, 2021, DCAS stated that it is not required to request weigh scale calibration and certification records from scrap metal vendors, observe scrap metal weighings, or independently test the accuracy and precision of weigh scales. DCAS stated that those contract provisions are optional. However, weigh scale contract provisions were designed to prevent or detect inaccurate or fraudulent scrap metal weighings. Therefore, as the City agency responsible for disposing of surplus goods and monitoring and evaluating Cousins Metal Industries' and Deer Park Recycling, Inc.'s performance, it would have been prudent for DCAS to have exercised weigh scale contract provisions at some point during the three-year initial contract periods, and prior to or during the three-year renewal contract periods.

DCAS Response: "The report also makes inaccurate assertions about legal requirements. For example, it criticizes DCAS for not obtaining weight tickets signed by licensed weighmasters for scrap metal delivered to two of three vendors, which it asserts is required by section 195(3) of the New York Agriculture and Markets Law. But contrary to the report, there is no requirement in that or any other law that a licensed weighmaster issue a weight ticket for the sale or transportation of scrap metal."

Auditor Comment: On March 8, 2021, we asked DCAS to provide us with "[a]ny and all documentation related to DCAS or other authorized parties observing scrap metal weighing's and testing the accuracy and precision of weigh scales and weigh scale computers." In response, DCAS stated that "licensed / certified vendors with weigh-stations contracted with DCAS, weigh the scrap metals in the presence of agency salvage officers or authorized personnel. Weigh-tickets previously provided to the auditors, include signatures / initials of agency personnel authorized to verify the weight of scrap metals." Additionally, DCAS provided us with four New York State weighmaster licenses for the three authorized scrap metal vendors. Each of those four licenses state that the responsibilities and duties of a weighmaster in accordance with Section 195 of the New York Agriculture and Markets Law are as follows:

1. Accurately weigh materials or commodities.
2. Issue correct weight tickets containing the date, full signature and license number of the weighmaster. These responsibilities cannot be delegated to others.
3. Retain for one year a copy of every weight ticket issued.
4. No weighmaster shall issue a false, incorrect or incomplete weight ticket.

However, as previously mentioned, Cousins Metal Industries and Deer Park Recycling, Inc. Weight Tickets did not contain the signature and license number of a weighmaster.

Consequently, DCAS cannot be assured that licensed weighmasters weighed scrap metal and, ultimately, that scrap metal weights were accurately reported.

Recommendations

DCAS should:

4. Enforce its contract provisions and require scrap metal vendors to use weigh scales located in New York City and to obtain DCA certifications and seals at least once every 12 calendar months;

DCAS Response: “Partially agree. DCAS agrees in principle that contract provisions should generally be enforced but does not agree with the implication that using weigh stations within or outside of NYC materially alters the results of weighings.

Contract terms and conditions will be reviewed and updated as needed.”

Auditor Comment: As the City agency responsible for disposing of surplus goods and monitoring and evaluating Cousins Metal Industries’ and Deer Park Recycling, Inc.’s performance, DCAS should fully enforce existing weigh scale contract provisions designed to ensure the accuracy and precision of weigh scales. Furthermore, allowing scrap metal vendors to use weigh scales located outside of New York City may make it more difficult for agency Salvage Officers or other agency personnel to witness weighings.

As previously stated, the City’s contracts with Cousins Metal Industries and Deer Park Recycling, Inc. state that Contractors’ weigh scale must be located in New York City, calibrated at least once every 12 months, and certified by the Department of Consumer Affairs (DCA) at least once every 12 months. Further, the above-mentioned contracts state that “In lieu of certification by a governmental authority, DCAS may, at its sole option, accept the certification of an individual or firm holding a valid Scale Dealer/Repairer license (for Used Weighing and Measuring Devices) issued by DCA.”

The New York City Department of Consumer and Worker Protection (DCWP), formerly DCA, is responsible for enforcing key consumer protection, licensing, and workplace laws and protecting the marketplace from predatory practices. Therefore, we reiterate that DCAS should enforce its contract provisions and require scrap metal vendors to use weigh scales located in New York City and to obtain DCWP certifications and seals at least once every 12 calendar months.

5. Request weigh scale calibration and certification records annually and prior to awarding new contracts or renewing or extending existing contracts; and

DCAS Response: “Agree. . . . DCAS will collect and review weigh scale calibration and certifications records annually.”

6. Periodically conduct unannounced observations of scrap metal weighings to ensure that contractors use certified scales to weigh vehicles loaded with scrap metal taken from agency locations when the vehicle enters the processing facility and after that vehicle is unloaded and to independently test the accuracy and precision of weigh scales.

DCAS Response: “Agree. . . .DCAS will . . . conduct periodic observations of weighings.”

Auditor Comment: DCAS did not fully respond to the recommendation in that it did not state whether it would independently test the accuracy and precision of weigh scales. Therefore, we reiterate that DCAS should independently test the accuracy and precision of weigh scales.

DCAS Did Not Ensure That Personnel from Relinquishing Agencies Witnessed and Documented Scrap Metal Weighings

As previously stated, agency Salvage Officers must create an Electronic Relinquishment to request to dispose of scrap metal. The DCAS Office of Citywide Procurement Policies and Procedures states that

The agency salvage officer must indicate the following in the [Electronic Relinquishment] . . . description field: “All materials . . . are of no use to this agency. . . . I and/or my designee shall ensure that disposal will take place via the DCAS/OSA Scrap Metal Container Services Contract. **All contract terms and conditions, including witnessing of all weighing, shall be complied with.**” [Emphasis added.]

If OSA approves the agency request, OSA will issue a Scrap Order authorizing the agency to dispose of goods via an authorized scrap metal vendor. The agency Salvage Officer may then contact the appropriate vendor to arrange for pick-up of containers loaded with scrap metal. DCAS officials informed us that both agency and vendor personnel witness the weighing.

The DCAS Office of Citywide Procurement Policies and Procedures states that agencies “must obtain Weight Receipt Tickets from the contractor, and complete a Scrap Metal Removal/Receipt Job Ticket (RJT); this form requires the signature of the designated agency personnel witnessing the weighing for submission to OSA.” The RJT records, among other things, the scrap metal type, gross weight (i.e., the weight of the container loaded with scrap metal), tare weight (i.e., the weight of the empty container), pick-up date, the driver’s signature, and the agency witness’ signature. The OSA Manager informed us that agencies submit Weight Tickets and completed RJTs to OSA.

The Deer Park Recycling, Inc. and Cousins Metal Industries contracts state that

If Agency personnel cannot witness the weighing, the Contractor retains the RJT and records the weight and other required information on the form. The Contractor forwards the completed RJT and Weight Ticket, within one (1) Business Day, to [OSA] via fax or email and sends the original documents thereof to [OSA] by United States Postal Service mail.

The DCAS Office of Citywide Procurement Policies and Procedures states that OSA shall scan and upload Scrap Orders, Weight Tickets, and RJTs to the Public Surplus system.

Based on our review of OSA records for pick-ups included in scrap metal vendor monthly invoices for April, June, and July 2018, agency or vendor personnel generally submitted Weight Tickets and RJTs to OSA. However, OSA did not ensure that agency personnel witnessed 50 of the 246—20.3 percent—sampled scrap metal weighings as detailed in Table 4 below. Furthermore, OSA

never scanned and uploaded Weight Tickets and completed RJTs which it did receive to the Public Surplus system.

Table 4

Summary of Scrap Metal Weighings
Witnessed by Agency Personnel for
April, June, and July 2018

Sampled Month	Scrap Metal Pick-ups within the Month		Agency Personnel Witnessed Scrap Metal Weighing			Agency Personnel Did Not Witness Scrap Metal Weighing		
	Total Number	Total Revenue	#	Associated Revenue	%	#	Associated Revenue	%
April 2018	116	\$161,392.82	97	\$139,336.64	86.3	19	\$22,056.18	13.7
June 2018	53	\$145,940.20	37	\$129,269.60	88.6	16	\$16,670.60	11.4
July 2018	77	\$126,718.15	62	\$100,661.01	79.4	15	\$26,057.14	20.6
Total	246	\$434,051.17	196	\$369,267.25	85.1	50	\$64,783.92	14.9

DCAS officials stated that they understand that agency Salvage Officers have other full-time responsibilities and therefore cannot always observe scrap metal weighings. However, agency Salvage Officers are responsible for scheduling scrap metal pick-ups and should schedule them for times when they or their designees are available to observe and ensure the accuracy of scrap metal weighings.

Recommendations

DCAS should:

7. Enforce the requirement that agency Salvage Officers or other authorized agency personnel witness scrap metal weighings to ensure that scrap metal vendors use certified scales to weigh loaded and empty containers;

DCAS Response: “Partially agree. DCAS agrees in principle that Salvage Officers. . . should observe weighings as resources permit. However, dispatching staff resources is at the discretion and direction of the corresponding agency, not DCAS.”

Auditor Comment: Section 823(e) of the New York City Charter states that the DCAS “commissioner shall have the following powers and duties. . . . to promulgate rules governing . . . the disposal of surplus and obsolete materials, and to supervise their enforcement.” [Emphasis added.] As previously mentioned, the DCAS Office of Citywide Procurement Policies and Procedures states that

The agency salvage officer must indicate the following in the [Electronic Relinquishment] . . . I and/or my designee shall ensure that disposal will take place via the DCAS/OSA Scrap Metal Container Services Contract. **All contract terms and conditions, including witnessing of all weighing, shall be complied with.** [Emphasis added.]

Agency Salvage Officers are responsible for scheduling scrap metal pick-ups and should schedule them for times when they or their designees are available to observe and ensure the accuracy of scrap metal weighings.

Therefore, we reiterate that DCAS should enforce the requirement that agency Salvage Officers or other authorized agency personnel witness scrap metal weighings to ensure that scrap metal vendors use certified scales to weigh loaded and empty containers.

8. Ensure that agency Salvage Officers submit Weight Tickets and completed RJTs;

DCAS Response: “Partially agree . . . Salvage Officers generally submit Weight Tickets and completed RJTs. This was reflected in the results of NYCC’s sample testing.”

Auditor Comment: DCAS did not ensure that agency Salvage Officers consistently observed scrap metal weighings and submitted Weight Tickets and completed RJTs. As previously mentioned, based on our review of OSA records for pick-ups included in scrap metal vendor monthly invoices for April, June, and July 2018, agency *or vendor personnel* generally submitted Weight Tickets and RJTs to OSA. However, DCAS did not ensure that agency personnel witnessed 50 of the 246—20.3 percent—sampled scrap metal weighings as detailed in Table 4 above.

The authorized scrap metal vendor contracts state that

If Agency personnel cannot witness the weighing, the Contractor retains the RJT and records the weight and other required information on the form. The Contractor forwards the completed RJT and Weight Ticket, within one (1) Business Day, to [OSA] via fax or email and sends the original documents thereof to [OSA] by United States Postal Service mail.

Therefore, we reiterate that DCAS should ensure that agency Salvage Officers observe scrap metal weighings and submit Weight Tickets and completed RJTs.

9. Ensure that OSA staff scans and uploads Weight Tickets and completed RJTs in the Public Surplus system, and retains original hard-copy documents.

DCAS Response: “Disagree . . . DCAS disagrees with the recommendations that . . . DCAS maintain both hard and electronic copies of documentation. This is a resource issue.”

Auditor Comment: DCAS’ response is contrary to its own procedures. The DCAS Office of Citywide Procurement Policies and Procedures states that “[a]ll documentation (e.g., Scrap Orders, Weight Receipts, RJT) shall be scanned and uploaded by OSA to the appropriate online auction number.” Therefore, we

reiterate that DCAS should enforce its own procedures and ensure that OSA staff scans and uploads Weight Tickets and completed RJTs in the Public Surplus system.

DCAS Did Not Ensure That Vendors Submitted Records or Reports Documenting Weighings

Each of the three scrap metal vendors' contracts states that "the Contractor must create and maintain timely, accurate records of each Scrap Metal load removal and delivery to the Processing Facility, with all information required in the *Monthly Scrap Metal Removal Report*." Additionally, the Cousins Metal Industries and Deer Park Recycling, Inc. contracts both state that

For each removal and delivery during a calendar month, the Contractor must furnish the following to DCAS within one (1) Business Day of the removal or delivery:

1. Copy of the Weight Ticket and RJT for each load of Scrap Metal removed and delivered to a Processing Facility; and
2. Copy of the delivery data collected by the Weigh Scale Computer. This copy must be delivered to DCAS on a computer disk, by modem, or by other media or means agreed upon in writing by both DCAS and Contractor, in a format determined by DCAS.

Based on our review of OSA records for pick-ups included in scrap metal vendor monthly invoices for April, June, and July 2018, agency or vendor personnel generally submitted Weight Tickets and RJTs to OSA. However, DCAS did not ensure that scrap metal vendors submitted *Monthly Scrap Metal Removal Reports* as detailed in Table 5 below.

Table 5

Analysis of Scrap Metal Removal
Reports for the Sampled Months of
April, June, and July 2018

Scrap Metal Vendor	Metal Class	Submitted Monthly Scrap Metal Removal Report for April 2018	Submitted Monthly Scrap Metal Removal Report for June 2018	Submitted Monthly Scrap Metal Removal Report for July 2018
Cousins Metal Industries	Class A	DCAS reported that the vendor did not pick up any scrap metal during the month.	Yes	Yes
PK Metals	Class C	DCAS reported that the vendor did not pick up any scrap metal during the month.	No	DCAS reported that the vendor did not pick up any scrap metal during the month.
PK Metals	Class D	DCAS reported that the vendor did not pick up any scrap metal during the month.	DCAS reported that the vendor did not pick up any scrap metal during the month.	DCAS reported that the vendor did not pick up any scrap metal during the month.
Deer Park Recycling, Inc.	Class E	Yes	DCAS reported that the vendor did not pick up any scrap metal during the month.	Yes
Deer Park Recycling, Inc.	Class G	No	No	No

Most notably, DCAS did not ensure that Deer Park Recycling, Inc. submitted Monthly Scrap Metal Removal Reports for Class G metals for any of the three sampled months. Based on OSA monthly invoices, Weight Tickets, and RJTs, Deer Park Recycling, Inc. made at least 216 scrap metal pick-ups of Class G metals during April, June, and July 2018.

Starting on March 26, 2021, we repeatedly requested that DCAS provide us with Deer Park Recycling, Inc. and PK Metals Monthly Scrap Metal Removal Reports or state in writing that DCAS does not have those reports. On May 18, 2021, DCAS stated that

The monthly scrap metal requests that the Contractor report enumerated information. Please see the attached [DCAS] invoices and tickets for the vendor/periods requested. The information provided therein is consistent with the information to be reported on the monthly scrap metal reports and has been accepted as such by DCAS.

However, each of the three scrap metal vendor contracts states that

The Contractor must provide DCAS with the Monthly Scrap Metal Removal Report that contains a complete listing of all removals and deliveries that were made during each calendar month. The Monthly Scrap Metal Removal Report must give the date weighed, vehicle number, weight ticket number, gross weight, tare weight, and net weight.

Each Monthly Scrap Metal Removal Report must be sent to DCAS on or before the tenth (10th) Business Day of the succeeding calendar month.

Therefore, DCAS should ensure that vendors submit Monthly Scrap Metal Removal Reports as required by the contract so that OSA can ensure that they have a complete listing of pick-ups and correctly invoice vendors based on the date weighed and net weight. Further, DCAS should require vendors to sign Monthly Scrap Metal Removal Reports and certify that delivery data is accurate and complete.

Additionally, DCAS did not ensure that Cousins Metal Industries and Deer Park Recycling, Inc. submitted delivery data collected by the Weigh Scale Computers throughout their initial contract terms and the renewal contract terms. DCAS did not appear to be aware that Cousins Metal Industries and Deer Park Recycling, Inc. were contractually required to provide Weigh Scale delivery data.

Recommendations

DCAS should:

10. Enforce its contract provisions and require scrap metal vendors to submit Monthly Scrap Metal Removal Reports which contain a complete listing of all removals and deliveries that were made during each calendar month and include the date weighed, vehicle number, weight ticket number, gross weight, tare weight, and net weight;

DCAS Response: “Agree. DCAS agrees with the recommendations. [DCAS] will ensure vendors submit a Monthly Scrap Metal Report in compliance with the contract.”

11. Require vendors to sign Monthly Scrap Metal Removal Reports and certify that delivery data is accurate and complete; and

DCAS Response: “Agree. DCAS agrees with the recommendations. . . . DCAS will add a certification statement to invoices.”

12. Enforce its contract provisions and require scrap metal vendors to submit delivery data collected by the Weigh Scale Computers.

DCAS Response: “Agree. DCAS agrees with the recommendations. DCAS will . . . require vendors to submit delivery data collected by the Weigh Scale Computers.”

DCAS Did Not Ensure That Payments Were Collected in All Instances or Appropriately

Comptroller’s Directive #21, *Revenue and Receivable Monitoring* states that the billing agency’s Chief Fiscal Officer or his/her designee

has the overall responsibility for the management of the agency’s accounts receivable system. Included in this responsibility is . . . the maintenance of a timely and accurate billing and cash collection process; ensuring a disciplined follow up of all overdue payments. . . .

billing agencies must maintain a centralized billing control function which is segregated from its accounts receivable activities. Agency billing practices must ensure that billings are made in all instances where they are feasible or required and that the invoices are prepared and forwarded to the appropriate parties on a current basis.

However, while DCAS appears to have appropriately issued invoices, it did not ensure that payments were collected in all instances or appropriately. Specifically, based on the information provided by DCAS, which was incomplete because the agency did not include communications which it stated were protected by attorney-client privilege, it appears that the agency may have improperly refunded \$32,050 to public auction winning bidders. Further, with regard to its authorized scrap metal vendors, improperly waived Late Payment Charges of \$11,290. Consequently, the City did not receive all of the revenue to which it was entitled. Additionally, DCAS did not evaluate the impact of AMM pricing structure changes on scrap metal revenue and did not bill for Class E and Class G scrap metals using the correct AMM markets. Therefore, the City may not realize the highest possible revenue.

Additionally, DCAS did not separate the duties for billing scrap metal vendors and collecting cash. Consequently, DCAS increased the risk that assets could be misappropriated and go undetected, and that cash would not be deposited timely.

Each of the above-mentioned issues is discussed more fully below.

DCAS May Have Improperly Refunded \$32,050 to Public Auction Winning Bidders

The Online Sales – Terms and Conditions states that

The City of New York warrants to the Buyer that the property offered for sale will conform to its description. Any claim for mis-description must be made prior to the buyer picking up and removing the property. If the City of New York confirms that the property does not conform to the description, the City of New York will keep the property and refund any money paid. . . . Please note that upon removal of the property, **all sales are final**. . . . [Emphasis in original.]

By submitting a bid, the bidder agrees that he/she has read, fully understood and accepted these Terms and Conditions.

As previously stated, DCAS disposed of 5,550 voting machines through four online public auctions. Each of those four auction descriptions stated that “[y]ou are bidding on Shoup Voting Machines, Used” and that voting machines weighed either “approximately 840 lbs” or “approx 800 lbs each.” Further, auction descriptions stated that “[a]ll measurements and descriptions are approximate. . . . **Inspection is recommended.**” [Emphasis in original.]

Three bidders purchased 5,550 voting machines. After the voting machines were purchased and removed, two of those three winning bidders who purchased 5,548 of the 5,550 voting machines contacted the BOE Agency Chief Contracting Officer (ACCO) to notify BOE of “significant” weight discrepancies between the auction description weights and actual weights of voting machines. The two winning bidders stated their bids were based on the weights stated in auction descriptions and that those weights were misrepresented. Further, one of the two winning bidders provided weight tickets to support his assertion. We note that the two winning bidders—United Metal Exports, Inc. and Gershow Recycling—appear to be associated. Based on the weight tickets submitted by United Metal Exports, Inc., United Metal Exports, Inc. sold its voting machine scrap metal to Gershow Recycling.

BOE referred the two bidders’ complaints to OSA. In response, DCAS allowed United Metal Exports, Inc. and Gershow Recycling to keep the voting machines and issued them partial refunds. The OSA Manager calculated partial refunds totaling \$32,050.28, based on the difference between the auction description weights of approximately 800 or 840 pounds, and 740 pounds, and submitted them to her supervisor—the Director of DCAS Logistics/Central Storehouse—for consideration.

However, the BOE Chief Voting Machine Technician reported to the BOE ACCO and the BOE Salvage Officer that the voting machines weighed 845 pounds. Furthermore, the OSA Manager stated “[p]lease keep in mind that the auctions were sold as a lot and not by weight. I would recommend for DCAS/Legal to check first if this is acceptable.” Nevertheless, the Director of DCAS Logistics/Central Storehouse approved issuing partial refunds to winning bidders. Please see Table 6 below for a summary of United Metal Exports, Inc. and Gershow Recycling’s winning bids, partial refunds, and net amounts paid to the City for voting machines disposed of through online public auctions, as well as estimated revenue generated if voting machines were disposed of through DCAS’ authorized scrap metal contract.

Table 6

Summary of Net Revenue
Generated from Voting Machines
Sold to United Metal Exports, Inc.
and Gershow Recycling via Public
Auctions and Estimated Revenue
from the Disposal of Voting
Machines via Authorized Scrap
Metal Contract

Electronic Relinquishment Number	Number of Voting Machines	Winning Bid	Partial Refund	Net Revenue Generated via Online Public Auction	Estimated Revenue Generated via Authorized Scrap Metal Contract
2045438	3,980	\$234,820.00	\$28,656.00	\$206,164.00	\$413,642.37
	18	\$1,080.00	\$134.28	\$945.72	\$1,871.87
2001635	750	\$19,100.00	\$1,340.00	\$17,760.00	\$71,652.61
2035825	500	\$16,000.00	\$1,200.00	\$14,800.00	\$47,768.40
2035826	300	\$9,600.00	\$720.00	\$8,880.00	\$28,661.62
Total	5,548	\$280,600.00	\$32,050.28	\$248,549.72	\$563,596.87

As previously stated, all four auction descriptions clearly stated that “descriptions are approximate” and that “**Inspection is recommended.**” [Emphasis in original.] By submitting bids, bidders agreed and accepted the Online Sales – Terms and Conditions including that “[a]ny claim for mis-description must be made prior to the buyer picking up and removing the property. . . . upon removal of the property, **all sales are final.**” [Emphasis in original.] However, the bidders did not claim for mis-descriptions until after the voting machines were removed from the property and sales were final.

After the bidders complained, it does not appear that the Director of DCAS Logistics/Central Storehouse: (1) independently weighed voting machines; and (2) consulted with legal counsel to determine whether claims for mis-description were substantiated and whether partial refunds were warranted. On April 9, 2021, we requested that DCAS provide us with any and all documentation related to DCAS’ basis for issuing refunds and correspondence related to legal consultation and approval of issuing refunds. On April 16, 2021, DCAS initially responded by DCAS incorrectly stating that “[t]here were no refunds provided during the audit period” although DCAS previously provided us with correspondence and documentation related to refunds.

Subsequently, at our exit conference held on June 7, 2021, DCAS stated that it consulted with legal counsel in connection with its issuance of partial refunds but that it would not provide us with supporting documentation because its communications with counsel were protected by attorney-client privilege. On June 8, 2021, we requested that DCAS: (1) identify specifically which communications DCAS is asserting privilege for by date, parties, and form (e.g., email or phone call); and (2) assert that each communication involved legal advice. To date, DCAS has not provided us with requested information.

In the absence of documentation to show that DCAS independently weighed voting machines and an explanation for the actions it took in the face of available information, it appears that DCAS may have improperly issued partial refunds to bidders totaling \$32,050.28.

As previously stated, the Online Sales – Terms and Conditions states that “[i]f the City of New York confirms that the property does not conform to the description, the City of New York will keep the property and refund any money paid.” Therefore, if DCAS did in fact substantiate mis-description claims before voting machines were removed from the property, it should have kept the voting machines, made full refunds, and disposed of voting machines through its authorized scrap metal contract.

DCAS Improperly Waived Scrap Metal Vendor Late Payment Charges of \$11,290

Each of the three vendors’ contracts states that “[t]he Contractor shall pay to DCAS a late payment charge of two percent (2%) for each Business Day after the Payment Due Date that the Contractor does not pay a Scrap Metal Sale Price Invoice (‘Late Payment Charge’).” Further, the contracts state that the “‘Payment Due Date’ shall mean the date that is ten (10) Business Days from the date of the Scrap Metal Sale Price Invoice.”

On June 13, 2018, DCAS emailed PK Metals an invoice for \$70,560 which stated that “[p]ayment must be made within 10 (ten) business days from this invoice date [i.e., June 27, 2018].” However, PK Metals did not make its payment until July 9, 2018. Consequently, DCAS emailed PK Metals a Late Notice stating that “payment was received 8 days late. . . . You now owe \$11,289.60 in late fees. Please remit current amount due immediately.”

In response, PK Metals stated that the “delay in mailing the check earlier was due to an oversight on my part & I sincerely apologize for this mistake. It will not occur again. We have purchased many other items from NYC DCAS without issue & hope that you will consider our record.” Subsequently, DCAS approved PK Metals’ request to waive the Late Payment Charge of \$11,289.60.

On April 9, 2021, we requested that DCAS provide us with any and all documentation related to DCAS’ basis for waiving Late Payment Charges. DCAS provided us with only an email from the Director of DCAS Logistics/Central Storehouse to the OSA Manager stating, “we will honor [PK Metals’] request and extend them a one-time late fee waiver, based on their prior track record.” However, the contract does not provide for Late Payment Charge exceptions or waivers.

Recommendations

DCAS should:

13. Ensure that billings are made and collected in all instances where they are feasible or required;

DCAS Response: “Partially Agree. DCAS agrees in principle that billings should be made in all instances where they are feasible or required but does not agree with NYCC’s characterization of the single instance of a refund and waiver of late fees as ‘improper’. DCAS further disagrees that these are indicative of a need to alter billing practices, but will consider the need to articulate policy in this area. . . .

it is entirely within [DCAS’] discretion to waive late fees and waive late fees in rare instances.

DCAS will review written policy around refunds and waiver of late fees and determine if these need to be revised.”

Auditor Comment: As previously mentioned, Comptroller’s Directive #21, *Revenue and Receivable Monitoring* states that “Agency billing practices must ensure that billings are made in all instances where they are feasible or required.” Furthermore, authorized Scrap Metal Vendor contracts do not provide for Late Payment Charge exceptions or waivers. Therefore, we reiterate that DCAS should ensure that billings are made and collected in all instances where they are feasible or required.

14. Consult with legal counsel before issuing refunds;

DCAS Response: “Partially Agree. . . . DCAS did in fact consult with its legal team before deciding to issue the refund,”

Auditor Comment: At our exit conference held on June 7, 2021, DCAS stated that it consulted with legal counsel in connection with its issuance of partial refunds but that it would not provide us with supporting documentation because its communications with counsel were protected by attorney-client privilege. On June 8, 2021, we requested that DCAS: (1) identify specifically which communications DCAS is asserting privilege for by date, parties, and form (e.g., email or phone call); and (2) assert that each communication involved legal advice. To date, DCAS has not provided us with requested information. Consequently, we cannot be reasonably assured that DCAS did in fact consult with legal counsel before issuing refunds.

Therefore, we reiterate that DCAS should consult with legal counsel before issuing refunds.

15. Document the basis for issuing refunds.

DCAS Response: DCAS did not address this recommendation.

Auditor Comment: We reiterate that DCAS should document the basis for issuing refunds.

DCAS Did Not Evaluate the Impact of AMM Pricing Structure Changes

As previously stated, the three authorized scrap metal vendors pay the City based on either: (1) an agreed-upon price per lot which is adjusted annually; or (2) the metal weight and an agreed-upon percentage of the applicable AMM price on the collection date as detailed in Table 1 above. On June 17, 2019, AMM informed its customers that it would no longer publish city-specific metal market price ranges and that it would instead publish a single United States price using a median of city-specific price inputs. To assist their customers in evaluating the impact of this change and renegotiating pricing formulas, AMM published pricing information which allowed them to compare city-specific prices with the new single price for the United States between June 7, 2019 and August 9, 2019.

On September 3, 2020, DCAS renewed and amended each of the three scrap metal contracts to state that pricing would be based on the AMM “US Price Index.” However, prior to amending those contracts, DCAS did not evaluate how the AMM pricing change would impact scrap metal revenue to determine whether it should renegotiate pricing terms with its existing authorized scrap metal vendors before renewing their contracts in 2020, or issue a new request for bids. Since DCAS did not evaluate how the AMM pricing change impacted scrap metal revenue, the City may not realize the highest possible revenue.

On April 9, 2021, we requested that DCAS provide us with any and all documentation and correspondence related to DCAS’ decision not to renegotiate scrap metal contract pricing and/or rebid scrap metal contracts. In response, DCAS stated only that “[r]enewal options are in our contracts. Renewals were exercised for these contracts as allowed for in the original contract.”

DCAS Did Not Bill for Class E and Class G Scrap Metals in Accordance with the Contract

The Deer Park Recycling, Inc. contract states that the “Sale Price” shall mean “the price per Gross Ton or pound (lb.), as applicable, that is published in the AMM publication on the date that the Scrap Metal was collected that is multiplied by the Contractor’s Bid Amount (percentage) on its bid sheet.” Further, the contract states that prices for Class E and Class G metals shall be stated on the Bid Sheet on a Gross Ton basis and shall use AMM pricing for New York area export yards as detailed in Table 7 below.

Table 7

Class E and Class G Metal Pricing
Stipulated in the Contract

Metal Class	Metal Type	AMM Pricing Guide				
Class E	Mixed Iron/Steel and Brass	Scrap	Ferrous	Export Yard-NY Area	No. 1 Heavy Melting	New York
Class G	Heavy and Light Steel	Scrap	Ferrous	Export Yard-NY Area	No. 2 Bundles	New York

However, DCAS did not use the contract pricing stipulated in the contract for the entire initial contract term or during the renewal contract term. Instead, DCAS invoiced Deer Park Recycling, Inc. using the AMM pricing for Philadelphia consumer buying prices as detailed in Table 8 below.

Table 8

Class E and Class G Metal Pricing
Used by DCAS

Metal Class	Metal Type	AMM Pricing Guide				
Class E	Mixed Iron/Steel and Brass	Scrap	Ferrous	Consumer Buying Prices	No. 1 Heavy Melting	Philadelphia
Class G	Heavy and Light Steel	Scrap	Ferrous	Consumer Buying Prices	No. 2 Bundles	Philadelphia

DCAS asserted that it obtained more favorable pricing terms because consumer buying prices are greater than export yard prices. On April 19, 2021, we asked DCAS to provide us with supporting documentation for billing Deer Park Recycling, Inc. based on Philadelphia consumer buying prices as opposed to New York area export yard prices as stipulated in the contract. On June 7, 2021, DCAS provided us an AMM rolling average price report for Calendar Year 2018 for Class G metal. On June 8, 2021, we requested to observe DCAS input search parameters and re-run this report to ensure data integrity and reliability. To date, DCAS has not provided us with requested documentation for Class G metal. Additionally, DCAS has not provided us with documentation to show that it obtained more favorable pricing terms for Class E metal. Therefore,

we do not have sufficient information to determine whether DCAS did in fact obtain more favorable pricing terms.

DCAS Response: “The report also fails to acknowledge that DCAS uses the best scrap metal price available, despite DCAS having provided American Metal Market reports which clearly demonstrate this to be the case. The AMM reports are drawn from an independent data source which the auditors have chosen to ignore on the pretext of ‘data reliability’ guidelines, even though the reports were either pulled in the presence of the audit team or supported by screenshots to verify the report filters and AMM as the source of data.”

Auditor Comment: Please see response to Recommendation #17.

Recommendations

DCAS should:

16. Consider not renewing a contract where there has been a change in a material element of the contract and evaluate whether renegotiating the contract or letting a new contract out to bid would be the best course for the City under the circumstances;

DCAS Response: DCAS did not address this recommendation.

Auditor Comment: We reiterate that DCAS should consider not renewing a contract where there has been a change in a material element of the contract and evaluate whether renegotiating the contract or letting a new contract out to bid would be the best course for the City under the circumstances.

17. Evaluate and document which AMM pricing terms yield the most revenue for the City (i.e., export yard prices or consumer buying prices); and

DCAS Response: “Disagree. . . . DCAS currently uses the AMM market which offers the best pricing. Supporting data for FY2018 was provided to NYCC, from an independent source. The data clearly shows that the market price used by DCAS was consistently higher in FY2018 than other available market prices.”

Auditor Comment: As previously mentioned, on April 19, 2021, we asked DCAS to provide us with supporting documentation for billing Deer Park Recycling, Inc. based on Philadelphia consumer buying prices as opposed to New York area export yard prices as stipulated in the contract. On June 23, 2021, we observed DCAS input search parameters and run an AMM rolling average price report for Calendar Year 2018 for Class G metal. Based on the AMM rolling average price report, it appears that DCAS may have obtained more favorable pricing for Class G metal. However, on that same day, we asked to observe DCAS input search parameters and run AMM past yearly official averages reports comparing Philadelphia consumer buying prices to New York export yard prices. Additionally, we requested that DCAS provide us with descriptions of the past yearly official average report and custom date range rolling average report which include, but are not limited to, the methodologies used to generate reports. However, DCAS did not allow us to observe DCAS input search parameters and run an AMM past yearly official averages report on that day or thereafter and did not provide us with requested report descriptions. Consequently, we cannot be reasonably assured that DCAS obtained more favorable pricing for Class G metal. Additionally, DCAS

did not provide us with any documentation to show that it obtained more favorable pricing terms for Class E metal.

Therefore, we reiterate that DCAS should evaluate and document which AMM pricing terms yield the most revenue for the City (i.e., export yard prices or consumer buying prices).

18. Enforce existing Deer Park Recycling, Inc. contract terms or revise contract language as necessary.

DCAS Response: “Partially agree. DCAS agrees in principle that contract provisions should generally be enforced. . . . Contract terms and conditions will be reviewed and updated as needed.”

Auditor Comment: In its response, DCAS agrees only “in principle” that contract provisions should “generally” be enforced. Therefore, we reiterate that DCAS should enforce contract provisions as a general matter.

DCAS Did Not Separate the Duties for Billing Scrap Metal Vendors and Collecting Cash

Comptroller's Directive #21, *Revenue and Receivable Monitoring* states that a “clear and distinct separation of duties must exist between the billing agency's accounts receivable and its billing functions. The person(s) initiating the billings and creating the accounts receivable must be independent from those person(s) collecting the cash.” Further, Comptroller's Directive #1 *Principles of Internal Control* states that “[k]ey duties and responsibilities need to be divided or segregated among different staff members to reduce the risk of error or fraud.”

However, a single OSA Manager was responsible for both reviewing and approving scrap metal invoices and sending them to vendors, and for collecting cash during our audit scope period. Each of the three scrap metal vendor contracts states that the “Contractor shall send full payment of the Scrap Metal Sale Price Invoice, in the form of a commercial bank check or cashier's check, by the Payment Due Date to the . . . Office of Surplus Activities.”

During the course of the audit, DCAS informed us that it separated the duties for billing vendors and receiving cash. As of April 2021, the OSA Manager no longer receives cash. DCAS stated that “Deer Park Recycling and PK Metals agreed to begin using ACH [Automated Clearing House] in or about September 2020 and have used it since. . . . Cousins Metal Industries prefers to send checks. . . . Use of ACH is not mandatory.” On April 1, 2021, DCAS asked Cousins Metal Industries to “[p]lease consider submitting payment through the ACH process recently established.” Further DCAS stated, “[i]f Cousins Metals prefers to continue utilizing bank certified checks for payment method; Please mail the check(s) via FedEx, UPS or Certified US postal services to: DCAS Accounts Receivable Unit.”

Since DCAS did not separate the duties for billing vendors and receiving cash until April 2021, DCAS increased the risk that assets could be misappropriated and go undetected, and that cash would not be deposited timely. DCAS provided us with emails sent by the OSA Manager to scrap metal vendors regarding the initiation of ACH payments. Those emails stated that

Due to recent events, where a vendor's payment (checks) were mis-routed, and out of an abundance of caution with the leg-work and time that it takes to deliver a physical bank certified check or corporate check. I am requesting DCAS's

Financial Budget Management unit to allow your organization to make ACH payments on invoices that you receive from DCAS OSA in accordance to the Scrap Metal Contract.

DCAS also provided us with a notice sent by the OSA Manager to PK Metals regarding “mis-routed” payments for two invoices totaling \$45,309. The notice stated that

after reviewing your Fed-Ex proof of delivery; it’s our understanding that these checks may have been re-routed to a different office within our facility.

Thank you in advance for providing proof of delivery, please allow us to conduct some due diligence to identify where these checks were sent.

On May 7, 2021, we asked DCAS to provide us with information and documentation regarding the vendor’s checks that “were mis-routed” including (1) an explanation as to what DCAS means when it stated that checks “were mis-routed”; (2) which vendors’ checks were “mis-routed”; (3) how many checks were “mis-routed” and the dollar amount of those checks; and (4) whether and how DCAS accounted for funds. On May 14, 2021, DCAS stated that

We are only aware of one instance of misdirected mail involving a check. UPS delivered an envelope addressed to DCAS to a retail outlet at the same address as DCAS. The retail outlet noticed that it was addressed to DCAS; provided it unopened to building management; and it was subsequently delivered to Surplus Goods. There is no documentation of this mundane occurrence. The check was subsequently cashed without incident.

Further, on May 27, 2021, DCAS confirmed that “the associated vendor payments refer to PK Metals in connection with invoices #20-08-002 and #20-8-003” and provided us with documentation to show that it accounted for payments totaling \$45,309.

DCAS Did Not Reliably Estimate and Document Cost Savings Generated from the Interagency Transfer of Surplus Goods

The DCAS Office of Citywide Procurement Policies and Procedures states that

OSA seeks to ensure that the City of New York reuses surplus property whenever and wherever possible by facilitating inter-agency transfers or, when transfer is not a viable option, realizing the highest possible revenue through resale. . . .

After an agency has created an [Electronic Relinquishment] to dispose of goods, OSA will review each auction. OSA will insure that all information is complete and appropriate and will evaluate the type, quality and quantity of material that is being made available to determine the most appropriate method of disposition (i.e., internal reallocation and/or public offering). In certain cases, material must be physically inspected to determine its condition and to estimate its value.

OSA offers surplus goods to other City agencies first, for a period of seven days, before disposing of surplus goods through online public auctions.

The DCAS Office of Citywide Procurement Policies and Procedures states that

After material has been transferred or sold, an accounting for the value/revenue must be maintained. This value/revenue is based on either an estimate of the cost avoidance value (in the case of inter-agency transfers), or the actual revenue generated through resale.

For Calendar Year 2018, DCAS reported cost savings of \$444,035 from the interagency transfer of surplus goods. However, based on our analysis of reported cost savings for sampled interagency transfers in the months of January, July, and December 2018, DCAS did not reliably estimate or document reported cost savings.

The OSA Salvage Appraiser was responsible for assessing the condition and value of surplus goods, estimating cost savings generated from the interagency transfer of surplus goods, and preparing monthly Reallocation Reports. The OSA Manager was responsible for reviewing and approving those monthly Reallocation Reports. OSA staff informed us that reported cost savings from interagency transfers were based on either: (1) appraisal values supplied by the relinquishing agency; (2) the OSA Salvage Appraiser's market research for comparable goods sold on online auction sites such as EBay and Public Surplus; or (3) the OSA Salvage Appraiser's market research for comparable goods sold on online retail sites such as Amazon and Office Depot.

When conducting market research to identify comparable goods and estimate cost savings, OSA staff relied on agency Electronic Relinquishment descriptions and photos. However, OSA staff did not ensure that Electronic Relinquishments were complete and appropriate and included sufficiently detailed information such as the item make, model, material type, and condition. For sampled interagency transfers in the months of January, July, and December 2018, DCAS reported cost savings totaling \$274,646.78 for 23 Electronic Relinquishments.

For 8 of those 23 Electronic Relinquishments, OSA staff reported relinquishing agency appraisal values totaling \$156,369.34. OSA staff did not review Electronic Relinquishment descriptions or physically inspect surplus goods to determine whether relinquishing agency reported cost savings were reasonable.

For the remaining 15 Electronic Relinquishments, OSA staff reported cost savings totaling \$118,277.44 based on their market research. However, based on our review, OSA lacked adequate information to reliably estimate cost savings for 6 of those 15 Electronic Relinquishments totaling \$60,719.45. Additionally, OSA staff did not physically inspect goods to determine their condition and assess their value. Furthermore, OSA staff did not maintain supporting documentation for reported cost savings. During the course of the audit, DCAS informed us that it started to maintain supporting documentation for reported cost savings in June 2019, and provided us with monthly Reallocation Reports which included hyperlinks for the online auction or retail prices that it used to estimate cost savings.

Since DCAS did not ensure that Electronic Relinquishment descriptions were complete and appropriate and physically inspect goods to determine their condition and estimate their value and relied on inadequate descriptions and photos, we cannot be reasonably assured that reported cost savings are reliable which may be used to assess OSA's performance and in DCAS budgetary decisions.

Recommendations

DCAS should:

19. Ensure that Electronic Relinquishment descriptions are complete and appropriate and contain information including, but not limited to, make, model, composition, and condition; and

DCAS Response: “Partially agree. DCAS agrees in principle that Salvage Officers should provide information requested on the Electronic Relinquishment form. . . . DCAS disagrees that Salvage Officers can be expected to possess the necessary expertise and resources to correctly identify metal type and to accurately estimate weight. Personnel serving as Salvage Officers typically perform the duty on a limited, part-time basis and have other responsibilities. Vendors are expected as a contractual matter to provide accurate weights and to verify correct metal type on pick up.”

Auditor Comment: DCAS’ response is contrary to its own procedures. As previously mentioned, the DCAS Office of Citywide Procurement Policies and Procedures states that “After an agency has created an [Electronic Relinquishment] to dispose of goods, OSA will review each auction. OSA will insure that all information is complete and appropriate.” The *OSA Creating an Online Auction (Electronic Relinquishment)* indicates that Electronic Relinquishments includes fields for make, model, material, and condition. Therefore, we reiterate that DCAS should enforce its own procedures and ensure that Electronic Relinquishment descriptions are complete and appropriate and contain information including, but not limited to, make, model, composition, and condition.

20. Ensure that OSA staff physically inspect surplus goods to determine their condition and estimate their value in certain cases including, not limited to, bulk disposals and disposals for which relinquishing agencies did not provide complete and appropriate descriptions.

DCAS Response: “Disagree. . . . DCAS disagrees with the recommendations that OSA staff inspect surplus goods in person. . . . This is a resource issue.”

Auditor Comment: DCAS’ response is contrary to its own procedures and to statements made during the audit which acknowledge that need to physically inspect surplus goods to assess their condition and value. Specifically, the DCAS Office of Citywide Procurement Policies and Procedures states, “In certain cases, material must be physically inspected to determine its condition and to estimate its value.” DCAS recently affirmed the cited procedure on March 23, 2021, stating, “It has always been the general practice of OSA staff to conduct site visits regularly as needed to assess the potential for revenue opportunities and cost savings of items that are being considered for salvage by agencies.” Therefore, we reiterate that DCAS should ensure that OSA staff physically inspect surplus goods to determine their condition and estimate their value in certain cases including, not limited to, bulk disposals and disposals for which relinquishing agencies did not provide complete and appropriate descriptions.

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 of this audit covered Calendar Year 2018. We expanded certain tests for scrap metal weigh scales and scrap metal pricing to cover authorized scrap metal vendors' three-year initial contract periods and three-year renewal contract periods.

To achieve our audit objectives, we reviewed the OSA Organizational Chart, Office of Citywide Procurement Policies and Procedures, *OSA Creating an Online Auction (Electronic Relinquishment)*, Salvage Officer List, Public Surplus Contract 2015-2018 with Renewal 2018-2021, Scrap Metal Vendor Contracts, Public Surplus generated Reports, and OSA internal reports. Additionally, we reviewed Comptroller's Directive #1, *Principles of Internal Control* and Comptroller's Directive #21, *Revenue and Receivable Monitoring*.

To gain an understanding of DCAS' controls over the transfer, sale, and disposal of surplus goods, we interviewed DCAS officials including the OSA Manager, Office Coordinator, and Salvage Appraiser. For an understanding of sales revenue, we interviewed the OSA Manager and Accounts Payable Officers of the Audits and Accounts unit. We documented our understanding from these interviews in memoranda.

To determine the reliability of DCAS' related interagency transfers, we reviewed the Public Surplus Reallocation Reports and compared reallocation data to Public Surplus online auctions for Calendar Year 2018.

To determine the reliability of DCAS' related sale of surplus goods information, we reviewed the Public Surplus Payment Collection Reports and Surplus Sales & Auction Receipts Log and compared the auction sale data to the Public Surplus online auctions and to New York City's Financial Management System (FMS) for Calendar Year 2018.

To determine the reliability of DCAS' related disposal of scrap metal information, we reviewed the Surplus Sales & Auction Receipts Log and compared scrap metal disposal data to Public Surplus online auctions and finally to FMS for Calendar Year 2018.

We obtained a Public Surplus Closed Auctions Report which detailed all surplus goods disposed of through online public auctions during Calendar Year 2018. We reviewed Electronic Relinquishment titles and descriptions to identify surplus metal goods which were disposed of through online public auctions. We identified 187 Electronic Relinquishments for surplus metal goods. For Electronic Relinquishments for surplus metal goods, we requested that DCAS provide us with documentation of site visits and quantitative or other analysis used by DCAS to assess potential revenue and to determine the disposal method that would yield the most revenue for bulk disposals of surplus metal goods during Calendar Year 2018.

To determine whether DCAS determined the most appropriate disposal method, we intended to estimate potential revenue generated from the disposal of surplus metal goods through authorized scrap metal contracts and compare it to actual revenue generated from the disposal of surplus metal goods through online public auctions. However, 178 of the 187 Electronic Relinquishments for surplus metal goods did not include metal types and precise actual or estimated weights in the descriptions. Therefore, we generally could not reliably estimate and compare revenue and determine whether DCAS chose the most appropriate disposal method for surplus metal goods.

DCAS disposed of 5,550 voting machines through four online public auctions. For those four Electronic Relinquishments, we estimated the potential revenue that DCAS could have generated from the disposal of the 5,550 voting machines through its authorized scrap metal contract based on: (1) metal type recorded on Electronic Relinquishment descriptions; (2) estimated metal weight which was reported on Electronic Relinquishment descriptions and converted to tons as defined in the contract; (3) the applicable AMM metal price on the auction start date; and (4) the applicable scrap metal contract bid amount percentage. We then compared the potential revenue that DCAS could have generated from the disposal of the 5,550 voting machines through its authorized scrap metal contract to the actual revenue generated through online public auctions.

For the three authorized scrap metal vendors, we requested and reviewed weigh scale records for their three-year initial contract periods and three-year renewal contract periods. The weigh scale records included: (1) electronic scrap metal delivery data; (2) DCAS requests for weigh scale certifications, certification renewals, and calibration records; (3) DCAS observations of weighings; (4) DCAS tests of weigh scales and weigh scale computers; and (5) DCAS audits or inspections of vendor books and records.

We stratified the population of 138 listings totaling \$444,035.16 in cost savings from the Calendar Year 2018 Public Surplus Reallocation Report into monthly segments. We then judgmentally selected the three highest estimated cost avoidance value months which were January, July, and December 2018, and made up of 48 listings totaling \$280,946.36. We deemed the reallocation listings with appraised values of less than \$1,000 to be immaterial and the adjusted sample size became 23 listings totaling \$274,646.78. For each month of reallocation listings sampled, we requested and reviewed supporting documentation related to reallocation reports, justification, approvals, receipt of goods, cost savings estimates, and other supporting documentation, to determine whether DCAS' internal reallocations were reasonable, appropriate, adequately supported, and properly authorized,

We stratified DCAS' Calendar Year 2018 reported credit/debit card sales totaling \$931,070.86 from its Public Surplus Payment Collection Report into monthly segments. In addition, DCAS reported in 2018 a total of \$55,361.50 in sale refunds. We judgmentally selected the three highest grossing months of credit/debit card sales which were March, June, and November 2018 and totaled \$545,367.39. For each month of online public auction revenue sampled, we requested and reviewed supporting documentation related to monthly collection reports, auction listings, approvals, receipt of goods, and other supporting documentation to determine whether DCAS accounted for online public auction sales revenue.

We stratified DCAS' Calendar Year 2018 reported scrap metal revenue totaling \$918,246.88 from its Surplus Sales & Auction Receipts Log into monthly segments by vendor. We then judgmentally selected the three highest grossing months of scrap metal revenue which were April, June, and July 2018 and totaled \$434,051.16. For each month of scrap metal revenue sampled, we requested and reviewed supporting documentation related to scrap metal pick-ups including

Scrap Order Log, *Monthly Scrap Metal Removal Reports*, monthly scrap metal vendor invoices, Weight Tickets, RJTs, and other supporting documentation. We reviewed documentation to determine whether: (1) agency personnel witnessed scrap metal weighings; (2) agency or vendor personnel submitted Weight Tickets and completed RJTs to OSA; and (3) OSA uploaded Weight Tickets and RJTs to Public Surplus. We also determined whether DCAS invoiced scrap metal vendors for all pick-ups, calculated invoices correctly, and collected, accounted for, and deposited scrap metal revenue.

For the three authorized scrap metal vendors, we determined whether DCAS billed scrap metal vendors based on the correct AMM stipulated in the contract for the entire initial contract term and during the renewal contract term. We also asked DCAS whether it evaluated the impact of AMM pricing structure changes on scrap metal revenue prior to renewing contracts. Additionally, for the authorized scrap metal vendor that pays the City based on an agreed-upon price per lot which is adjusted annually, we determined whether DCAS adjusted metal prices annually.

In addition, to determine whether DCAS' scrap orders were complete, we reviewed and reconciled the Fiscal Year 2018 scrap order log to Public Surplus auctions and then to RJT's for our sample. For any scrap orders that contained missing documentation such as missing RJT and weight tickets, we requested DCAS to provide them.

The results of the above tests, while not projectable to their respective populations, provided a reasonable basis for us to assess and evaluate DCAS' controls over its transfer, sale, and disposal of surplus goods and whether DCAS accurately reports sales revenue.



Lisette Camilo
Commissioner

June 25, 2021

Ms. Marjorie Landa
Deputy Comptroller for Audit
1 Centre Street, Level XX
New York, New York 10007

VIA EMAIL

Re: Response to Audit FK19-088A Department of Citywide Administrative Services' Controls over the Transfer, Sale, and Disposal of Surplus Goods

Dear Ms. Landa,

DCAS has received the draft report issued in the above audit. The report contains many recommendations that are duplicative in some instances and which, in others, are not feasible due to the lack of resource availability and the associated expense of increasing resources, not just within DCAS but across all agencies with salvage operations.

The audit report makes impractical recommendations because, as the audit team conducting this audit acknowledged during the Exit Conference, it conducted no cost-benefit analyses before formulating the recommendations. For example, the report posits a missed opportunity to maximize \$315,134.79 in revenue but suggests improvements that, if fully implemented, would require a Citywide investment which would likely cost several times the posited loss, in the forms of new staff needed, additional labor hours and increased storage requirements.

The surplus goods operation is not designed solely to generate revenue for the City of New York, but also to find the best use of obsolete items across all City agencies. The operation considers revenue generation as one avenue to this end, as well as ways to reduce waste and unnecessary spending by the agencies DCAS serves.

The report also makes inaccurate assertions about legal requirements. For example, it criticizes DCAS for not obtaining weight tickets signed by licensed weighmasters for scrap metal delivered to two of three vendors, which it asserts is required by section 195(3) of the New York Agriculture and Markets Law. But contrary to the report, there is no requirement in that or any other law that a licensed weighmaster issue a weight ticket for the sale or transportation of scrap metal.

The report also fails to acknowledge that DCAS uses the best scrap metal price available, despite DCAS having provided American Metal Market reports which clearly demonstrate this to be the case. The AMM reports are drawn from an independent data source which the auditors have chosen to ignore on the pretext of “data reliability” guidelines, even though the reports were either pulled in the presence of the audit team or supported by screenshots to verify the report filters and AMM as the source of data.

While we do not agree with all findings and recommendations contained in the draft report, DCAS is deeply committed to continuous quality improvement, and will carefully review the Comptroller’s recommendations and implement them as resources permit. DCAS’ initial assessment is set out in the attached *Response to Recommendations* document.

Thank you for taking the time to offer suggestions for improving the processes associated with the Disposal of Surplus Goods.

Yours sincerely,

A handwritten signature in cursive script that reads "Carmine Rivetti".

Carmine Rivetti
Chief of Staff to the Commissioner

Encl.

**NYC DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
RESPONSE TO RECOMMENDATIONS**

Audit Name: DCAS' Controls over the Transfer, Sale, and Disposal of Surplus Goods
Audit Number: FK19-088A

Date: June 25, 2021

Auditor's Recommendations	Proposed Response	Proposed Action	Unit	Target Date
<p>Recommendations related to agency Salvage Officers (1, 19, 7 & 8)</p> <p>(1) Require agencies to include metal types and actual or estimated weights of surplus metal goods in Electronic Relinquishments</p> <p>(19) Ensure that Electronic Relinquishment descriptions are complete and appropriate and contain information including, but not limited to, make, model, composition, and condition</p> <p>(7) Enforce the requirement that agency Salvage Officers or other authorized agency personnel witness scrap metal weighings to ensure that scrap metal vendors use certified scales to weigh loaded and empty containers</p>	<p>Partially agree</p> <p>DCAS agrees in principle that Salvage Officers should provide information requested on the Electronic Relinquishment form and should observe weighings as resources permit. However, dispatching staff resources is at the discretion and direction of the corresponding agency, not DCAS.</p> <p>DCAS disagrees that Salvage Officers can be expected to possess the necessary expertise and resources to correctly identify metal type and to accurately estimate weight. Personnel serving as Salvage Officers typically perform the duty on a limited, part-time basis and have other responsibilities. Vendors are expected as a contractual matter to provide accurate weights and to verify correct metal type on pick up.</p>	<p>DCAS will re-issue guidance to Salvage Officers to reiterate requirements.</p>	<p>OSA</p>	<p>By 9/30/21</p>

**NYC DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
RESPONSE TO RECOMMENDATIONS**

Audit Name: DCAS' Controls over the Transfer, Sale, and Disposal of Surplus Goods
Audit Number: FK19-088A

Date: June 25, 2021

Auditor's Recommendations	Proposed Response	Proposed Action	Unit	Target Date
(8) Ensure that agency Salvage Officers submit Weigh Tickets and completed RJTs.	Salvage Officers generally submit Weight Tickets and completed RJTs. This was reflected in the results of NYCC's sample testing.			
<p>Recommendations related to OSA operations (3, 17, 2, 20, 9):</p> <p>(3) Estimate and document potential online auction revenue based on prior auctions or other sales records for similar goods (i.e., goods which were of similar type and condition), estimate and document potential scrap metal revenue based on estimated or actual weights and AMM Index pricing, and compare estimated online auction revenue to estimated scrap metal revenue to determine and document the most appropriate disposal method.</p> <p>(17) Evaluate and document which AMM pricing terms yield the most revenue for the City (i.e. export yard vs consumer pricing)</p>	<p>Disagree</p> <p>DCAS agrees that documentation of the analysis conducted when selecting disposal method and/or AMM market could be improved but disagrees that the required analysis is not generally being done.</p> <p>DCAS currently uses the AMM market which offers the best pricing. Supporting data for FY2018 was provided to NYCC, from an independent source. The data clearly shows that the market price used by DCAS was consistently higher in FY2018 than other available market prices.</p> <p>Predicting actual revenue from auctions is difficult, particularly when an auction has</p>	DCAS already documents and tracks potential revenue for items posted to auction and will build on this to create an internal form to document the selection of disposal method and AMM market for each relinquishment.	OSA	By 9/30/21

**NYC DEPARTMENT OF CITYWIDE ADMINISTRATIVE SERVICES
RESPONSE TO RECOMMENDATIONS**

Audit Name: DCAS' Controls over the Transfer, Sale, and Disposal of Surplus Goods
Audit Number: FK19-088A

Date: June 25, 2021

Auditor's Recommendations	Proposed Response	Proposed Action	Unit	Target Date
<p>(2) Physically inspect surplus goods metal to assess their condition and value in certain cases including, not limited to, bulk disposals and disposals for which agencies did not provide metal types and actual or estimated weights</p> <p>(20) Ensure that OSA staff physically inspect surplus goods to assess their condition and value in certain cases including, not limited to, bulk disposals and disposals for which relinquishing agencies did not provide complete and appropriate descriptions.</p> <p>(9) Ensure that OSA staff scans and uploads Weight Tickets and completed RJTs in the Public Surplus System and retains hard copy documents.</p>	<p>not previously used for disposal., Disposal decisions are not based solely on the potential to generate revenue. There are broader goals to consider, including eliminating waste, safeguarding the environment, and donating surplus goods where they are most needed.</p> <p>DCAS disagrees with the recommendations that OSA staff inspect surplus goods in person and that DCAS maintain both hard and electronic copies of documentation. This is a resource issue.</p>			

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Recommendations related to vendor oversight (10, 11, 12, 5, 6): (10) Enforce its contract provisions and require scrap metal vendors to submit Monthly Scrap Metal Removal Reports which contain a complete listing of all removals and deliveries that were made during each calendar month and include the date weighed, vehicle number, weight ticket number, gross weight, tare weight, and net weight. (11) Require vendors to sign Monthly Scrap Metal Removal Reports and certify that delivery data is accurate and complete. (12) Enforce its contract provisions and require scrap metal vendors to submit delivery data collected by the Weigh Scale Computers. 5) Request weigh scale calibration and certification records annually	Agree DCAS agrees with the recommendations. will ensure vendors submit a Monthly Scrap Metal Report in compliance with the contract. DCAS will add a certification statement to invoices and will require vendors to submit delivery data collected by the Weigh Scale Computers. DCAS will collect and review weigh scale calibration and certifications records annually, and will conduct periodic observations of weighings.	The Monthly Scrap Metal Reports will be updated to include a signed certification statement, and OSA will re-issue guidance to vendors requiring them to use the Monthly Scrap Metal report template and to submit delivery data collected by the Weigh Scale Computers. DCAS will annually collect and review weigh scale calibration and certification records. DCAS will conduct observations of weighings as resources permit.	OSA IA	By 9/30/21 By end December 2021 and annually thereafter. A plan to conduct observations will be formulated by 7/31/21.

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<p>and prior to awarding new contracts or renewing or extending existing contracts.</p> <p>(6) Periodically conduct unannounced observations of scrap metal weighings to ensure that contractors use certified scales to weigh vehicles loaded with scrap metal taken from agency locations when the vehicle enters the processing facility and after that vehicle is unloaded and to independently test the accuracy and precision of weigh scales.</p>				
<p>Recommendations related to billing (13, 14, 15)</p> <p>(13) Ensure that billings are made in all instances where they are feasible or required</p> <p>(14) Consult with legal counsel before issuing refunds.</p>	<p>Partially Agree</p> <p>DCAS agrees in principle that billings should be made in all instances where they are feasible or required but does not agree with NYCC’s characterization of the single instance of a refund and waiver of late fees as “improper”. DCAS further disagrees that these are indicative of a need to alter billing practices, but will</p>	<p>DCAS will review written policy around refunds and waiver of late fees and determine if these need to be revised.</p>	<p>OCP/FBM</p>	<p>TBD</p>

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(15) Document the basis for issuing refunds.	<p>consider the need to articulate policy in this area.</p> <p>DCAS did in fact consult with its legal team before deciding to issue the refund, and it is entirely within its discretion to waive late fees and waive late fees in rare instances.</p>			
<p>Recommendations related to contract language (4, 16, 18)</p> <p>(4) Enforce its contract provisions and require scrap metal vendors to use weigh scales located in New York City and to obtain DCA certifications and seals at least once every 12 calendar months.</p> <p>(16) Consider not renewing a contract where there has been a change in a material element of the contract and evaluate whether renegotiating the contract or letting a new contract out to bid would be the best course for the City under the circumstances.</p>	<p>Partially agree</p> <p>DCAS agrees in principle that contract provisions should generally be enforced but does not agree with the implication that using weigh stations within or outside of NYC materially alters the results of weighings.</p>	<p>Contract terms and conditions will be reviewed and updated as needed.</p>	<p>OCP/OGC ACCO</p>	<p>TBD</p>

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(18) Enforce existing Deer Park Recycling, Inc. contract terms or revise contract language as necessary.				