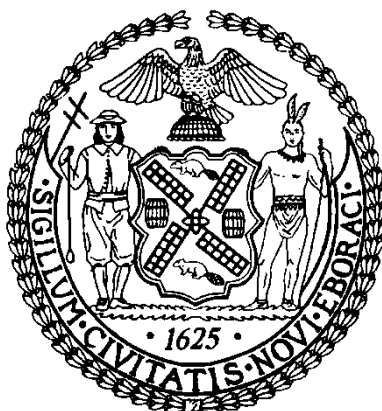


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

MANAGEMENT AUDIT

**Tina Kim
Deputy Comptroller for Audit**



**Audit Report on the Department of Housing
Preservation and Development's Performance
Indicators as Reported in the Mayor's
Management Report**

MH11-075A

May 4, 2012



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

John C. Liu
COMPTROLLER

May 4, 2012

To the Residents of the City of New York:

My office has audited the adequacy of the Department of Housing Preservation and Development's (HPD) controls to ensure its performance indicators reported in the Mayor's Management Report (MMR) are accurate and reliable. We audit City entities such as this as a means of ensuring the accuracy and transparency of agency-reported information.

The audit found that HPD's controls are adequate to ensure that its performance indicators, as reported in the MMR regarding three of the four critical indicators we reviewed on completions and complaints, are sufficiently accurate and reliable. However, we have only limited assurance that the critical indicator regarding non-lead emergency C violations is accurate and reliable primarily because of HPD's failure to maintain the data extracted from its computer system and the resulting calculations. The audit also found that HPD does not have adequate written policies or procedures regarding the collecting, compiling, maintaining, and reporting of the performance indicator data for the MMR. Further, HPD did not adequately disclose all necessary information for the housing completion data for Fiscal Year 2011.

The audit made six recommendations, including that HPD should update its computer system so that the calculations for the indicator regarding non-lead emergency C violations can be performed and maintained within it; prepare and disseminate to the appropriate staff adequate formal written policies and procedures; and disclose in the MMR all necessary information regarding housing completion data.

The results of the audit have been discussed with HPD officials, and their comments have been considered in preparing this report. Their 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 that reads "J.C.L." in a stylized, cursive font.

John C. Liu

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*The City of New York
Office of the Comptroller
Management Audit*

**Audit Report on the Department of Housing Preservation
and Development's Performance Indicators as Reported in
the Mayor's Management Report**

MH11-075A

AUDIT REPORT IN BRIEF

Our audit objective was to determine whether the Department of Housing Preservation and Development's (HPD) controls are adequate to ensure that its performance indicators as reported in the Mayor's Management Report (MMR) are accurate and reliable. This audit concentrated on the following four critical indicators: 1) Total completions financed or assisted under the New Housing Marketplace Plan; 2) Total emergency complaints; 3) Average time to close emergency complaints; and 4) Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year.

The MMR serves as a public report card on City services affecting the lives of New Yorkers and mainly covers the operations of City agencies reporting directly to the Mayor. HPD's mission is to improve the availability, affordability, and quality of housing in the City. To accomplish its mission, it uses a variety of preservation, development, and enforcement strategies, including working with private, public, and community partners to strengthen neighborhoods. As reported in the MMR, the HPD's Key Public Service Areas include encouraging the preservation and increasing the supply of affordable housing and ensuring the quality of the City's housing stock through enforcement of housing maintenance code standards.

Audit Findings and Conclusions

Overall, we found that HPD's controls are adequate to ensure that its performance indicators, as reported in the MMR regarding three of the four critical indicators we reviewed on completions and complaints, are sufficiently accurate and reliable. However, we have only limited assurance that the violation indicator regarding non-lead emergency C violations published in the MMR is accurate and reliable because of control weaknesses that result from HPD's use of Microsoft Access to perform calculations for the non-lead emergency C violation data gathered. In addition, the data extracted from the Housing Preservation and Development Information System (HPDInfo) for this indicator and the resulting calculations are not maintained by HPD.

We also found some minor weaknesses which should be addressed because they may compromise the accuracy and reliability of the performance indicators in future years. These weaknesses seem to stem from the fact that HPD does not have adequate written policies or procedures for its Office of Development and Performance Analysis personnel regarding the collecting, compiling, maintaining, and reporting of the performance indicator data to the Mayor's Office Performance Management Application Tool (PMA). Further, while we found that the definition associated with each indicator was readily understandable to any reasonably informed interested party, HPD did not adequately disclose all necessary information for the housing completion data for Fiscal Year 2011.

Audit Recommendations

Based on our findings, we make six recommendations. HPD should:

- Ensure that HPDInfo is updated so that that the calculations for the performance indicator '*Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year*' can be performed and maintained within HPDInfo.
- Prepare and disseminate to the appropriate staff adequate formal written policies and procedures.
- Ensure that accurate data (such as actual completion dates) is entered into PCS in a timely manner in accordance with HPD's guidelines.
- Require Enforcement to provide Performance Analysis with the actual report generated from HPDInfo instead of a manually transcribed report.
- Disclose in the MMR the number of housing completions reported as current year that were actually completed in the prior fiscal year that resulted from HPD's timing policy.
- Disclose in the MMR that there was a counting rule change in Fiscal Year 2011 that included additional housing completions that had previously not been included and adjust the prior fiscal years' numbers to make them comparable.

Agency Response

In their response, HPD officials agreed to implement all six of the audit's recommendations.

INTRODUCTION

Background

As mandated by Chapter 1, § 12 of the New York City (City) Charter, the Mayor reports to the public and the City Council on the performance of City agencies in delivering services. The MMR serves as a public report card on City services affecting the lives of New Yorkers and mainly covers the operations of City agencies reporting directly to the Mayor. While not all agency activities are included, those that have a direct impact on residents are addressed. These objectives are identified as “Key Public Service Areas” for each agency and the “Critical Objectives” indicate the steps the agencies are taking to pursue their goals and deliver services. Key service areas and critical objectives are developed by each agency in collaboration with the Mayor’s Office of Operations (Operations).

HPD’s mission is to improve the availability, affordability, and quality of housing in the City. To accomplish its mission, it uses a variety of preservation, development, and enforcement strategies, including working with private, public, and community partners to strengthen neighborhoods. According to HPD, it is the nation’s largest municipal housing agency.

As listed in the MMR, HPD has four Key Public Service Areas, which consist of:

- Encouraging the preservation and increasing the supply of affordable housing,
- Ensuring the quality of the City’s housing stock through enforcement of housing maintenance code standards,
- Making housing affordable to low-income New Yorkers through administration of rent subsidies, and
- Ensuring the long-term physical and financial viability of existing affordable housing.

Some of HPD’s critical objectives that are reported in the MMR include:

- Providing financial assistance, including tax incentives, to preserve and construct housing units,
- Responding to heat, hot water, and other tenant complaints, and
- Correcting housing maintenance code violations through coordination with owners or direct City action.

In an effort to increase the supply of affordable housing in the City, the Mayor introduced the New Housing Marketplace Plan (NHMP) during his first term in office. This effort, led by HPD’s Office of Development, has been substantially modified since its inception.¹ HPD’s Office of Enforcement and Neighborhood Services (Enforcement), working with other HPD divisions, is responsible for identifying buildings with violation problems, assessing and

¹ The goal of NHMP was originally to create or preserve 65,000 units during Fiscal Years 2004 to 2008. In Fiscal Year 2006, NHMP was expanded to a 10-year plan to create or preserve 165,000 units by 2013, which was then extended to 2014. HPD works in close collaboration with other City and state agencies, including the New York City Housing Development Corporation (HDC) to execute this plan.

developing appropriate strategies to address those properties, and developing a plan to improve housing conditions.

Regarding the indicators that are the focus of this audit, HPDInfo is used by HPD to track and report on performance data for service areas. HPDInfo is a multi-module system with a central repository of information on private and City-owned residential properties and includes information on registered property owners as well as information on tenant correspondence and complaints, violations issued and removed, and repair work done on the properties. In addition, the Production Credit Report System (PCS) module is used to generate housing starts and completions data, while the Borough Office Support System and Emergency Violation Tracking modules are used to generate complaints and violations data. HPD's Division of Performance Analysis gathers data from each reporting unit of HPD and prepares that data for entry into the MMR using the PMA electronic system.

As reported in the Fiscal Year 2011 Mayor's Management Report, issued in September 2011, HPD has 48 performance indicators.² Of these performance indicators, 12 are considered critical (e.g., total housing completions financed or assisted under the NHMP, total emergency complaints).

Because transparency and accountability are essential to the efficient and reliable delivery of services and in measuring HPD's performance in carrying out its mission, it is imperative that HPD ensure that its published measures are relevant, accurate, and reliable so that decision-makers and the public have a clear understanding of the agency's performance.

Audit Objective

The objective of the audit was to determine whether HPD's controls are adequate to ensure that its performance indicators as reported in the Mayor's Management Report are accurate and reliable. This audit concentrated on the following four critical indicators:

1. Total completions financed or assisted under the New Housing Marketplace Plan;
2. Total emergency complaints;
3. Average time to close emergency complaints; and
4. Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year.

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 objective. We believe that the evidence obtained provides a reasonable basis

² Of the 48 performance indicators reported in the Fiscal Year 2011 MMR, 35 relate to preserving and increasing the supply of affordable housing and enforcing compliance with housing maintenance code standards.

for our findings and conclusions based on our audit objectives. The 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 period of this audit was Fiscal Years 2010 through 2012 (through December 2011). For certain tests involving analyses of reported indicators, we expanded the audit scope to include fiscal years going back to 2008. 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 HPD officials during and at the conclusion of this audit. A preliminary draft report was sent to HPD officials and discussed at an exit conference held on March 12, 2012. On March 30, 2012, we submitted a draft report to HPD officials with a request for comments. We received a written response from HPD officials on April 13, 2012. In their response, HPD officials agreed to implement all six of the audit's recommendations.

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

FINDINGS AND RECOMMENDATIONS

Overall, we found that HPD's controls are adequate to ensure that its performance indicators, as reported in the MMR regarding three of the four critical indicators we reviewed on completions and complaints, are sufficiently accurate and reliable. However, we have only limited assurance that the violation indicator regarding non-lead emergency C violations published in the MMR is accurate and reliable because of control weaknesses that result from HPD's use of Microsoft Access to perform calculations for the non-lead emergency C violation data gathered. In addition, the data extracted from HPDInfo for this indicator and the resulting calculations are not maintained by HPD.

We also found some minor weaknesses which should be addressed because they may compromise the accuracy and reliability of the performance indicators in future years. These weaknesses seem to stem from the fact that HPD does not have adequate formal written policies or procedures for its Office of Development and Performance Analysis personnel regarding the collecting, compiling, maintaining, and reporting of the performance indicator data to PMA.

Further, while we found that the definition associated with each indicator was readily understandable to any reasonably informed interested party, HPD did not adequately disclose all necessary information for the housing completion data for Fiscal Year 2011.

In addition, in our survey of other municipalities, we found no consensus regarding the new construction and rehabilitation starts and completions, complaints, and violation indicators used by other municipalities.

The weaknesses identified and the results of our survey of other municipalities are discussed in greater detail below.

Controls are Adequate to Ensure that Data is Reliable for Three of the Critical Performance Indicators Reviewed

Overall, we found that HPD's controls are adequate to ensure that its performance indicators—as reported in the MMR regarding three of the four critical performance indicators we reviewed (those for completions and complaints)—are accurate and reliable. However, we have only limited assurance that the violation performance indicator for the non-lead emergency C violations published in the MMR is accurate and reliable. HPD's use of Microsoft Access to perform calculations for the violation performance indicator, as well as its failure to maintain the data used to generate the indicator, results in a weak control environment.

We found that HPD had adequate controls over the programs used to generate the data. The Comptroller's IT Audit Unit reviewed the programs used by HPD to generate completions, complaints, and violation data and were reasonably assured that the programs were structured to perform the calculations they were intended to perform. We also found that the calculation formulas reviewed were consistent with the indicator definitions published in the MMR.

In addition, we determined that there was adequate segregation of duties among those individuals who enter data (input controls) into HPDInfo (e.g., staff from the Office of Development, Enforcement, and 311), those who compile the data (e.g., programmers), and those who report the data (e.g., Performance Analysis staff). We also found that there was adequate independent review during each step of the data entry, extraction, and recalculation processes. Therefore, HPD has adequate controls in place to ensure that no one individual controls all key aspects of the compiling, processing, and reporting of the four critical indicators we reviewed. We also found that the data resources are adequately safeguarded.

However, we identified control weaknesses regarding the calculation of the performance indicator '*Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year.*' This critical indicator has its data extracted from HPDInfo and entered into an Access database system. The Access system then performs the calculations that are used to generate the indicator. In addition, the data used for the calculations is not maintained for future reference or verification.

This action presents a weak control environment because the wrong data can be extracted to perform the calculation or the data can be inappropriately modified after being imported into Access. Because the data extracted from HPDInfo and the resulting calculations are not maintained by HPD, any resulting mistakes could go undetected. During the audit, HPD officials informed us that HPD's Technology and Strategic Development Division is working with Enforcement to incorporate a function within HPDInfo that would enable it to automatically perform the calculations for this indicator.

Recommendation:

1. HPD should ensure that HPDInfo is updated so that that the calculations for the performance indicator '*Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year*' can be performed and maintained within HPDInfo.

HPD Response: HPD agreed to implement, stating, "Although HPD is confident that this production process is accurate, there is a value to be gained from automating the production of this information directly within HPDINFO . . . HPD will be adding this indicator to the existing indicator report and will make efforts to have this done by the end of FY2012."

HPD Did Not Maintain Adequate Written Procedures for Collection and Reporting of Performance Indicator Data

HPD did not maintain adequate formal written operating procedures and guidelines for its Office of Development and Performance Analysis personnel regarding collecting, compiling, maintaining, and reporting of performance indicator data to PMA.

According to Comptroller's Directive #1, *Principles of Internal Control*, internal controls, such as agency guidelines, "should be documented in management administrative policies or operating manuals." Internal controls are intended to provide, among other things, reasonable assurance that reliable data is obtained, maintained, and accurately and fairly reported.

The absence of written operating procedures lessens assurance that an entity's operations are being performed in compliance with its own established guidelines and that operational accountability is maintained. It is important that HPD develop adequate formal written procedures and disseminate them to the appropriate staff so that it would be better able to ensure staff remain familiar with and follow the agency's guidelines. Additionally, the existence of documented operational procedures can also be important when key personnel are absent, so that substituting personnel have a source of reference and are able to complete the necessary tasks as required.

As discussed in the following sections, the lack of formal written procedures may be the underlying cause of the untimely and inaccurate recording of the new construction and rehabilitation project completion information; the lack of disclosure in the MMR of changes in how housing completion data is counted; and the use of a manually prepared document instead of the original computer-generated report from Enforcement.

New Construction and Rehabilitation Project Completion Information is Not Recorded Accurately

New construction and rehabilitation project completion information is not always recorded accurately in PCS. Our review of 30 projects completed in Fiscal Year 2011 revealed that the project completion dates for 10 (33 percent) of the projects were not accurately recorded, ranging from six days to 315 days after the actual completion date. Seven of these projects were all from the same Office of Development Business Unit and were recorded in PCS with a completion date of June 25, 2011, instead of the actual completion dates. Another project was recorded as of July 1, 2010, instead of the actual completion date of October 31, 2009, which was in the previous fiscal year. This matter is discussed in further detail in a separate section of the report. For the remaining two projects, HPD stated that typos were the cause of these errors, ranging from six to 24 days from the actual completion date. These inaccuracies would affect the MMR-reported project completion indicators only to the extent that a project completion date was reported in the wrong fiscal year.

The Office of Development reviews all year-to-date data on housing completions every month to identify potential updates or errors that may have been recorded. This data can be corrected both in PCS and PMA during the fiscal year. A deadline of mid-August is set for all the data reviews to be completed. Once the review is finalized, the data in PCS is locked to prevent any further modifications to it. If any errors or additions are found after the data has been locked in PCS, the data cannot be changed. There is a deadline of when information needs to be entered into PMA to be included in that year's MMR. However, even though the data in PMA is not locked, HPD stated that it has been its practice not to make any changes in PMA after the deadline had passed. Instead, HPD included data attributable to the prior fiscal year in

the next fiscal year's MMR without fully disclosing the data change attributable to the prior fiscal year. HPD further stated that if it wants to make changes to prior period data, it must first notify Operations and provide a written reason for the change. In the future, HPD stated that any changes to the data, along with the reason for the change, will be disclosed in the MMR in the following fiscal year's report.

As previously stated, seven of the 10 projects were all from the same Business Unit and were recorded in PCS with a completion date of June 25, 2011, instead of the actual completion dates. When asked about these date discrepancies, an HPD official stated that, at the time, due to its workload, the Business Unit did not record the completion information for all projects until June 2011. To save time, an arbitrary completion date was entered for all projects. We recognize that the completion figures reported in the MMR were not affected by this practice because the completion figures were still recorded within the fiscal year. As a result of our finding, the Business Unit has been instructed to enter all projects with their actual completion dates no matter when they are entered.

According to the Executive Director of Operations for the Office of Development, who was responsible for overseeing the Business Unit, completion data should be entered no later than the second week of the following month after the completion documents have been received to ensure proper inclusion in monthly data sent to the Mayor's Office. This is in contrast to the practice that was followed by the staff of the aforementioned Business Unit. However, the policy dictated by the Executive Director of Operations for the Office of Development is not documented in written procedures that have been distributed to staff.

Weaknesses in the Submission of Enforcement Indicator Data to the Performance Analysis Unit for Inclusion in the MMR

Performance Analysis is relying on data that is manually retrieved by Enforcement from a report generated from HPDInfo rather than using the report itself.

HPDInfo is programmed to automatically generate monthly reports of the complaint, inspection, and violation data. However, these monthly reports are not sent to Performance Analysis. Instead, an Enforcement unit employee manually prepares an Excel spreadsheet transcribing the numbers from the monthly reports. That Excel spreadsheet is then sent to Performance Analysis, which then enters the data into PMA on a monthly basis.

Although no errors were found regarding the indicators *Total emergency complaints* and *Average time to close emergency complaints*, we find that there is an inherent risk that errors may occur when manually transcribing data into an Excel spreadsheet. This could eventually lead to inaccurate figures being reported in the MMR for these indicators.

HPD officials stated that, as an additional control, at the end of the fiscal year when the data for the MMR is being finalized, Performance Analysis staff sends all monthly year-to-date numbers to the units that are responsible for reviewing them. Officials stated that this control would enable HPD to identify any transcription errors that may have occurred during the fiscal

year. While this control could provide an additional review layer to the process, the manual entry of data increases both the risk that errors may occur and the likelihood that some may go undetected.

Recommendations:

HPD should:

2. Prepare and disseminate to the appropriate staff formal written policies and procedures.

HPD Response: HPD agreed to implement, stating, “The procedures have been drafted and will be distributed before the end of FY 2012.”

3. Ensure that accurate data (such as actual completion dates) is entered into PCS in a timely manner in accordance with HPD’s guidelines.

HPD Response: HPD agreed to implement, stating, “... HPD is in the process of implementing new procedures for the Office of Development regarding reporting completions. This includes a procedural change impacted by a technological improvement that enables HPD to report the Housing Completions in the year the completions occurred regardless of when the agency was informed about the Housing Completion.”

4. Require Enforcement to provide Performance Analysis with the actual report generated from HPDInfo instead of a manually transcribed report.

HPD Response: HPD agreed to implement, stating, “...HPD does concur that removing this potential for error by providing access directly to the programmed report is a sensible step and will make efforts to have this done by the end of FY2012.”

HPD Did Not Adequately Disclose Information Regarding Its Housing Completion Data

While we found that the definition associated with each indicator was readily understandable to any reasonably informed interested party, HPD did not accurately disclose the housing completion data for Fiscal Year 2011.

Governmental Accounting Standards Board Concept Statements No. 2, No. 5, and Suggested Guidelines establish that performance information should be communicated in a readily understandable manner to any reasonably informed, interested party. The information should also include explanations and interpretations about important underlying factors and existing conditions that may have affected performance to help users comprehend the information. In addition, *Service Efforts and Accomplishments Reporting* and GASB’s *Suggested Guidelines for*

Voluntary Reporting: SEA Performance Information (June 2010) establish that performance information should be consistent from year to year and should be a faithful representation of the results.

As stated previously, we tested a sample of 30 projects. These 30 projects covered 5,177 completion units out of a population for Fiscal Year 2011 of 596 projects covering 12,601 completion units that HPD was responsible for.³ We found that the Office of Development did not record the correct housing completion date in PCS for 10 of these projects. Of those 10 errors, one project covering 232 completion units (approximately 4 percent of our sample) was recorded in PCS as July 1, 2010 (Fiscal Year 2011), instead of October 31, 2009 (Fiscal Year 2010), which was the actual completion date for that project. An Office of Development official stated that, at the time the Program became aware of the completion, it was a new fiscal year and, therefore, this completion data was not entered into PCS until after the completion data was locked in PCS.⁴ As previously noted, housing completion data can be corrected in PCS during the fiscal year; however, a deadline of mid-August is set for all the data reviews to be completed. Once the review is finalized, the data is locked to prevent any further modifications into PCS. Officials from both the Office of Development and Performance Analysis stated that it is HPD's policy to record completion data in PCS with a completion date of the first day of the next fiscal year once the data in PCS has been locked for that fiscal year.

However, HPD did not disclose in the Fiscal Year 2011 MMR how many of the housing completions reported for Fiscal Year 2011 were actually completed in Fiscal Year 2010. Although our review of the 30 sampled projects revealed that just one project was included in Fiscal Year 2011 that had actually closed in the previous fiscal year, that one project covered over 4 percent of the total completion units (232 /5,177). As a result, a reader might not get a true picture of the actual housing completion data. This is especially true if the projects in question had a significant number of housing units associated with them. HPD's lack of adequate disclosure of the inclusion of housing units that were actually completed in a prior year, but due to this timing issue are recorded in the current year, may significantly distort the housing completion data being reported in the MMR. Additionally, this lack of disclosure in the MMR could leave the agency open to accusations that it is manipulating the data by showing potentially significant improvements in the measures in one year at the expense of another.

In addition, we found that HPD changed its housing completion counting rules for Fiscal Year 2011 and did not report this in the Fiscal Year 2011 MMR. According to Performance Analysis staff, HPD started including units for the Down Payment Assistance Program as housing completions, whereas in prior years these units were only included in the housing starts data. Performance Analysis staff pointed out that this change will bring the counting rules for this program into alignment with other programs that do not have a construction phase to the project. While we are not questioning HPD's decision to change its counting rules, HPD should have disclosed this in the Fiscal Year 2011 MMR. As a result of this change, the housing completion

³ A development project may include just one or multiple housing units.

⁴ HPD does not always receive housing completion data on a timely basis because HPD is dependent on documentation—such as Certificates of Occupancy that developers must submit—in order for HPD to record the project as completed. This becomes an issue at the end of the fiscal year when HPD must compile its completion data for MMR reporting purposes.

data for Fiscal Year 2011 is not comparable with the prior year's numbers because Down Payment Assistance units were not included in the completion data for the prior years. When we discussed this with HPD officials, they said that they plan on revising the prior year's number and disclosing the reason for the changes in a future MMR.

Recommendations:

HPD should:

5. Disclose in the MMR the number of housing completions reported as current year that were actually completed in the prior fiscal year that resulted from HPD's timing policy.

HPD Response: HPD agreed to implement, stating, "As discussed in Response 3, HPD will disclose the updated Housing Completion counts by fiscal year in the FY2012 MMR."

6. Disclose in the MMR that there was a counting rule change in Fiscal Year 2011 that included additional housing completions that had previously not been included and adjust the prior fiscal years' numbers to make them comparable.

HPD Response: HPD agreed to implement, stating, "HPD verbally informed the Mayor's Office of Operations about the change in the Downpayment Assistance counting rule but acknowledges the agency did not disclose the change in the FY 2011 MMR. HPD will include the rule change in the FY 2012 MMR and adjust the completion units reported in the prior fiscal years as described in Response 5."

Survey of Other Municipalities

We conducted a survey of new construction and rehabilitation starts and completions, complaints, and violation indicators used by other cities to assess the relevance of the indicators used by HPD. We found no consensus regarding the starts and completions, complaints, and violation indicators reported. Regarding the number of indicators reported, New York City reported more indicators than any of the other municipalities surveyed. The results of our survey are presented in the Appendix for informational purposes.

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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The 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.

This audit addressed HPD's controls over the processes involved in collecting and reporting performance data (associated with the subject indicators) that are recorded in Operations' PMA system and subsequently reflected in the published MMR and online Citywide Performance Reporting (CPR) system. This audit did not assess the PMA system or relevant processes outside of HPD's jurisdiction that are involved in compiling citywide performance measurements information. Finally, while we surveyed other municipalities to assess the relevance of the indicators used by HPD to measure and report on its performance in the noted areas, we did not attest to the appropriateness or selection of the specific HPD performance indicators reported in the MMR and the CPR system. These matters were considered outside the audit scope.

The scope period of this audit was July 2009 through December 2011. For certain tests involving analyses of reported indicators, we expanded the audit scope to include fiscal years going back to 2008.

To obtain an understanding of HPD's general roles and responsibilities and to ascertain requirements for compiling and reporting agency performance data and the computer systems used therein, we reviewed a prior audit report⁵, intra-agency memoranda and emails, mayoral guidelines, and other relevant materials obtained from the HPD website. We also reviewed the City Comptroller's Directives #1 "Principals of Internal Control" and #18 "Guidelines for the Management, Protection, & Control of Agency Information Processing Systems," Chapter 1, §12 of the City Charter, and applicable sections of the City's Administrative Code. Further, we referred to Governmental Accounting Standards Board Concept Statements No. 2 (April 1994) and No. 5 (November 2008), *Service Efforts and Accomplishments Reporting*, and GASB's *Suggested Guidelines for Voluntary Reporting: SEA Performance Information* (June 2010).⁶ Lastly, we reviewed Operations' 2010 memorandum to City agencies' MMR liaisons that provided guidance on the compilation of performance data published in the MMR. These cited references were also used as audit criteria.

We analyzed relevant sections of the preliminary (four-month) and annual (12-month) version of the Mayor's Management Report for Fiscal Years 2010 and 2011 to ascertain the performance indicators reported by HPD. Based on this review, we selected the four critical

⁵*Audit Report on the Development and Implementation of the Housing Preservation and Development Information System* (#7A03-112), Issued June 17, 2003.

⁶ GASB Concept Statements #2 and #5 establish qualitative standards for the compilation and reporting of government performance information.

indicators, noted as part of our objective, based on the fact that HPD has direct control over the processes whose performance results are reported in the measures being reported, such as new construction and rehabilitation projects and closing complaints and issuing violations. To understand the specific factors that affect performance in these areas and as part of our review of internal controls, we interviewed key HPD personnel, conducted observations, and reviewed relevant documentation, including existing operating procedures and previous audit reports issued by our office. In addition, we reviewed the agency's self-assessment of its internal controls covering calendar year 2010, performed in compliance with the City Comptroller's Directive #1. Where formal procedures were not available, we documented our understanding of existing procedures and obtained verification from HPD officials.

To understand the HPDInfo computer system, we interviewed key officials responsible for this system and reviewed system-generated reports and other related documentation. On a limited basis, through interviews with relevant HPD officials and observations, we evaluated key information technology general and application controls for these systems, including physical and logical access controls, input controls, network administration, monitoring, backup, and disaster recovery plans.

As part of our assessment of the accuracy and reliability of the subject indicators, we reviewed the criteria used to extract and report on data used in calculating the monthly indicator values. We also reviewed the formulas used in such calculations and compared them to the indicator definitions published in the MMR.

To determine whether the completions data regarding date of completion and number of units completed was accurately recorded in PCS, we judgmentally selected 30 of the 596 projects completed in Fiscal Year 2011. These 30 projects had the most number of units completed in Fiscal Year 2011. We compared the data entered in PCS to the completion dates and number of units listed in the completion documentation for each project.

To test the accuracy of the calculated values, our office's information technology (IT) audit unit assessed the program codes for the four critical indicators our audit focused on to determine whether the codes were designed to accurately produce the desired results.

To assess the comparability and consistency of the indicators used by HPD from year-to-year, we expanded our review of the MMR to include Fiscal Years 2008 through 2011. In addition to the housing completions, complaints and violations indicators, we reviewed all reported critical performance indicators to determine whether the indicators were consistently reported from year-to-year with the same underlying definitions and assumptions. We also reviewed HPD's Key Public Service Area statements and Critical Objectives. If any modifications were noted, we ascertained whether such changes were disclosed.

To ensure that the indicators and the related performance measures were fairly reported and represent what they purport to represent, we reviewed the definition associated with each indicator and evaluated whether the definition was readily understandable to any reasonably informed interested party and whether underlying factors or conditions were adequately explained.

Further, we surveyed Fiscal Year 2010 building starts and completions, and complaints and violation indicators used by 12 major United States cities to assess the relevance of the 36 indicators used by HPD to measure and report on its performance in these areas. To choose the 12 cities for survey, we judgmentally selected the 10 largest U.S. cities, according to population size (based on the July 2009 estimates reported by the U.S. Census Bureau), limiting our selection to no more than two cities per state. We then judgmentally selected two additional major cities based on their proximity to New York City. (For a listing of the cities surveyed, see the Appendix).

We searched the Internet websites of the 12 sampled cities to ascertain whether those municipalities regularly and publicly report performance indicators in citywide reports. We reviewed the performance indicators reported by each municipality's Department of Housing and Preservation or its equivalent and determined which ones were related to building starts and completions and complaints and violations. We then identified those performance indicators that were the same for each city and those reported in the MMR by HPD.

	Name of Surveyed City→	New York, NY	Los Angeles, CA (a)	Chicago, IL (a)	Houston, TX (a)	Phoenix, AZ (a)	Philadelphia, PA (a)	San Antonio, TX (a)	San Diego, CA (a)	Detroit, MI (a)	Jacksonville, FL (a)	Indianapolis, IN (a)	Newark, NJ (b)	Buffalo, NY (b)	Total Yes
56	Code Enforcement Case Cycle Time	No	No	No	No	Yes	No	No	No	No	No	No	No	No	1
57	Number of Low / Moderate Families provided	No	No	No	No	No	No	No	No	Yes	No	No	No	No	1
58	Number of 1 and 2 Family rental inspections provided	No	No	No	No	No	No	No	No	Yes	No	No	No	No	1
59	Number of Multiple Rental Units Inspections provided	No	No	No	No	No	No	No	No	Yes	No	No	No	No	1
60	Number of Inspections of dangerous building inspections [sic] performed	No	No	No	No	No	No	No	No	Yes	No	No	No	No	1
61	Number of persons assisted through first time mortgage program	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
62	Number of real estate parcels dedicated to new housing	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
63	Number of Community Housing Development Organizations assisted	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
64	Number of Households receiving rehabilitation assistance	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
65	Number of units monitored for long term affordability	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
66	Percent of SHIP and HOME funds available for down payment assistance	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
67	Percent of HOME funds spent on Community Housing Development Organizations	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
68	Percent of SHIP and CBDG funds spent on rehabilitation assistance	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
69	Percent of funds spent on rental unit housing	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1

	Name of Surveyed City→	New York, NY	Los Angeles, CA (a)	Chicago, IL (a)	Houston, TX (a)	Phoenix, AZ (a)	Philadelphia, PA (a)	San Antonio, TX (a)	San Diego, CA (a)	Detroit, MI (a)	Jacksonville, FL (a)	Indianapolis, IN (a)	Newark, NJ (b)	Buffalo, NY (b)	Total Yes
70	Number of total units produced by Community Housing Development Organizations	No	No	No	No	No	No	No	No	No	Yes	No	No	No	1
	Total Number of Performance Indicators Reported	36	11	3	0	7	0	0	1	4	11	0	0	0	73

¹ Of the 48 performance indicators reported by HPD in the Fiscal Years 2010 MMR, we focused on the 36 HPD indicators that relate to preserving and increasing the supply of affordable housing, and enforcing compliance with housing maintenance code standards.

² Some of the indicators reported address particular initiatives or programs that are specific to each city.

* These HPD indicators were noted as critical in the Fiscal Year 2010 MMR.

(a) Ten largest U.S. cities selected based on their population size.

(b) Two major cities selected because of their proximity to New York City.

April 13, 2012

Tina Kim
Deputy Comptroller for Audits
Office of the New York City Comptroller
1 Centre Street- Room 1100N
New York, New York 10007-2341

Re: Audit on HPD's Performance Indicators as Reported in the Mayors Management Report
Audit Number: MH11-075A

Dear Deputy Comptroller Kim:

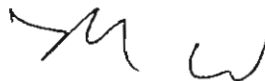
The following represents the Department of Housing Preservation and Development's response to the findings and recommendations made in your audit on the Housing Preservation and Development's Performance Indicators as Reported in the Mayors Management Report.

Thank you for your consideration during the fieldwork and at the Exit Conference.

If you have any additional questions, please call Assistant Commissioner Josh Cucchiaro at (212) 863-6610.

Thank you.

Sincerely,



Mathew M. Wambua

AUDIT RESPONSE
 NEW YORK CITY OFFICE OF THE COMPTROLLER
 AUDIT OF NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT'S
 PERFORMANCE INDICATORS AS REPORTED IN THE MAYORS MANAGEMENT REPORT
 MH11-075A

Finding

Controls are adequate to ensure that data is reliable for three of the Critical Performance Indicators

Recommendation 1.

HPD should ensure that HPDInfo is updated so that the calculations for the performance indicator "Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year" can be performed and maintained within HPDInfo.

Response 1.

As noted in the report, the information for the MMR indicator "Percent of non-lead emergency C violations issued in reporting year pending at end of reporting year" is based on information stored and maintained in HPDINFO, the database in which all violation related information is processed and stored. For this particular indicator, the Preservation Planning and Analysis Unit extracts information related to non-lead emergency class C violations from HPDINFO using Access queries. The information, once pulled from the Oracle tables, is not stored in Access. However, because the base data is in Oracle tables in HPDINFO, the query can be re-run with only slight changes expected (due to updates to the Oracle table) at later dates. The query for the data provided in the MMR is run at the end of the FY in July by a staff member in the PPA unit. The results are sent to an analyst in the unit who reviews the data. The data and calculation are then sent to the Director for final review and approval.

Although HPD is confident that this production process is accurate, there is a value to be gained from automating the production of this information directly within HPDINFO (as other Enforcement and Neighborhood Services indicators are produced. HPD will be adding this indicator to the existing indicator report and will make efforts to have this done by the end of FY2012.

Finding

HPD did not maintain adequate written procedures for collection and reporting Performance Indicator Data

Recommendation 2.

HPD should prepare and disseminate to the appropriate staff formal written policies and procedures.

Response 2.

As noted in the report, there were no issues with how Performance Analysis reported or collected information but the unit is in the process of documenting standard operating procedures. The procedures have been drafted and will be distributed before the end of FY 2012.



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<u>Finding</u>	<u>Recommendation 3.</u>	<u>Response 3.</u>
New construction and rehabilitation project completion information is not recorded accurately	HPD should ensure that accurate data (such as actual completion dates) is entered into PCS in a timely manner in accordance with HPD's guidelines.	Although there were no substantial differences in the annual number of reported completions in the FY 2011 MMR according to the guidelines in place at the time, HPD is in the process of implementing new procedures for the Office of Development regarding reporting completions. This includes a procedural change impacted by a technological improvement that enables HPD to report the Housing Completions in the year the completions occurred regardless of when the agency was informed about the Housing Completion. Previously reported Housing Completion units will be adjusted to accurately represent previous fiscal years totals. This adjustment impacts less than 1% of all reported NHMP completions to date.

The updated Housing Completion counts by fiscal year will be recorded in the FY2012 MMR.

<u>Finding</u>	<u>Recommendation 4.</u>	<u>Response 4.</u>
Weaknesses in the submission of Enforcement Indicator Data to the Performance Analysis Unit for inclusion in the MMR	HPD should require Enforcement Services to provide Performance Analysis with the Actual report generated from HPDInfo instead of a manually transcribed report.	As noted in the Comptroller's report, no errors were found regarding the transcription of the data from the programmed report to an excel spreadsheet submitted by Enforcement Services to Performance Analysis. However, HPD does concur that removing this potential for error by providing access directly to the programmed report is a sensible step and will make efforts to have this done by the end of FY2012.



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Finding

HPD did not adequately disclose information regarding its Housing Completion Data

Recommendation 5

HPD should disclose in the MMR the number of housing completions reported as current year that were actually completed in the prior fiscal year that resulted from HPD's timing policy.

Response 5

As discussed in Response 3, HPD will disclose the updated Housing Completion counts by fiscal year in the FY2012 MMR.

Recommendation 6

HPD should disclose in the MMR that there was a counting rule change in Fiscal Year 2011 that included additional housing completions that had previously not been included and adjust the prior fiscal years' numbers to make them comparable.

Response 6

HPD verbally informed the Mayor's Office of Operations about the change in the Downpayment Assistance counting rule but acknowledges the agency did not disclose the change in the FY 2011 MMR. HPD will include the rule change in the FY 2012 MMR and adjust the completion units reported in the prior fiscal years as described in Response 5.

