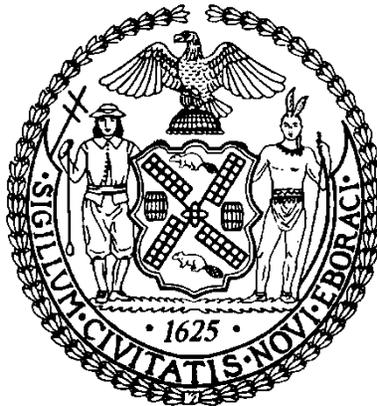


**CITY OF NEW YORK
OFFICE OF THE COMPTROLLER**

**John C. Liu
COMPTROLLER**

BUREAU OF MANAGEMENT AUDIT

**H. Tina Kim
Deputy Comptroller for Audit**



**Audit Report on the Internal Controls of the
Landmarks Preservation Commission
Over Permits**

MG10-073A

June 17, 2010

<http://comptroller.nyc.gov>



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

John C. Liu
COMPTROLLER

June 17, 2010

To the Residents of the City of New York:

My office has audited the controls of the Landmarks Preservation Commission (LPC) over its permit issuance process. We audit City entities such as this as a means of increasing accountability and ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

The audit found that LPC has inadequate controls for its permit issuance: it lacks written documentation of supervisory reviews, lacks adequate controls over its perforation machines (which are used to authenticate approved permits and documents with LPC's official imprint), and lacks secure storage for LPC files. Although the audit found no instances in which unauthorized permits were issued, LPC's poor controls create an environment that could allow the issuance of unauthorized permits without detection. In addition, LPC did not track or reconcile LPC permit fees collected by the Department of Buildings with LPC permits issued. Finally, the audit found that LPC's computer permit database was not secure.

The audit makes eight recommendations to LPC, including that LPC should: ensure that supervisory reviews are documented in writing, restrict access to its perforation machines, and keep the agency file storage room locked. The audit also recommended that LPC should deactivate inactive user accounts, require users to change their passwords, and periodically review activity on the computer system.

The results of the audit have been discussed with LPC 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, appearing to read "JCL".

John C. Liu

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ADDENDUM Response of the Landmarks Preservation Commission

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

**Audit Report on the Internal Controls of the
Landmarks Preservation Commission over Permits**

MG10-073A

AUDIT REPORT IN BRIEF

The objective of this audit was to determine whether the Landmarks Preservation Commission (LPC) had adequate controls over its permit issuance process.

LPC is responsible for safeguarding the City's historic, aesthetic, and cultural heritage; improving property values in historic districts; and promoting the use of landmarks for the education, pleasure, and welfare of the public. By law, the agency must review any proposals for alterations to landmark buildings and determine whether they have any effect on the significant features of a building or a historic district. Before performing work on landmark properties, building owners or tenants must apply for a permit from LPC. All LPC permits fees are calculated and collected by the New York City Department of Buildings (DOB).

During Fiscal Year 2009, LPC recorded 9,018 new permit records in its computer permit database corresponding to 17 different types of permits. According to the Comptroller's "Comprehensive Annual Financial Report" (CAFR), LPC generated \$1.4 million in permit fees in Fiscal Year 2009.

Audit Findings and Conclusions

LPC has inadequate controls for its permit issuance process: it lacks written documentation of supervisory review, lacks adequate controls over its perforation machines (which are used to authenticate approved permits and documents with LPC's official imprint), and lacks secure storage for LPC files. Although we did not find any instances in which unauthorized permits were issued, LPC's poor controls create an environment that could allow the issuance of unauthorized permits without detection. In addition, LPC does not track or reconcile the LPC permit fees collected by DOB with the permits LPC has issued, which increases the risk that lost revenue or fraud could remain unidentified and unaddressed. Finally, we found that LPC's computer permit database is not secure.

Audit Recommendations

To address these issues, we make eight recommendations, including that LPC should:

- Ensure that supervisory reviews are documented in writing (initialed and dated) at key steps throughout the permit process.
- Restrict access to its perforation machines to protect its official LPC imprint.
- Reconcile DOB Revenue Reports with permits LPC has issued and promptly report discrepancies to DOB for follow-up.
- Deactivate inactive user accounts on PATS (Permit Application Tracking System).
- Periodically review activity on the computer system to detect unauthorized uses.

INTRODUCTION

Background

LPC was established by the New York City Landmarks Law in 1965. LPC is responsible for safeguarding the City's historic, aesthetic, and cultural heritage; improving property values in historic districts, and promoting the use of landmarks for the education, pleasure and welfare of the public. LPC identifies and designates City landmarks and regulates changes made to historically designated buildings. It works with owners of designated buildings so that building alterations are appropriate and do not detract from the special character of the City's landmark and historic districts.

LPC consists of 11 Commissioners and 64 staff members, including 20 preservationists, consisting of architects, architectural historians, restoration specialists, planners, and archaeologists, as well as administrative, legal, and clerical personnel.

Since 1965, LPC has designated 1,243 individual landmarks (e.g., Central Park), 25,000 properties in 100 historic districts, and 13 extensions to existing historic districts. LPC annually reviews 9,000 to 10,000 applications to alter landmark structures. The number of processed applications varies depending on the City's economic trends.

By law, the agency must review any proposals for alterations to landmark buildings and determine whether they have any effect on the significant features of a building or a historic district. Before performing work on landmark properties, building owners or tenants must apply for a permit from LPC. Applicants must fill out an application and submit required supporting documents. The application is then assigned to one of the 20 preservationists who work directly with applicants to ensure that applications are complete. The preservationist then reviews and approves the proposed work and perforates the permit and its related documents with the LPC's official agency imprint before sending the entire package back to the applicant.

In the event that an applicant also requires a permit from DOB, the applicant must first obtain the LPC permit. The applicant then takes this permit and its related documents to DOB, where the LPC permit fee is paid. This fee is calculated and collected by DOB at the time that the applicant receives a DOB permit. DOB will not issue its permit until an LPC permit has first been approved.

All permit application records are entered in LPC's Permit Application Tracking System (PATS) computer database.¹ LPC also maintains copies of the applications, related documents, and material samples in its file room. During Fiscal Year 2009, LPC recorded 9,018 new permit records in PATS, corresponding to 17 different types of permits. (See Appendix.)

Of the 9,018 permit records, 4,251 (47%) were for Certificates of No Effect (CNE) permits and Expedited Certificates of No Effect (XCNE) permits, both of which are issued when proposed work also requires a DOB permit. Most of the remaining 15 types of permits issued by LPC do not involve DOB and have no fee.

¹ PATS is a legacy computer system that was developed in the 1980s. Since November 2007, LPC has been in the process of updating its computer applications and network, and the new system is expected to be implemented by December 2010.

During Fiscal Year 2009, DOB reported collecting 3,435 permit fees, totaling \$1.4 million, on behalf of LPC. According to the Comptroller's "Comprehensive Annual Financial Report" (CAFR), the \$1.4 million in permit fees collected in Fiscal Year 2009 was down from the \$1.54 million collected in the previous year.

Objective

The objective of this audit was to determine whether LPC had adequate controls over its permit issuance process.

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 was Fiscal Year 2009. To achieve our audit objective, we interviewed officials and staff members of LPC, including the Director of Preservation, the Director of Information Management, the Director of Enforcement, and a preservationist. We also conducted a walkthrough to gain an understanding of the internal controls over permits. In addition, we reviewed the agency's Comptroller's Directive #1 filing for Fiscal Year 2008.

To evaluate its internal controls over permits, we used the following sources as audit criteria:

- Comptroller's Directive #1, "Internal Controls,"
- Comptroller's Directive #11, "Cash Accountability and Control,"
- Comptroller's Directive #18, "Protection & Control of Agency Information," and
- LPC Web site data including the Permit Rules & Guidelines posted there.

To assess the safeguarding of permit records, we visited the agency's file storage room where original, supporting documents and samples of approved building materials are stored. We also visited its permit processing room where two machines perforate permits and related documents with the official LPC imprint and date prior to the applicant submitting them to DOB.

To identify security measures for the agency's computer data, we interviewed the Director of Information Management and visited LPC's computer server room. We requested a copy of LPC's disaster recovery plan as well as a computer-generated security table showing users with access to PATS. We tested access security for individuals who no longer should have had access. We also tested whether permit records on PATS had been accessed after the permits were issued to determine how many could have been altered after the permits were issued.

To assess the reliability of the information entered in PATS, we visited one judgmentally selected historic district on October 29, 2009. We judgmentally selected 11 buildings within this district that had been issued 25 permits for Fiscal Year 2009 and verified whether the permits were posted and whether they were entered in the PATS database.

To determine whether the \$1.4 million collected during Fiscal Year 2009 by DOB for LPC permits corresponded to the permits issued by LPC, we randomly selected 192 permits from DOB's Revenue Report and compared them to permit records in PATS. In addition, we reviewed LPC's permit revenue for Fiscal Year 2009 as reported in the CAFR and compared it to the revenue reported by DOB.

The results of the above tests while not statistically projected to their respective populations provided a reasonable basis, in conjunction with our other audit procedures, to assess whether LPC had adequate controls over its process for issuing permits.

Discussion of Audit Results

The matters covered in this report were discussed with LPC officials during and at the conclusion of this audit. A preliminary draft report was sent to LPC officials on April 1, 2010, was discussed at an exit conference on April 15, 2010. On April 28, 2010, we submitted this draft report to LPC officials with a request for comments. In its written response, LPC generally agreed with five recommendations, did not address one recommendation, disagreed with one recommendation, and deemed the remaining recommendation no longer applicable.

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

FINDINGS AND RECOMMENDATIONS

LPC has inadequate controls for its permit issuance process: it lacks written documentation of supervisory review, lacks adequate controls over its perforation machines (which are used to authenticate approved permits and documents with LPC's official imprint), and lacks secure storage for LPC files. Although we did not find any instances in which unauthorized permits were issued, LPC's poor controls create an environment that could allow the issuance of unauthorized permits without detection. In addition, LPC does not track or reconcile the LPC permit fees collected by DOB with the permits LPC has issued, which increases the risk that lost revenue or fraud could remain unidentified and unaddressed. Finally, we found that LPC's computer permit database is not secure.

These issues are discussed in detail in the following sections of this report.

Inadequate Controls in the Permit Process

LPC has inadequate controls for processing its permit applications. Specifically, LPC lacks evidence of supervisory review of its permit process; does not control the machines used to perforate and stamp permits and documents; and does not secure its files. Such inadequate controls create both the potential for errors and a difficulty in detecting them.

According to §4.3 of Comptroller's Directive #1, "Control activities should exist at all levels and functions of an agency. . . such as approvals, authorizations, verifications . . . and the creation and maintenance of related records that provide evidence of the execution of these activities." However, LPC lacks controls for some of its activities and adequate procedures for ensuring that all permits issued are legitimate.

During Fiscal Year 2009, LPC added 9,018 permit records to its PATS database, including 5,371 (59%) permits that may require fees and DOB permits and another 3,647 (41%) permits that do not entail fees or DOB involvement. Before DOB issues its own permits for work on a landmark-protected building, a property owner must first obtain LPC's approval in the form of an LPC permit and blueprints, both perforated with the official LPC imprint and date. To then obtain DOB permits, they must submit these documents to DOB and pay an LPC permit fee calculated by DOB.

While the penalty for not obtaining a permit from LPC is minimal,² the incentive to obtain a counterfeit LPC permit, such as in a case where the work on the landmarked property may not be approved, is increased if the property owner needs a DOB permit as well. It is therefore essential that LPC has adequate controls over its permit process to maintain protection for landmarked properties that will undergo construction approved by DOB.

² Fines range from \$0 for first time offenses to \$100-\$3,500. However, once issued, the Environmental Control Board (ECB) either collects the fine or dismisses it if a property owner can show that the violation has been corrected before their hearing.

Lack of Documentation of Supervisory Review

LPC lacks written evidence of supervisory review of its permits to ensure that permits are processed with proper authorization and in accordance with LPC guidelines. LPC issued 9,018 permits during Fiscal Year 2009. However, we have no written evidence in the permit application files that any supervisory reviews took place. According to the Director of Preservation, while supervisors are required to review permits before they are issued, written documentation of this review is not required to be maintained in the permit application file. The Director also confirmed that it was possible to issue a permit without approval, which could result in unauthorized permits.

Comptroller's Directive #1 states that a sound internal control system must be supported by monitoring ongoing activities during the course of normal operations. The Directive stressed that agency management must perform such continual monitoring. The failure to do so increases the risk that all permits issued are not approved in compliance with LPC regulations.

Upon receipt of an application package, LPC staff is required to stamp the application with the date received and enter basic information about the application into PATS, which automatically assigns a sequential docket number. The files are then assigned to one of 20 preservationists for review. The preservationist determines the type of work to be done and assesses whether the applicant has submitted all pertinent information and required materials.³ If the applicant has not provided everything that is required, the preservationist must ask for additional supporting information. If the package cannot be approved, the preservationist works with the applicant to make modifications to the proposed work. Upon completion of the review process, the preservationist is required to create a permit in PATS that is reviewed and approved by the supervisor. However, in Fiscal Year 2009, that review was not documented, nor was it required to be, based on LPC guidelines. That being the case, we were unable to determine if any supervisory reviews were performed prior to the issuance of the 9,018 permit records during Fiscal Year 2009.

Adequate, documented supervisory review in the permit process ensures that staff is thorough in their review, that they do not issue unauthorized permits, and that they do not issue permits for work that does not comply with LPC's mission and guidelines. Although we did not find any irregularities, without supervisory review, the risk that LPC may inappropriately approve work on landmarked buildings or issue permits in error is increased.

Failure to Safeguard Agency's Assets

LPC fails to adequately safeguard its agency assets, namely its perforation machines and files. Both are maintained in unattended and unlocked rooms and both are essential in the permit process. The failure to adequately secure these assets may result in theft or the issuance of unauthorized permits.

³ The required information and materials can include the following: property address, an estimated cost of the work proposed, a description of the work, applications for permits by other City agencies, the name of architect/engineer/contractor, the person responsible for filling the application (e.g., Expeditor, Attorney, Managing Agent, etc.), the property owner's name, address, and signature, and any other supporting documentation.

According to Comptroller's Directive #1, §5.0, "An agency must establish physical control to secure and safeguard vulnerable assets." The perforation machines are necessary to authenticate LPC's approval of permits and related documents with its official LPC imprint and date. However, both of the machines are easily accessible and can be used without detection.

Once approved, a permit and its related architectural and engineering drawings are perforated and stamped by one of two perforation machines to indicate the date, docket, and permit number. However, one can set and reset the date on the machine so that the permit and documents are stamped with any date, past or future. Therefore, it is possible to issue a permit and documents with the official LPC imprint, change the data in PATS, and issue two permits with the same permit number, one approved and one counterfeit, without detection. In this instance, even if the proposed work does not fall within LPC guidelines and would not have been approved by LPC, a counterfeit permit could be used to obtain additional building permits from DOB.

LPC also fails to safeguard its files by ensuring that they are maintained in a secure and locked room. The permit application files, containing original and oftentimes irreplaceable supporting documents and samples of approved building materials, are stored in an unlocked unattended file room that is accessible to the general public.

Recommendations

LPC should:

1. Ensure that supervisory reviews are documented in writing (initialed and dated) at key steps throughout the permit process.

LPC Response: LPC agreed with this recommendation stating, "Going forward, supervisors will date and initial the approved permit, for the file, and staff will reprint a new copy to send to the applicant."

2. Restrict access to its perforation machines to protect its official LPC imprint.

LPC Response: LPC agreed with this recommendation stating, "Access to the agency's perforators is restricted. Members of the public are restricted by our receptionist to the reception area, and are not permitted to enter the off-limits area in which the perforators are stored. In order to increase security, going forward authorized staff will initial the drawings as they are perforated to indicate that they've reviewed the drawings, thus increasing staff accountability."

3. Keep the agency file storage room locked.

LPC Response: LPC agreed with this recommendation stating, "The file storage area is kept locked."

Auditor Comment: From its response, it is unclear when LPC instituted this recommendation. During the course of this audit, we found that the storage area was not consistently kept locked. Nevertheless, we are pleased that LPC now plans to keep this room locked.

Permits Fees Not Tracked or Reconciled

LPC does not track or reconcile revenue from LPC permit fees collected by DOB, leaving open the possibility that revenue has not been collected or that misappropriations of funds could occur.

As mentioned earlier in this report, after an LPC permit is issued, applicable permit fees are calculated and collected by DOB at the time of the issuance of a DOB permit. These permit fees are based upon the type and estimated cost of the work, and are determined and payable at DOB only when the owner or lessee of the designated building or property applies for additional permits from DOB. DOB deposits the fees into the City's treasury and attributes the funds collected to LPC. Each month, DOB sends a Revenue Report, which specifies the date and amount of LPC fees collected for each building and permit number, through the Office of Management and Budget (OMB) to LPC. During Fiscal Year 2009, DOB reported collecting 3,435 permit fees, totaling \$1.4 million, on behalf of LPC.

According to §5.2 (c) of Comptroller's Directive #11, "Reconciliations of both the number of transactions and the dollar amount must be made promptly upon receipt of statements." However, LPC officials told us that they do not receive these reports from OMB each month and when received, do not review the reports for accuracy and completeness. In addition, LPC officials also confirmed that they do not verify that the correct amount was collected based on the estimated cost of the work for each permit issued.

DOB is responsible only for the collection of fees and the submission of the revenue reports to LPC. DOB does not have complete information as to the total number of permits issued by LPC; it is aware only of the permits that are submitted by the applicant wishing to apply for DOB permits. LPC has information about both the permit fees collected by DOB and the permits issued. However, LPC officials confirmed that the amount collected by DOB is not reconciled to the permits issued by LPC.

Moreover, an LPC official stated that while there is a section on the permit application that requests an estimated cost of the work, this information is not always entered in PATS by LPC staff. Therefore, not only is the total dollar value in PATS (reported monthly by DOB to LPC Directors and Deputy Directors) inaccurate, but the inaccuracy impedes making an accurate reconciliation. Since DOB calculates the permit fees it collects based upon the estimated cost of the proposed work, it may be possible to add the estimated cost to DOB's reports so that LPC can enter the correct information into PATS and can then determine whether DOB collected the correct amount for its permits.

At a minimum, the agency should compare permit records on DOB's Revenue Reports to permit numbers on PATS. Otherwise, it is possible that DOB may not collect revenues or for errors or fraud to occur at DOB.

Recommendations

LPC Should:

4. Enter in PATS the “Estimated Cost” of proposed work.

LPC Response: This recommendation is no longer applicable. LPC stated: “Since DOB has extensive experience in cost estimation, undertakes a cost estimate in connection with its own fees for the same work, and is responsible for calculating and collecting all LPC fees, LPC has removed the ‘estimated cost’ entry from the LPC permit application.”

5. Reconcile DOB Revenue Reports with permits LPC has issued and promptly report discrepancies to DOB for follow-up.

LPC Response: LPC agreed with this recommendation stating, “Pending the implementation of PILLAR later this year, LPC will audit this activity manually by doing spot checks. As PILLAR is instituted, DOB will send LPC data on permit fees on a daily basis. LPC will integrate this data into the PILLAR database and will be able to run regular reports reconciling fees collected at DOB to permits issued by LPC. LPC will promptly report any discrepancies to DOB.”

Computer Permit Database Is Not Secure

The LPC computer application and database, PATS, is not secure, and its controls need to be enhanced. LPC has not deactivated all user accounts on PATS for former employees; required its users to change passwords; and tracked or monitored changes made to its database. These security deficiencies leave PATS prone to improper access and data manipulation.

LPC’s failure to ensure that PATS is secure compromises its internal control environment. According to Comptroller’s Directive #18, “Guidelines for Management, Protection, and Control of Agency Information and Information Processing Systems,” “The protection and control of data and information processing resources is an important element of the agency’s overall internal control environment.” In addition, §8.1.2 of the Directive states that “active password management includes insuring that users are forced to change passwords periodically; and deactivation of inactive user accounts and accounts for employees whose services have terminated.”

Contrary to the requirements in the Comptroller’s Directive, LPC has no procedures or requirements in place to deactivate user accounts in PATS. In addition, LPC does not require its users to change their passwords. As of October 16, 2009, 99 user accounts on PATS assigned to former employees could be used by anyone with access to its computer network. For example, one user account belonging to a former employee, who had left LPC more than four years ago, had access to all levels of administration in PATS, including the capability to make changes to records and passwords. By not deactivating the account and changing its password, it could be used by an unidentified staff member to make unauthorized changes in the system.

In addition, according to an LPC official, 24 of the current 64 LPC staff members can make changes to data in PATS; everyone else has read-only access. However, since users are not required to periodically change their passwords, there is an increased possibility that an individual without authority to make changes in data could access the system using the password of someone who does. Furthermore, while PATS has an audit trail that keeps track of the last user to edit a record along with the date of the edit, PATS does not keep track of what changes were made, nor is anyone monitoring this information.

In our review of all 9,018 permit records added to PATS in Fiscal Year 2009, we found that 6,258 (70%) records were last modified on the date that the permits and letters were issued, 2,668 (29%) records were last modified afterwards, and 92 (1%) records were last modified before the issue date. An LPC official stated that generally, permit records can be modified by employees after the issue date for different reasons, for example, preservationists entering administrative notes related to the mailing of the permits or correcting data entry errors. The absence of controls increases the risk that someone may alter the specifications on a permit after the fact without anyone knowing what was changed on the permit nor the identity of the person who did it.

According to LPC officials, LPC began the process of updating its computer applications and network in November 2007, and they expect to complete the project by December 2010. Until then, inadequate safeguards for its computer permit database may leave LPC vulnerable to improper manipulations of PATS data and the affected historic or landmarked properties vulnerable to illegal alterations.

Recommendations

LPC should:

6. Deactivate inactive user accounts on PATS.

LPC Response: LPC did not directly address this recommendation stating, “LPC is a legacy database which will be replaced by PILLAR. The only staff who are able to access PATS or any LPC database are those who are currently employed by the agency and have valid network IDs and thus cannot access the internal PATS database application. To reinforce security, the agency has established additional restrictions to prevent access to PATS.”

Auditor Comment: The deactivation of user accounts on PATS is a control that should be used for preventing unauthorized use of PATS by both former and current employees. (Current staff members still have the ability to access PATS and make unauthorized changes in the system by using IDs and passwords of former employees.)

Although LPC officials now claim that they have established additional restrictions to prevent access to PATS, they did not inform us of those restrictions during our audit. Accordingly, we cannot offer an opinion on their effectiveness.

7. Require users to change their PATS passwords periodically.

LPC Response: LPC did not agree with this recommendation stating, “LPC complies with DoITT security requirements, which require all staff to change their network passwords every 90 days. No staff member can access the PATS system without a current network password.”

Auditor Comment: Periodically changing the network password alone does not provide sufficient security against unauthorized changes to PATS. As we state in the report, of the 64 LPC employees who have access to the network, only 24 are authorized to make changes to data in PATS. If there is no requirement that each of these employees periodically change their PATS passwords, there is an increased risk that other employees may discover their passwords and make unauthorized changes to PATS. Accordingly, we urge LPC to reconsider its response to this recommendation.

8. Periodically review activity on the computer system to detect unauthorized uses.

LPC Response: LPC agreed with this recommendation stating, “LPC will conduct regular audits in PATS, which timestamps and notes which staff person last edited a file.”

Appendix

BREAKDOWN OF PERMIT RECORDS BY TYPES AND FEES

| # | PERMIT TYPES | DESCRIPTION | # OF RECORDS | % OF TOTAL |
|---|--------------|------------------------------------|--------------|------------|
| 1 | CNE | Certificate of No Effect | 3,406 | 37.8% |
| 2 | XCNE | Expedited Certificate of No Effect | 845 | 9.4% |

SUBTOTAL: PERMIT FEES REQUIRED **4,251** **47%**

| | | | | |
|---|------|---|-----|------|
| 3 | ATP | Authorization to Proceed for Multiple Works in a Building | 236 | 2.6% |
| 4 | COFA | Certificate of Appropriateness | 241 | 2.7% |
| 5 | MISC | Miscellaneous/Amendment | 643 | 7.1% |

SUBTOTAL: PERMIT FEES SOMETIMES REQUIRED **1,120** **12%**

| | | | | |
|----|------|---|-------|-------|
| 6 | CD | Commission Denial | 13 | 0.1% |
| 7 | CRA | Commission Advisory Report | 8 | 0.1% |
| 8 | CRB | Commission Binding Report | 10 | 0.1% |
| 9 | DEAC | Deactivation | 19 | 0.2% |
| 10 | MOU | Modification of Use | 8 | 0.1% |
| 11 | NOC | Notice of Compliance | 614 | 6.8% |
| 12 | NOR | Notice of Review | 99 | 1.1% |
| 13 | PMW | Permit for Minor Work | 1,380 | 15.4% |
| 14 | SRA | Staff Advisory Report | 42 | 0.5% |
| 15 | SRB | Staff Binding Report | 96 | 1.1% |
| 16 | SUL | Status Update Letter for Certificate of Appropriateness | 235 | 2.6% |
| 17 | WSL | Withdrawal At Staff Level | 1,121 | 12.5% |
| - | - | No Permit Type in Record | 2 | 0.0% |

SUBTOTAL: PERMIT FEES NOT REQUIRED **3,647** **41%**

TOTAL: ALL PERMIT TYPES **9,018** **100%**

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May 10, 2010

Tina Kim, Deputy Comptroller for Audits
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Re: Audit #MG10-073A

Dear Ms. Kim:

The Landmarks Preservation Commission (LPC) appreciates the opportunity to respond to the above referenced draft audit report, which states that your audit found no instances of unauthorized or improper permit issuance or activity. I have directed my staff to implement many of the recommendations presented throughout the audit, in an effort to further strengthen our existing system of internal controls.

Let me emphasize at the outset that over the past two years the Commission has undertaken an ambitious technology upgrade involving the development and implementation of a new management information technology system: PILLAR (Preservation Information on Local Landmarks Architecture and Records). The goal of PILLAR is to establish a unified database that integrates and maps all landmarks information and that will significantly increase the efficiency of LPC staff and dramatically improve the public's access via a new web portal to critical regulatory information covering the more than 26,000 landmarked properties throughout the City.

The PILLAR database integration and mapping project, slated for completion this year, will allow the agency to generate detailed reports on all agency activities, and will address many of the issues raised in the audit.

Let me now turn to the Commission's responses to the audit recommendations, which are listed below.

Comptroller's Audit Report on LPC's Internal Controls Over Permits

Recommendation #1: LPC should ensure that supervisory reviews are documented in writing (initialed and dated) at key steps throughout the permit process.

Commission Response: LPC permitting activity is monitored by supervisors at key steps throughout the process, and supervisory review is recorded on tracking slips during the process. Going forward, supervisors will date and initial the approved permit, for the file, and staff will reprint a new copy to send to the applicant. Once PILLAR is implemented, supervisory approvals will be tracked digitally, and no permit can be issued without first being routed through a supervisor's workflow, approved as final, and then watermarked by the system.

Recommendation #2: LPC should restrict access to its perforation machines to protect its official LPC imprint.

Commission Response: We would like to point out that the risk that the perforation machines will be used by persons not authorized to use them or by authorized persons using them in an unauthorized manner is theoretical, and that the auditors did not find, nor are they or the staff of the Commission aware of, any instance where unauthorized use of the perforator machines occurred. Access to the agency's perforators is restricted. Members of the public are restricted by our receptionist to the reception area, and are not permitted to enter the off-limits area in which the perforators are stored. In order to increase security, going forward authorized staff will initial the drawings as they are perforated to indicate that they've reviewed the drawings, thus increasing staff accountability. Moreover, all LPC permits have always referenced perforated drawings by unique title, number and date, so that the Department of Buildings (DOB) can confirm that the drawings submitted with the permit are the original documents approved by the LPC.

Recommendation #3: LPC should keep the agency file storage room locked.

Commission Response: The file storage area is kept locked.

Recommendation #4: LPC should enter in PATS the "estimated cost" of proposed work.

Commission Response: As we explained to the auditors, the “estimated cost” line on the LPC application form was instituted more than 15 years ago, well before LPC instituted fees in 2004. The “estimated cost” line is not intended to be, nor has it ever been, used in connection with the assessment of LPC fees. It was designed rather as an optional field to solicit voluntary information about cost of work so that LPC could gather unofficial information about the value of work reviewed by the agency for policy and budgetary reasons. Since DOB has extensive experience in cost estimation, undertakes a cost estimate in connection with its own fees for the same work, and is responsible for calculating and collecting all LPC fees, LPC has removed the “estimated cost” entry from the LPC permit application.

Recommendation #5: LPC should reconcile DOB revenue reports with permits LPC has issued and promptly report discrepancies to DOB for follow-up.

Commission Response: Pending the implementation of PILLAR later this year, LPC will audit this activity manually by doing spot checks. As PILLAR is instituted, DOB will send LPC data on permit fees on a daily basis. LPC will integrate this data into the PILLAR database and will be able to run regular reports reconciling fees collected at DOB to permits issued by LPC. LPC will promptly report any discrepancies to DOB.

Recommendation #6: LPC should deactivate inactive user accounts on PATS.

Commission Response: PATS is a legacy database which will be replaced by PILLAR. The only staff who are able to access PATS or any LPC database are those who are currently employed by the agency and have a valid network ID. Former staff do not have valid network IDs and thus cannot access the internal PATS database application. To reinforce security, the agency has established additional restrictions to prevent access to PATS.

Recommendation #7: LPC should require users to change their PATS passwords periodically.

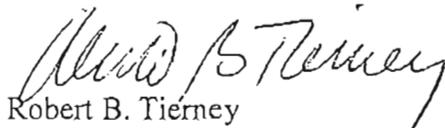
Commission Response: LPC complies with DoITT security requirements, which require all staff to change their network passwords every 90 days. No staff member can access the PATS system without a current network password.

Recommendation #8: LPC should periodically review activity on the computer system to detect unauthorized uses.

Commission Response: LPC will conduct regular audits in PATS, which timestamps and notes which staff person last edited a file. Auditing capabilities will be enhanced once PILLAR is launched. In the new system, the agency will be able to identify anyone who has made a change to any data, and no staff will be able to enter a permit record and make changes after the issue date.

Once again, I appreciate this opportunity to respond to the draft audit report. If you have any questions, please feel free to contact me. Thank you.

Sincerely,



Robert B. Tierney

Cc: Kate Daly, Executive Director
Sarah Carroll, Director of Preservation
Shaheen Ulon, Director of Operations