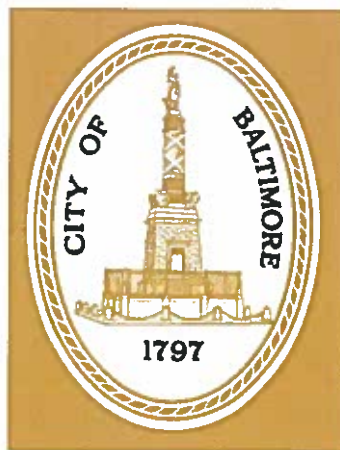


PERFORMANCE AUDIT REPORT

**DEPARTMENT OF HOUSING AND COMMUNITY
DEVELOPMENT**

**AUDIT OF THE
HOUSING CODE ENFORCEMENT PROGRAM**

For Fiscal Years Ended June 30, 2016 and 2015



Department of Audits

CITY OF BALTIMORE

JOAN M. PRATT, CPA
Comptroller



DEPARTMENT OF AUDITS

AUDREY ASKEW, CPA
Deputy City Auditor
100 N. Holliday Street
Room 321, City Hall
Baltimore, Maryland 21202
Telephone: 410-396-4783
Telefax: 410-545-3961


December 29, 2017

Honorable Joan M. Pratt, Comptroller
And Other Members of the
Board of Estimates
City of Baltimore, Maryland

We have conducted a performance audit of the performance measures reported by the Department of Housing and Community Development in the administration of the Housing Code Enforcement Program for fiscal years ended June 30, 2016 and 2015. The purpose of our audit of the Housing Code Enforcement Program was to examine the general administration of the Program in order to determine whether the agency met its targets for the number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement. In addition, the purpose of our audit was to determine whether the agency's reported number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement was adequately supported by DHCD records. Our performance audit also included a follow-up of findings and recommendations that were included in the previous performance audit report performed by Hamilton Enterprises, LLC dated October 21, 2016.

Based on the work performed, we determined that DHCD did not meet its targets in 2016 and 2015 for the number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement. In addition, DHCD's reported number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement was not adequately supported by its records. We noted some discrepancies in the reported number of unsafe structures in targeted areas made habitable or razed as a result of code enforcement. Our recommendations to ensure accurate performance statistics are included in the Findings Section of this report.

We appreciate the cooperation and assistance provided by the staff members of DHCD's Homeownership Incentive and Housing Code Enforcement Programs while conducting this audit. Their knowledge and assistance were instrumental to the completion of this audit.



Audrey Askew, CPA
Deputy City Auditor

TABLE OF CONTENTS

Background Information	2
Audit Scope, Objectives and Methodology	3
Findings and Recommendations	4
The Target Number of Unsafe Structures in Targeted Areas Made Habitable or Razed as a Result of Code Enforcement was not Met	4
DHCD's Reported Actual Number of Vacant Unsafe Structures in Targeted Areas Made Habitable or Razed as a Result of Code Enforcement Was Not Supported by DHCD's Records	4
Status of Prior Findings and Recommendations	6
Appendix I	12

Department of Housing and Community Development
Background Information
Fiscal Years Ended June 30, 2016 and 2015

The Baltimore City Department of Housing and Community Development (DHCD) was established in 1968 to consolidate local community development efforts with housing and building code enforcement. The mission of the DHCD is to ensure that all citizens of Baltimore City have access to adequate and affordable housing opportunities in safe, livable and decent neighborhoods. DHCD is committed to expanding housing choices and promoting healthy neighborhoods for all the citizens of Baltimore.

DHCD carries out its mission through various Service Centers. One of these service centers is Service 745 – Housing Code Enforcement. Housing Code Enforcement is responsible for providing safe and attractive neighborhoods through effective investigation and enforcement of building, property maintenance and related codes.

The Housing Code Enforcement Program's performance measure of the number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement is initiated by determining a vacant unsafe structure. Code enforcement inspectors of DHCD are assigned to inspect targeted areas in the City for housing code violations. When a code enforcement inspector discovers a vacant building (defined in the Baltimore City Revised Code, Section 116.4.1.2 as "...an unoccupied structure that is unsafe for human habitation or other authorized use or is a nuisance property") and deems the property to be uninhabitable, the owner of the property is mailed a vacant building notice and a vacant building notice is posted in a visible location on the property. Once the property owner receives the vacant building notice they must either make the property habitable or raze the property.

A decision to make the property habitable involves the owner bringing the property up to code and obtaining a Use and Occupancy (U&O) permit from the City. Once the U&O has been issued, the code enforcement inspector will re-inspect the property. If the violation has been resolved, the vacant building notice is abated. The DHCD records the vacant unsafe structure as made habitable on the date of issuance of the U&O permit.

If the decision of the property owner is to raze the property, all City laws specific to the razing of buildings must be followed. These laws include an inspection prior to obtaining a City permit for razing a building and obtaining the permit. The razing of buildings is performed by subcontractors for the City. The DHCD records the building as having been razed on the date the razing is begun.

Bureau of Budget and Management Research (BBMR) provides potential performance measures to DHCD to select for its Code Enforcement Program. The Housing Commissioner and management staff select the specific measures for determining effectiveness, outputs and outcomes. The targets for the performance measures are determined by the Assistant Commissioner of Inspections and reviewed and approved by the Deputy Commissioner and Commissioner of DHCD. The target is submitted to BBMR and published in the BBMR budget book.

Department of Housing and Community Development
Audit Scope, Objectives and Methodology
Fiscal Years Ended June 30, 2016 and 2015

We have completed a performance audit for the periods ending June 30, 2016 and June 30, 2015, to determine whether the Department of Housing and Community Development's Housing Code Enforcement Program (Program) met its target of number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement as set forth by the City's Bureau of Budget and Management Research (BBMR). In addition, we performed follow-up procedures on the findings of the previous audit by Hamilton Enterprise, LLC that covered fiscal years 2011-2014, to determine if recommendations were implemented.

Our audit was conducted in accordance with generally accepted *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our objectives, we interviewed personnel in DHCD's Housing Code Enforcement program to obtain an understanding of the procedures used to accomplish its performance measure target of "number of vacant unsafe structures in targeted areas made habitable or razed as a result of code enforcement". We reviewed the policies and procedures of the Program and tested the databases provided by the program that support the actual reported performance measures for fiscal years 2016 and 2015.

Our audit findings and recommendations, as well as DHCD's responses, are detailed in the Findings and Recommendations section of this report, which follows. In addition, our follow-up on the findings of the previous audit by Hamilton Enterprise, LLC and DHCD's responses can be found in the Status of Prior Year Findings section.

**Department of Housing and Community Development
Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Finding #1

Department of Housing and Community Development's Housing Code Enforcement Program did not meet its fiscal year 2016 or 2015 target number of 1200 vacant unsafe structures made habitable or razed in targeted areas as a result of code enforcement.

Analysis

DHCD's Housing Commissioner, along with management staff, selects the specific performance measures that are suggested by the BBMR. The performance measure targets are determined by the Assistant Commissioner of Inspections, reviewed and approved by the Deputy Commissioner and Commissioner of DHCD. The targets for number of vacant unsafe structures made habitable or razed in targeted areas as a result of code enforcement for both fiscal years 2016 and 2015 was 1200. However, the actual reported number of vacant unsafe structures made habitable or razed in targeted areas as a result of code enforcement for fiscal years 2016 and 2015 were 888 and 740, respectively. This resulted in DHCD attaining only 74% of its 2016 target and only 62% of its 2015 target.

Audit Recommendation

We recommend DHCD implement procedures to review and evaluate prior years' actual performance and the factors which may impact achieving the performance targets in determining the targets set each year. These procedures should facilitate achieving performance targets.

DHCD Response

While substantively true that we did not meet our target, we disagree with this being a finding. This is part of the nature of Outcome Based Budgeting. We calculate and publish this measure each year, and submit it to the budget, which is subsequently published. Stretch goal setting is encouraged, particularly with aspirational Outcome measures that depend on larger economic and sociodemographic trends.

**Department of Housing and Community Development
Findings and Recommendations
Fiscal Years Ended June 30, 2016 and 2015**

Finding #2

The DHCD's fiscal years 2016 and 2015 databases to support the reported actual number of vacant unsafe structures made habitable or razed did not agree to amounts reported in the budget book, included duplicate addresses and structures without addresses.

Analysis

We requested and received from DHCD the database of the population of the actual reported number of vacant unsafe structures made habitable or razed in targeted areas as a result of code enforcement for fiscal years 2016 and 2015. The databases provided did not agree to the actual numbers of 888 and 740 reported in the budget book. Rather, the databases reported 884 for fiscal year 2016 and 737 for fiscal year 2015; a difference of four in fiscal year 2016 and three in fiscal year 2015. During our review of the database, we found three structures included twice in the 2016 database and six structures included twice in the 2015 database. In addition, the fiscal year 2015 database included one structure without an address. As a result, the audited actual number of vacant unsafe structures made habitable or razed in targeted areas as a result of code enforcement for fiscal years 2016 and 2015 were 881 and 730, respectively.

Audit Recommendation

We recommend DHCD develop procedures to monitor the database to ensure that it is accurate and consistent with what is reported in the budget book.

DHCD Response

While the finding says the data did not agree, less than 1% in fact disagreed. There are several reasons the total number of records in an operational database query may fluctuate slightly as new information is created.

Regarding the property without an address: there are also many properties in the city without an address, so that is not inherently of concern.

We will take the Recommendation on advisement.

**Department of Housing and Community Development
Status of Prior Year Findings
Fiscal Years Ended June 30, 2016 and 2015**

The following prior year findings were noted in the performance audit by Hamilton Enterprises, LLC dated October 21, 2016. As part of the current audit for fiscal years ended June 30, 2016 and 2015, we requested DHCD provide us with the status of the prior year findings as implemented, partially implemented, or not implemented. We also requested supporting documentation for any prior year findings classified as either implemented or partially implemented.

Housing Code Enforcement - Service 745

Percent of Service Requests Closed on Time (15 Days)

Previous Finding #1

The audit identified that the actual performance reported for FY 2012 was inconsistently calculated in that the service request type "HCD-Sanitation Occupied Private Property" was included in the FY 2012 calculation, but excluded in all other years. This service request type should have been excluded from the actual calculations for FY 2012, which would have made the FY 2012 metric 95% instead of the reported 89%, to be comparable with prior and future years.

DHCD Response

Implemented. The previous audit found that 'HCD-Sanitation Occupied Private Property' SRs were included in the calculations for FY12 only, and that the problem had already been corrected by FY13. Since FY13 we have continued to calculate the measure excluding this SR type.

Register and License Properties and Contractors - Service 747

Percent of Multi-Family Dwellings Inspected Without Life/Safety Violations at Time of Annual Inspection (calendar year)

Previous Finding #2a

The wording of the measure does not reflect what is being measured. The measure is of multi-family dwellings inspected without life/safety violations at time of annual inspection (CY); however life/safety violations are not separately tracked so the measure reports the % of multi-family dwellings inspected with no violations at time of annual inspection (CY). There is no separate measurement of life/safety violations, so all violations are counted.

**Department of Housing and Community Development
Status of Prior Year Findings
Fiscal Years Ended June 30, 2016 and 2015**

DHCD Response

Implemented. We have discussed with BBMR how we believe the wording should be modified to accurately reflect what we are measuring. We will work with them in the current OBB year to ensure the system reflects these changes.

Previous Finding #2b

The reported amounts for all years are meant to reflect the prior calendar year. For example, fiscal year 2011 is based on dwellings inspected during calendar year 2010. However, both FY 2012 and 2013 reflect the calendar year 2012 performance. For consistent reporting, FY 2012 should have reflected calendar year 2011, which was 64 percent, not 75 percent.

DHCD Response

Implemented. We are consistently using the report reflecting the prior calendar year. Attached is a copy of the 2016 report used to calculate this measure for FY17, and the Performance Measure Validation Template which ensures consistency (Appendix I, page 12).

Blight Elimination – Service 749

Percent of Disposition Completed Within 120 Days

Previous Finding #3a

LRD refined the measurement methodology across the years under audit to better reflect the portion of the process under its control; however, these changes make the actual performance reported inconsistent for comparison across years prior to FY 2013. We identified three different methods used across the four year period within the scope of our audit.

- For FY 11, the measure is calculated by dividing the number of applications settled within 120 days by the total settlements during the FY.
- For FY 12, the measure is calculated by dividing the number of applications approved by the Board of Estimates within 120 days by the total settlements during the FY, less outliers. Note: The actual performance measure for FY12 was reported incorrectly in the budget. According to LRD, it should have been reported as 50% not 90%.
- For FY 13-14, the measure is calculated by counting the number of applications where the date the LDA is sent to the BOE for approval less the LDA award date is within 120 days and dividing by the total settlements during the FY, less outliers.

**Department of Housing and Community Development
Status of Prior Year Findings
Fiscal Years Ended June 30, 2016 and 2015**

Previous Finding 3a (continued)

Additionally, as LRD refined the measure it did not update the wording to reflect the calculation changes. The measure is worded "% of disposition completed within 120 days". This implies it measures the % of dispositions completed (from application to settlement) within 120 days. This was the case in FY 11, but in FY 13-14 it is measuring the % of land dispositions sent to the BOE for approval within 120 days from award date. This calculation method is misleading in that the portion of the process being measured has a target completion of 30 days, but performance is measured against a target of 120 days.

Previous Finding #3b

The target performance measure has been consistently set at 90% since FY12, but FY14 is the only year the Service came close to meeting this target, and 19% of all settlements were excluded as outliers in that year. During FY 12, LRD began excluding outliers from the calculation to better reflect the portion of the process within LRD’s control. There are two types of outliers. The first type we classified as “delay outliers” which are defined as applications that produce negative or very high numbers due to extreme delays from large development projects or developer financing issues. The second type we classified as “data integrity outliers” because the number of days cannot be calculated due to incomplete or inconsistent data records. The table below reflects the count and percentage of the total applications that were excluded from the calculation.

Year	Delay Outliers (Count)	Data Integrity Outliers (Count)	Total Settlements	% Settlements Excluded
FY 12	8	5	58	22%
FY 13	11	8	81	23%
FY 14	6	9	81	19%

DHCD Response #3a and #3b

In the months following the Hamilton performance audit, the department has taken several steps to ensure data integrity and reliability for purposes of measuring our performance, specifically:

After reviewing our application process, it was determined that the best way to analyze our efficiency was to measure the milestones of an application within our control, specifically, “Application Awarded” to “BoE Sent” instead of “Application Awarded “ to “BoE Approved”. By adjusting this measure, there is one milestone in that time period that is outside of our control (as opposed to the two in the previous method), which is when we are waiting for an applicant to mail back the contract but were able to determine

Department of Housing and Community Development
Status of Prior Year Findings
Fiscal Years Ended June 30, 2016 and 2015

DHCD Response #3a and #3b (continued)

that most return it within the requisite 30 days. The majority of the deals where it took longer for the applicant to return the signed contract were typically the outlier/ larger deals that required more complex contract negotiation. The department will work with BBMR to ensure the measure is accurately stated in the budget book. It should be noted that the adjusted metric of measuring milestones from Application Awarded to BoE Submitted was implemented in 2014 and has not changed since.

After adjusting the metrics to include milestones that better measure our efficiency, a focus was placed on improving the reliability of our data and requiring staff to pull files and populate the data fields necessary for our reporting. The result was improved accuracy with small margin of human error. In addition, once it is discovered that an application may exceed normal processing times for reasons beyond the department's control (typically because of complicated financing/ subsidy often needed for larger projects) it is given a status in the database based on the scenario. This ensures that when discerning data, outliers can be more accurately filtered as opposed to numerical assumptions and anecdotal references. Monthly reporting at CitiStat and biweekly meetings with the managers and staff of the department allow for a continual checks and balance of the integrity of the data.

Improving the reliability of our data systems by implementing an internal checks and balance system and having staff correct data records will nearly eliminate the number of incomplete data records and leave only Outlier (A), large deals and complex negotiations, as records to be excluded. Additionally, the raw data and edited data for each fiscal year is preserved in an Audits folder and a Budgets folder in a protected folder on the departments shared drive to ensure the same data set will be used if asked to replicate submissions. As an additional tool for replicating data, the department submitted performance validation forms for each measure, which outline the source, methodology and rationale for each measure. We have also submitted a Performance Measurement Improvement and Governance Survey to the Mayor's office which helps clarify the role of the department and the basis and rationale for each measure.

It should still be noted that although the replicated percentages differ slightly from what was previously reported as an actual during the Hamilton audit, the department is trending significantly in the right direction. Each year, on average, the department has increased the number of applications processed and significantly reduced the overall processing time of applications.

**Department of Housing and Community Development
Status of Prior Year Findings
Fiscal Years Ended June 30, 2016 and 2015**

Housing Rehabilitation Loans – Service 750

Administrative Cost Rate

Previous Finding #4a

The targets were not consistently calculated across the years reported to provide meaningful comparisons and HCD could not provide a method or supporting documentation for how the targets were developed.

Previous Finding #4b

Support was not available to substantiate the actual amounts reported.

DHCD Response #4a and #4b

Since the audit report was issued, we have taken steps to address these audit results. With respect to the first result, we now have a mechanism in place to document how each of the division's performance measures are calculated. For each performance measure we complete a data validation form (Appendix I, page 13), which details what is being measured, what the source of the data is, where the data is stored, how calculations are performed and other pertinent information. The data validation form will be referenced and adhered to each time measurements are calculated, ensuring that calculations are performed in a consistent manner from year to year.

The solution to the first audit result also addresses the second result. Staff was unable to produce supporting documentation for the amounts reported in the past precisely because they did not know how amounts reported in prior years were arrived at. With clear and consistent reporting methodology in place by way of the data validation form, this is no longer a problem. As noted above, the form spells out not only what the source of the data is, but where it is located and how to perform calculations. Staff has been instructed to maintain adequate documentation substantiating amounts reported.

**Department of Housing and Community Development
Status of Prior Year Findings
Fiscal Years Ended June 30, 2016 and 2015**

Building and Zoning Inspections and Permits – Service 751

Percent of Inspections Completed on Time (1 business day)

Previous Finding #5a

The measure is intended to report the number of inspections performed within one business day of the customer's request through the interactive voice response system. During FY 2011-2013, the measure was calculated as the number of inspections completed within 1 business day from the day they were scheduled to occur not from when they were requested. Additionally, it included unscheduled inspections (the inspector performed the inspection based on a customer request while in the field) which are not relevant to this measure. In FY 2014, HCD changed the calculation method to reflect what it is reported to measure (i.e. number of inspections performed within one business day of the customer's request, excluding unscheduled inspections).

DHCD Response

Implemented. We have modified the calculation of this measure so it consistently measures what is intended.

Previous Finding #5b

The targets are not consistently calculated across the years reported to provide meaningful comparisons and HCD could not provide a method for how the targets were developed.

DHCD Response

Implemented. We have scripted the calculation of this measure so it is calculated exactly the same way each year. A copy of the Python script is attached, as is a copy of the Performance Measure Validation Template (Appendix I, page 14).

APPENDIX I

**Department of Housing and Community Development
of Annual Inspection Without Life/Safety Violations at Time
Fiscal Years Ended June 30, 2016 and 2015**

Performance Measure Validation Form	
Identifying Information	<p>Measure Name % of Multi-Family Dwellings Inspected without violations at time of annual inspection (CY)</p> <p>Measure Type Outcome</p> <p>Measure Description what, exactly, are you measuring? Include any key definitions. completed MFD annual inspections that pass on the first inspection, rather than having a violation notice issued</p> <p>Data Source specific, include any calculations, Do NOT say "CitiStat Template," or "Agency Tracking Document," etc. CHIP report</p> <p>Location where are the data stored? (e.g. CitiWorks system, 311 system, etc.) CHIP database</p> <p>Method of Collection CHIP report 'MFD Inspection List' processed with Python script OBB_747E_MFD_LifeSafety_2016_10_20. Enter previous calendar year: e.g. for FY</p>
Methodology	
Purpose	<p>How are these data used? How does this measure inform operations in the service? Why is it meaningful? This give an indication of what proportion of MFDs are being kept code compliant</p> <p>Measurement Improvement If the agency does not currently have a valid way of capturing these data, what would it take to achieve (e.g. technology solution) and what is the cost-benefit of investing in collection? n/a</p>

**Department of Housing and Community Development
 Prior Year Finding #4: Service 750 – Administrative Cost Rate
 Fiscal Years Ended June 30, 2016 and 2015**

Performance Measure Validation Form	
	Administrative cost rate
	Efficiency
	The average operating cost for loans settled during the fiscal year.
Identifying Information	<p>Measure Name</p> <p>Measure Type</p> <p>Measure Description <i>what, exactly, are you measuring? Include any key definitions.</i></p> <p>Data Source <i>specific, include any calculations, Do NOT say "CitiStat Template," or "Agency Tracking Document," etc.</i></p>
	This measure is a calculation of two sets of data. The first set of data the total actual costs that occurred during the fiscal year. The 2nd set of data is the number of loans settled. The source of the total actual costs comes from the General Ledger with the following parameters: Date 7/1/FY to 6/29/FY (Accounting Operations advises us not to include June 30th); Fund 1001 -2089; Program 5825; Activity 179500 to 409599. Download the data. Then delete the entry that transfers costs from the operating accounts to the capital accounts. Even though we are allowed to budget this way, including this number will significantly decrease the costs. By deleting the transfer we accurately account for the costs to operate the program. This cost calculation includes both the costs for direct field staff and administrative staff. By including the total costs, we get a good comparative picture for the whole program, from one fiscal year to the next. The second set of data comes from the database of loans served. We track this using an internal spreadsheet.
Methodology	<p>Location <i>where are the data stored? (e.g. CitWorks system, 311 system, etc.)</i></p> <p>Method of Collection</p>
	The General Ledger from the report manager and the "Commitments and Settlements" spreadsheet stored in J drive/Office of Rehabilitation.
	Download data from the GL Internal tracking database
Purpose	<p>How are these data used? <i>How does this measure inform operations in the service? Why is it meaningful?</i></p> <p>Measurement Improvement <i>If the agency does not currently have a valid way of capturing these data, what would it take to achieve (e.g. technology solution) and what is the cost-benefit of investing in collection?</i></p>
	This provides us a good comparative picture for the whole program, from one fiscal year to the next. 90-95% of operating costs consist of personnel costs. Comparing the numbers from one year to the next allows us to evaluate current staff, and understand adequate staffing levels.
	Small enhancements to the internal spreadsheet. The cost time of current staff, and the overall savings is \$0. But it could reduce staff time spent on reporting.

**Department of Housing and Community Development
 Prior Year Finding #5: Service 751 - Percent of Inspections Completed on Time (1 business day)
 Fiscal Years Ended June 30, 2016 and 2015**

Performance Measure Validation Form	
Identifying Information	Measure Name % of inspections scheduled for the next business day and completed on that day
	Measure Type Effectiveness
	Measure Description <i>what, exactly, are you measuring? Include any key definitions.</i>
	Data Source <i>specific, include any calculations, Do NOT say "CitiStat Template," or "Agency Tracking Document," etc.</i>
Methodology	Location <i>where are the data stored? (e.g. CitiWorks system, 311 system, etc.)</i>
	Method of Collection CCE report 'TM: Inspection' processed with Python script 'OBB_751D_CompletedOnTime_2016_10_19'. Use the FY percentage in <i>scheduled_and_completed</i> table generated.
Purpose	How are these data used? <i>How does this measure inform operations in the service? Why is it meaningful?</i>
	Measurement Improvement <i>If the agency does not currently have a valid way of capturing these data, what would it take to achieve (e.g. technology solution) and what is the cost-benefit of investing in collection?</i>
	This condenses into a single number the proportion of trades inspections are able to be scheduled for the following business day and the proportion of inspections that occur on the date scheduled to occur.
	n/a