

THOMAS P. DINAPOLI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 6, 2020

Jacques Jiha, Ph.D.
Commissioner
New York City Department of Finance
One Centre Street
New York, NY 10007

Re: Selected Controls Over the
Property Tax Assessment
Process
Report 2019-F-30

Dear Commissioner Jiha:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article 3, Section 33 of the General Municipal Law, we have followed up on the actions taken by officials of the New York City Department of Finance to implement the recommendations contained in our audit report *Selected Controls Over the Property Tax Assessment Process* (Report [2015-N-1](#)).

Background, Scope, and Objective

The New York City Department of Finance (DOF) is responsible for assessing all real property throughout the City – approximately 1.05 million properties per year worth a total market value of more than \$1 trillion. New York City Administrative Code 11-207 requires taxable properties to be examined every three years and non-taxable properties every five years.

There are four tax classes for property in New York City: Class 1 covers one- to three-unit residential properties; Class 2, residential properties of more than three units; Class 3, most utility properties; and Class 4, commercial and industrial properties and properties not included in the previous tax classes. The tax classification determines how property value is assessed.

DOF uses the Computer-Assisted Mass Appraisal System (CAMA) for property tax valuations. Assessors determine parcel market value using one of several valuation methods based on the parcel's tax class. Once market value is determined, the assessed value is a percentage calculation of the market value. DOF uses sets of commands (scripts) to make changes and updates to parcels.

Our initial audit report, issued on July 11, 2017, concluded that DOF's Property Division did not conduct necessary inspections for over half of the parcels we reviewed, and assessors frequently did not document the basis for assessment changes. Mass updates to CAMA did not always include the user ID of the official requesting the change or the official executing the change.

The objective of our follow-up review was to assess the extent of implementation, as of December 27, 2019, of the ten recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found DOF officials have made progress in addressing the issues identified in the initial report. Of the ten recommendations, three were implemented, six were partially implemented, and one was not implemented.

Follow-Up Observations

Recommendation 1

Require field valuation employees to conduct and document the necessary periodic inspections of real property parcels, as prescribed.

Status – Partially Implemented

Agency Action - DOF reported it performed property inspections in accordance with New York City Administrative Code 11-207, which requires the inspection of taxable properties every three years and non-taxable properties every five years. From April 2015 to June 2019, DOF inspected a total of 1,435,217 properties. Our review of the data showed that 569,855 of the parcels were inspected more than once during this time frame. However, DOF's inspection documentation did not differentiate between taxable and non-taxable properties; thus, DOF did not provide support that it met the Administrative Code time frames.

Recommendation 2

Ensure the reason for the valuation method selected for parcels is clearly documented in CAMA.

Status – Implemented

Agency Action – In its 90-day response to the initial report, DOF stated that assessors are directed to provide a note in CAMA if they change the methodology of parcels assigned to them that year. We selected a judgmental sample of 31 Tax Class 2 parcels where the valuation method changed and/or the assessed valuation increased or decreased more than 30 percent from 2017-18 and 2018-19 tax years. For seven parcels, we found that the method used to determine market value changed and it was documented.

Recommendation 3

Ensure that supervisors who review parcels with extreme changes pursuant to QA instruction are independent from the initial review process.

Status – Not Implemented

Agency Action – DOF officials disagreed with the recommendation in their response to the draft and final reports. They reiterated this during the opening conference for this follow-up review.

Recommendation 4

Develop and implement policies and procedures for documenting Global Changes and mass updates, and comply with the Office of the New York City Comptroller's Internal Control and Accountability Directive 18.

Status – Partially Implemented

Agency Action – In its 90-day response to the initial report, DOF indicated its new policies and procedures would be issued by November 2017. However, as of November 13, 2019, the document was still in draft. The draft procedures included the controls and processes for executing the Global Change and mass update computer program commands in CAMA. However, there is no effective date for the procedures.

Recommendation 5

Ensure that scripts and authorizations for scripts are kept in a secured folder to prevent unauthorized updates. The logs should be retained for a period of time to aid later review or investigation.

Status – Implemented

Agency Action – The Database Management group within the Finance Information Technology (FIT) unit executes scripts upon authorization from the requesting unit in the Property Division. Executed scripts and logs are kept on a network drive accessible only to certain FIT employees. The executed scripts remain on the drive indefinitely. A secure e-mailbox is included on emails between FIT and the Property Division to document the results of pre-execution script testing and staging and authorization to execute scripts.

To determine if the procedures for retaining scripts and authorizations were followed, we judgmentally selected 11 of the 77 scripts executed in August and December 2017 and January 2019. We observed all 11 scripts and respective logs in the network drive.

Recommendation 6

Ensure that a User ID or Service ID is recorded for every Global Change and mass update.

Status – Partially Implemented

Agency Action – DOF has not implemented the Global Changes standard operating procedure that covers Global Changes and mass updates executed in CAMA by computer program scripts. We requested and reviewed all 114 scripts and respective logs executed in August and December 2017, October 2018, and January 2019 to determine whether a User or Service ID was recorded in CAMA for the Global Changes and/or mass updates executed in those months. We found 44 scripts and respective logs did not include the User or Service ID. According to DOF officials, certain scripts do not require a User ID or Service ID. For example, in August, prior to the start of the field assessment season, DOF updates its inventory of parcels, and this script is run by FIT without a User or Service ID. Another exception is the update of tables that will be used as part of the market valuation process. However, these exceptions were not documented. At the closing conference, DOF officials indicated they have an SQL Plan list for Global Changes in CAMA. We were provided a copy of the list they stated was used for fiscal year 2019-20. The list included whether a User Audit Table entry/Property Note of recalculation was required.

Recommendation 7

Prevent unauthorized data changes to properties by ensuring the requestors of all scripts are documented and that the executed scripts are what was requested and documented in the CAMA User Audit Table.

Status – Partially Implemented

Agency Action – Of the 114 scripts and respective logs previously mentioned, 6 did not include an individual requestor. For 64 executed scripts, the change requested in the script was reflected in the CAMA User Audit Table. We could not determine whether the remaining 44 executed scripts were documented in CAMA because either those scripts (and respective logs) did not include a parcel identifier that could be used to search CAMA or the requested change was not in the CAMA User Audit Table for parcels identified in the scripts. DOF officials stated that six scripts did not require a requestor. For example, the vendor provided a script necessary for roll processing. This script is run in August for the tentative roll processing and then run again in June for the final roll processing. They added that the same exceptions could apply to the other 50 scripts that did not include requestor information.

Recommendation 8

Ensure DOF officials document justifications for granting users additional permissions outside those normally granted for their respective user groups. Also, ensure that Property

Administrative Assessors approve CAMA access requests to add users.

Status – Partially Implemented

Agency Action – We reviewed 57 CAMA access permission forms for 29 users. Property Division authorized managers approved 47 CAMA access and additional permission forms during the audit scope period. The remaining ten forms were approved during the initial audit.

Fourteen of the 57 forms requested additional permissions, but only 3 of the 14 had documented justifications for the additional permissions. The remaining 11 simply restated the permissions requested. DOF officials informed us that restating the requested permissions in the notes is acceptable as justification. However, the justification should provide the reason the user needs an additional permission. At the closing conference, DOF officials stated they know that 6 of the 11 represent additional permissions granted to assistant assessors who were allowed to perform new tasks, such as adding photographs for parcels, and do not require any explanation. Notwithstanding, the reason for the changes should be formally documented.

Recommendation 9

Disable accounts of employees immediately upon their separation from DOF.

Status – Partially Implemented

Agency Action – DOF Employee Services notifies FIT of employee separations every Friday. FIT's policy is to disable network access immediately upon receiving the separation memo. FIT also disables network access for users when employees go on extended leave or transfer to another City agency. However, when FIT disables network access manually, the date and time of network access are not documented in the directory.

In our review of 30 separated employees, we found that 11 employees' access was inactivated within 24 hours of the separation memo; for 6 employees, access inactivation took more than 24 hours after the separation memo; and for 12 employees, we could not determine whether access was inactivated within 24 hours of the separation memo because the inactivation was done manually by DOF. The remaining employee returned to DOF several months after separation – and thus the network directory showed the employee's access was active at the time testing was performed.

Recommendation 10

Establish a formal policy for remote access and disseminate it to all remote users. Also, actively monitor the use of remote access.

Status – Implemented

Agency Action – DOF follows the New York City Cyber Command policy and standard regarding multi-factor authentication over remote access. In addition, DOF has its own policy regarding secrecy of tax information, which also addresses remote access. New employees attend right-to-know training, which states remote access of confidential information is not allowed.

Contributors to this report were Abe Fish, Christine Chu, Marsha Millington, and Celedonia Deaver.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the New York City Department of Finance for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Carmen Maldonado
Audit Director

cc: S. Mayer, New York City Department of Finance
C. Carino, New York City Department of Finance
G. Davis III, Mayor's Office of Operations