

Written Testimony of
Cecil R. House, General Manager of the New York City Housing Authority
for a hearing with respect to
“Waste, Fraud, Abuse and Mismanagement of Taxpayer Funds by
Public Housing Authorities”

before the
United States House of Representatives
Subcommittee on Government Operations
Committee on Oversight and Government Reform
May 22, 2014

Chairman John Mica, Ranking Member Gerald Connolly and Members of the Subcommittee, thank you for this opportunity to testify before the subcommittee. The subcommittee has invited testimony concerning waste, fraud, abuse, and mismanagement of taxpayer funds by public housing authorities. Asking whether public funds are being well spent on providing housing assistance to the most vulnerable in our society is a legitimate and necessary inquiry, and one that we at the New York City Housing Authority (NYCHA) focused on, in the context of managerial decisions we make. We systematically and proactively review our operations to improve the quality of life of NYCHA residents, and to increase efficiency and productivity in the management of our programs.

Our new administration, under the leadership of Mayor Bill de Blasio and NYCHA Chair and CEO Shola Olatoye, supports these efforts with a renewed commitment of energy, emphasis and resources, in order to ensure that NYCHA is a successful practitioner of good management and a provider of quality services to the families that rely on public housing or NYCHA’s Housing Choice Voucher program. New York City considers public housing and the Housing Choice Voucher program to be assets that are vital to the local economy, and effective investments of federal dollars. Working families, elderly and disabled citizens, and veterans, all rely on these programs for housing, assistance in entering the workforce, educational opportunities and the stability of a community.

Therefore, there is a commitment to preserving every unit of public housing and every Housing Choice Voucher in New York City, and to ensuring that NYCHA is a responsible guardian of these public assets. NYCHA plays a critical role in the Mayor’s new housing plan to leverage public and private assets to protect neighborhoods by building and preserving over 200,000 safe and affordable housing units in New York City.

Achieving this goal will require strategic planning and intensive collaboration among City agencies and NYCHA with the State and Federal governments, in partnership with for-profit and not-for-profit developers and property owners, and financial institutions. The Plan relies upon the State and Federal governments to continue to fund affordable housing programs. It is a bold approach to increasing and protecting the supply of affordable housing needed for New York City to retain the diversity and vitality of its neighborhoods and its edge as the world's leading city for opportunity.

The New York City Housing Authority, now celebrating its 80th year, is the largest public housing authority and administrator of Housing Choice Vouchers in the United States, committed to fulfilling our mandate under the Housing Act of 1937 of providing safe, decent, and affordable housing to the over 630,000 low- and moderate-income New Yorkers receiving housing assistance. To provide you with a sense of the magnitude of our work, if the population served by NYCHA was a city unto itself, it would be the nation's 23rd largest, with a population comparable to Boston's, according to the most recent (2012) estimate by the United States Census Bureau. NYCHA's public housing program encompasses over 178,000 apartments in 334 developments located throughout New York City. With more than 31,430 private building owners participating in our Section 8/Housing Choice Voucher program, the Authority also provides housing assistance to an additional 225,000 families.

I. Enhanced Managerial Controls

Prior to sequestration, NYCHA was on a path to restructuring its operations, reducing administrative overhead, modernizing business systems by investing in information technology, and implementing data-driven managerial controls in order to better monitor the performance of essential functions. In the administration of the Section 8/Housing Choice Voucher program for example, the Authority launched initiatives designed to contain costs and reduce the overall size of the program while doing everything possible, after sequestration, to avoid terminating vouchers for families currently receiving housing assistance.

In other areas of operations, NYCHA is working hard to implement cost saving efficiencies in order to return the best value to the taxpayer for every public dollar allocated. Some of these initiatives are readily quantifiable. At the managerial level, for example, NYCHA has implemented a hiring freeze over the past year. The Authority has reduced its total employee headcount over the past ten years by 16.7%. At the same time, we have become a far more data-driven organization, one that relies on constantly updated metrics to determine our performance in---and derive efficiencies from---a wide spectrum of functions. This has resulted in significantly improved service levels for apartment maintenance and repair rates, heat and hot water complaints, elevator uptime rates, Section 8 recertification and inspection rates, rent collection and delinquency rates, apartment prepping time and unit turnaround times, among other essential markers. Our backlog for open maintenance and repair work tickets in particular, has been dramatically reduced.

We strongly believe that our enhanced reliance on metrics is showing positive results. For example, HUD utilizes the Public Housing Assessment System (PHAS) and Section 8 Management Assessment Program (SEMAP) to rate the performance of public housing authorities on a broad range of categories

relevant to the maintenance and management of developments. We believe that the metric-driven focus and consequent shift in resource deployment has improved NYCHA's PHAS and SEMAP scores, with both sets of scores trending upward.

Procurement is another key area in which NYCHA is bringing best practices from the private sector to bear on our operations, with a continuing focus on deriving greater efficiencies and extricating cost from our processes. In streamlining and updating our inventory and supply systems, NYCHA has consolidated fourteen procurement offices into a single department, resulting in better internal controls improved reliability, and greater leveraging of our expenditures. Following Federal, State and City procurement rules and guidelines, NYCHA is focused on procuring the right product for the least cost.

II. Fiscal Responsibility

The Authority considers its fiduciary responsibility to federal and municipal taxpayers to be a matter of paramount importance. In this era of enormous need for affordable housing, yet diminished resources to provide it, we simply cannot afford to do otherwise. In that regard, perhaps no managerial objective is more critical than fiscal responsibility and transparency. NYCHA has implemented a rigorous, structured and thoughtful finance and budgeting process designed to deliver the greatest value across our many complex operations and functions for the limited resources we have. The Authority publishes its annual budget on-line, and meets regularly with residents and other stakeholders to discuss the allocation of resources.

NYCHA also maintains an Audit Department providing independent assessments of the efficiency and effectiveness of the Authority's operations, the adequacy of internal controls, the accuracy of financial data and compliance with applicable laws, regulations and procedures. These objectives are accomplished by conducting operational/ financial, compliance and Information Technology (IT) audits selected as a result of a formal risk assessment process. To ensure the independence of the Audit Department, its personnel report only to the General Manager, with oversight from NYCHA's Audit Committee, comprised of two board members, and three independent non-affiliated volunteers. The Audit Committee members have extensive backgrounds in housing and finance, and individual areas of expertise in accounting, finance, development, quantitative data analysis and information technology and security.

The Authority has been recognized by leading professional institutions for the quality and transparency of its financial reporting and accounting. In each of the past ten years NYCHA has received a Citation of Merit from the Government Finance Officers Association of the United States and Canada (GFOA) for achieving the highest standards in government accounting and financial reporting by publishing an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) that demonstrates a constructive "spirit of full disclosure."

III. Inspector General Function

Complementing the managerial practice and financial controls that NYCHA has in place, and fundamental to ensuring that the highest standards are abided by NYCHA's expenditure of public monies, is an independent and proactive Inspector General's (IG) office. The City of New York maintains a robust anti-fraud, waste, theft and corruption infrastructure in the form of its Department of Investigation (DOI). The DOI is one of the oldest law-enforcement agencies in the country and an international leader in the effort to combat corruption in public institutions. It serves the Mayor and the people of New York City as an independent and nonpartisan watchdog for the City government.

NYCHA's IG is a fifty-member unit within the DOI, working independently and autonomously of the housing authority and its leadership, and reporting directly to the Commissioner of the DOI. The IG investigates and proactively seeks to deter the occurrence of fraud, waste, corruption or theft across every aspect of the Authority's operations. Specific teams are dedicated to monitoring the Authority's activity in regard to contracting, construction-management, labor and other key areas. Particular areas of the Inspector General's focus include:

- Surveilling in-place construction to assess how construction work contracted for by the Authority compares to what was paid for.
- Investigating housing fraud, to ensure that the public resource which are NYCHA apartments, are leased only to individuals and families who've undergone required application and tenant selection process.
- Investigating whether prevailing wages are paid in instances where that is required, and whether projects are in-compliance with federal workforce development mandates.

IV. Conclusion

The City of New York considers the public housing and Housing Choice Voucher programs to be assets that are vital to our local and national infrastructure. At a time of a crisis-level shortage of affordable housing, NYCHA provides critical workforce housing to an estimated 80,000 residents working in health care, education, public safety and other sectors that are essential to the City's economic success. Despite these positives however, the Authority faces great challenges in attempting to meet a need for affordable housing in New York City which far exceeds supply, and in seeking to maintain a portfolio of 2,600 residential buildings, many of which are over 60-70 years old, and have major building and mechanical systems that are fast approaching the end of useful lifespans. These challenges are exacerbated by the fact that the federal commitment to public housing has dramatically receded in recent decades while the regulatory burden has grown. There remains much work to be done, but under our new leadership, the Authority is demonstrating measurable, verifiable, progress across critical areas of our operations, and is systematically seeking to improve efficiency and productivity in each. We appreciate the opportunity to appear before you today to renew our commitment to proactively and creatively meet the Authority's obligations to residents and taxpayers. I will be pleased to respond to such questions as you may have.

Cecil R. House
General Manager, New York City Housing Authority

Cecil R. House was named General Manager for the New York City Housing Authority (NYCHA) by the Board of Commissioners in August 2012. In this capacity, Mr. House is responsible for overseeing the Housing Authority's day to day operations, which includes the management of over 178,000 public housing apartments in 334 developments throughout the City of New York. He also is in charge of the administration of the largest Section 8/Leased Housing program in the country. Mr. House manages NYCHA's network of over 400 community facilities and a host of community, educational, recreational, and employment initiatives. In addition, Mr. House leads a staff of over 11,000 NYCHA employees, and manages an annual budget of \$3 billion in federal, state and local assistance.

Mr. House joined NYCHA from Southern California Edison (SCE), one of the largest electric utilities in the United States with 18,000 employees, where he served as Senior Vice-President for the Operations Support Business Unit and also as the company's Chief Procurement Officer. He managed a combined annual budget of nearly \$1 billion, and in his capacity as SCE's chief procurement officer, he also managed expenditures for materials and services in excess of \$4 billion, \$1.4 billion of which was spent with Asian, African American, Hispanic and women-owned businesses. His responsibilities at SCE included managing a broad set of functions critical to the success of SCE, including supply management and logistics; fleet operations; emergency preparedness; employee health and safety; security; environmental services, sustainability; and real estate and facilities, where he managed 6 million square feet of space.

Mr. House is a member of the bar in New York and Virginia. He holds a Bachelor of Science from the McIntire School of Commerce at the University of Virginia; a Juris Doctor from Harvard Law School; and a Master of Business Administration from Columbia University. Mr. House has served and continues to serve as a director or trustee of several not-for profit organizations.