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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

February 19, 2013

Mr. Darryl C. Towns
Commissioner/CEO
New York State Homes and Community Renewal
641 Lexington Avenue
New York, NY 10022

Re: Housing Preference for Disabled
Veterans
Report 2012-F-21

Dear Commissioner Towns:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of New York State Homes and Community Renewal (HCR), to implement the recommendations contained in our audit report, *Housing Preference for Disabled Veterans* (Report 2010-S-42).

Background, Scope and Objective

HCR consists of all the State's major housing and community renewal agencies, including the Division of Housing and Community Renewal (Division), which is responsible for the supervision, maintenance and development of affordable low- and moderate-income housing in New York State. In 1955, the Legislature created the Mitchell-Lama Housing Program (Program) in the Private Housing Finance Law (Law) to provide affordable housing for moderate-income families throughout New York State. As of January 1, 2013, there are 162 Division-supervised Mitchell-Lama developments in New York State.

On November 27, 2007, the Law was amended to require housing companies to provide disabled veterans with a preference in admission to Mitchell-Lama housing developments. In advance of that Law's enactment, the Division issued a memorandum directing housing companies on how to implement the Law. In September 2010, the Law was expanded to permit the admission preference for non-disabled veterans.

Our initial audit, issued on May 26, 2011, examined whether disabled veterans received the intended preference. We found housing companies failed to follow the Division's guidance. The Division also failed to adequately monitor housing companies. As a result, disabled veterans

did not receive the intended housing preference. The objective of our follow-up was to assess the extent of implementation, as of July 16, 2012, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Division officials have implemented the two recommendations we made in the initial audit report.

Follow-up Observations

Recommendation 1

Train Housing Management Representatives to properly review housing company compliance with applicable laws and Division guidance.

Status - Implemented

Agency Action - The Division conducted training sessions for central office Housing Management staff on tenant selection monitoring, including the veterans admission preference. Division officials also reviewed and discussed the veterans preference with Housing Management Representatives who perform field visits.

Recommendation 2

Increase monitoring of housing company compliance with applicable laws and Division guidance.

Status - Implemented

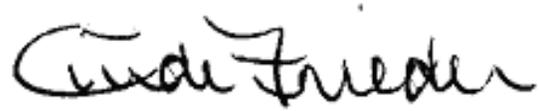
Agency Action - Our review of 50 field reports conducted between September 22, 2010 and May 29, 2012 confirms that the Division has increased its monitoring of housing company compliance with the veterans admission preference. These reports indicate Division staff discussed and/or identified veterans preference issues at these developments. Current Division field reports identify many more veteran-related issues than the reports reviewed during the initial audit.

Despite the increased monitoring, additional action to follow through on identified deficiencies is needed. A November 2011 field report for a rental housing development identified numerous, longstanding vacancies - despite a lengthy waiting list which included some veterans. When we brought this to the attention of Division officials, they determined that the veterans on the waiting list were either no longer interested or eligible. Division representatives need to be more vigilant in monitoring housing company compliance.

Major contributors to this report were Gene Brenenson, Nick Angel, and Lillian Fernandes.

We would like to thank the management and staff of the Division of Housing and Community Renewal for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

A handwritten signature in black ink that reads "Cindi Frieder". The signature is written in a cursive, flowing style.

Cindi Frieder
Audit Manager

cc: Michael Demarco, HCR
Tom Lukacs, Division of the Budget