

New York City Department of Housing Preservation and Development

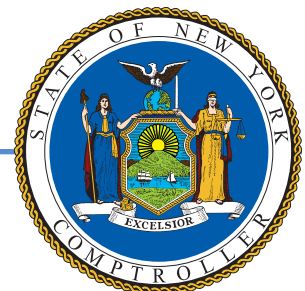
New York City Housing Development Corporation

Housing for Seniors

Report 2021-N-4 | July 2023

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether the New York City Department of Housing Preservation and Development and the New York City Housing Development Corporation effectively oversee the awarding of senior housing units and a program assisting senior homeowners. Our audit covered the period from January 2014 through September 2022.

About the Programs

The New York City (NYC or City) Department of Housing Preservation and Development (HPD) is the nation's largest municipal housing preservation and development agency. Its mission is to promote the quality and affordability of the city's housing and the strength and diversity of its many neighborhoods. The NYC Housing Development Corporation (HDC) is the nation's largest municipal housing finance agency and seeks to increase the supply of multi-family housing, stimulate economic growth, and revitalize neighborhoods by financing the creation and preservation of affordable housing for low-, moderate-, and middle-income New Yorkers. HPD and HDC work together to administer various programs to assist in the development and rehabilitation of housing for senior citizens, including the Senior Affordable Rental Apartments Program (SARA Program), federal Section 202 Supportive Housing for the Elderly Program (Section 202 Program), and the Senior Citizen Homeowner Assistance Program (SCHAP). For purposes of this audit, we selected for review four developments assisted through the SARA Program – HANAC Corona Senior Residence (HANAC) in Queens, Serviam Heights LLC (Serviam) in the Bronx, Victory Plaza in Manhattan, and Woodlawn Senior Living (Woodlawn) in the Bronx – and one development assisted through the Section 202 Program – Bensonhurst Housing for the Elderly (Bensonhurst) in Brooklyn.

Key Findings

HPD and HDC need to do more to effectively oversee the awarding of senior housing units as well as their senior homeowners' assistance program. Despite the scarcity of affordable housing for seniors, we found several instances where senior housing units were left vacant for long periods of time.

- Six apartments at HANAC were left vacant for an average of almost 3 years; two of the six apartments were fully furnished apartments designated for homeless applicants.
- Only 15 of Woodlawn's 80 apartments were awarded as of July 2022, approximately 7 months after they became available and had a list of potential tenants. The other 65 apartments remained vacant despite a waiting list of 12,050 applicants. We note that 24 apartments were reserved for homeless individuals; however, only 11 homeless apartments were leased as of July 2022.

In addition, senior housing units were not always awarded to the correct applicants. We found that six applicants at three developments were awarded apartments even though there were other applicants who should have been considered first. One of these developments – Bensonhurst – was using waiting lists that contained significant inaccuracies.

For SCHAP, which provides loans to homeowners for home repairs, we found several instances where program requirements were not being met. For instance, we identified four properties that had outstanding violations at the time homeowners received SCHAP loans; however, the violations were not remedied as required. As of June 2022, these properties had 163 open violations, including an immediately hazardous violation issued in May 2019 for mice infestation. Additionally, HPD did not

effectively monitor efforts by the Parodneck Foundation for Self-Help and Community Development, Inc. (Parodneck) – the entity HPD selected to administer the program – to enforce loan repayments for recipients who had defaulted on their loans. For example, HPD did not attempt to collect loan repayments from the beneficiary of a borrower’s estate until about 2 1/2 years after Parodneck notified HPD that the borrower had passed away.

Key Recommendations

To HPD:

- Take appropriate actions, including periodically reviewing rent rolls/vacancy reports and coordinating with managing agents, to identify and promptly fill vacant apartments.
- Work with Parodneck: to follow up with SCHAP loan recipients to ensure they meet program requirements; and to take appropriate remedial action, including collecting amounts owed from borrowers who default on their loans and ensuring that outstanding violations are resolved.

To HDC:

- Review waiting lists and increase oversight of marketing/managing agents to ensure applicants are selected in the correct order for receiving apartments or removed from waiting lists if they are no longer eligible.



**Office of the New York State Comptroller
Division of State Government Accountability**

July 5, 2023

Adolfo Carrión, Jr.
Commissioner
NYC Housing Preservation and Development
100 Gold Street
New York, NY 10038

Eric Enderlin
President
NYC Housing Development Corporation
110 William Street
New York, NY 10038

Dear Commissioner Carrión and President Enderlin:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report entitled *Housing for Seniors*. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of the General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

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Glossary of Terms

Term	Description	Identifier
HDC	New York City Housing Development Corporation	<i>Auditee</i>
HPD	New York City Department of Housing Preservation and Development	<i>Auditee</i>
Bensonhurst	Bensonhurst Housing for the Elderly in Brooklyn	<i>Development</i>
HANAC	HANAC Corona Senior Residence in Queens	<i>Development</i>
Handbook	Marketing Handbook – Policies and Procedures for Resident Selection and Occupancy	<i>Policy</i>
Housing Connect	HPD and HDC online application system	<i>System</i>
HUD	U.S. Department of Housing and Urban Development	<i>Federal Agency</i>
HUD-assisted	Properties where a majority of the units are covered by a form of project-based rental assistance	<i>Key Term</i>
LIHTC	Low-income housing tax credits	<i>Key Term</i>
MOR	HUD's Management and Occupancy Review report	<i>Key Term</i>
NYCHA	New York City Housing Authority	<i>Authority</i>
Parodneck	SCHAP administrator, Parodneck Foundation for Self-Help and Community Development, Inc.	<i>Administrator</i>
SARA Program	Senior Affordable Rental Apartments Program	<i>Program</i>
SCHAP	Senior Citizen Homeowner Assistance Program	<i>Program</i>
SCHAP Agreement	Loan Servicing and Disbursement Agreement	<i>Agreement</i>
Section 202 Program	Federal Section 202 Supportive Housing for the Elderly Program	<i>Program</i>
Serviam	Serviam Heights LLC in the Bronx	<i>Development</i>
Victory Plaza	Housing development in Manhattan	<i>Development</i>
Waiting list	List of applicants	<i>Key Terms</i>
Woodlawn	Woodlawn Senior Living in the Bronx	<i>Development</i>

Background

The New York City (NYC or City) Department of Housing Preservation and Development (HPD), the nation's largest municipal housing preservation and development agency, is charged with promoting the quality and affordability of the City's housing. The NYC Housing Development Corporation (HDC), the nation's largest municipal housing finance agency, seeks to increase the supply of multi-family housing, stimulate economic growth, and revitalize neighborhoods by financing the creation and preservation of affordable housing for low-, moderate-, and middle-income New Yorkers. HPD and HDC partner to administer several programs to assist in the development and rehabilitation of affordable housing specifically for senior citizens, including the Senior Affordable Rental Apartments Program (SARA Program), federal Section 202 Supportive Housing for the Elderly Program (Section 202 Program), and HPD's Senior Citizen Homeowner Assistance Program (SCHAP).

The SARA Program provides low-interest loans to support the construction and renovation of affordable housing for seniors who are age 62 and older – or age 55 and older if homeless – with income up to 60% of the area median income. Rentals developed with SARA funding are made available via a lottery system, and 30% of units must be set aside for homeless seniors who are referred by a City or State agency, typically the NYC Department of Homeless Services. To obtain an apartment through the program, seniors submit applications electronically through Housing Connect (the online application system for HPD/HDC-assisted affordable housing). Applications can also be sent via regular mail and are then entered manually into Housing Connect by marketing agents, who are responsible for the marketing and resident selection for housing developments. In addition to marketing agents, developments also generally have managing agents designated by owners of housing developments to be in control of and responsible for the maintenance and operation of the dwelling; some managing agents also function as marketing agents. Housing Connect randomly assigns log numbers to applications, which marketing or managing agents then use to process applications in numerical order – with the exception of priority for applicants who are in certain preference categories, such as seniors with a disability and seniors who are homeless. Development owners and HPD/HDC enter into regulatory agreements, which document the responsibility of each party regarding management and oversight of housing developments. During our audit scope (January 2014 - September 2022), 40 projects with 5,244 units received assistance under the SARA Program.

The Section 202 Program leverages public resources and private sector financing to rehabilitate, recapitalize, and preserve privately-owned U.S. Department of Housing and Urban Development (HUD)-assisted rental housing throughout NYC. For program purposes, "HUD-assisted" is defined as properties where a majority of the units are covered by a form of project-based rental assistance. During our audit scope, 22 projects with 2,749 units received assistance under HUD's Multifamily Program, including the Section 202 Program.

HPD and HDC jointly published their Marketing Handbook – Policies and Procedures for Resident Selection and Occupancy (Handbook), which includes policies and procedures for evaluating applications and selecting tenants.

For purposes of this audit, we selected for review four developments assisted through the SARA Program – HANAC Corona Senior Residence (HANAC) in Queens, Serviam Heights LLC (Serviam) in the Bronx, Victory Plaza in Manhattan, and Woodlawn Senior Living (Woodlawn) in the Bronx – and one development assisted through the Section 202 Program – Bensonhurst Housing for the Elderly (Bensonhurst) in Brooklyn.

SCHAP was administered, under agreement with HPD, by the Parodneck Foundation for Self-Help and Community Development, Inc. (Parodneck) – a not-for-profit corporation whose mission is to provide financial and technical assistance to groups of people in NYC attempting to solve or improve their housing conditions. Under SCHAP, which HPD stopped funding in May 2020, eligible senior citizen homeowners could apply for home repair loans to eliminate conditions such as those potentially detrimental to their health. During our audit scope, homeowners of 93 properties received loans under SCHAP.

Audit Findings and Recommendations

The lack of affordable housing has had a significant impact on the City's elderly population, who are already among our most vulnerable citizens and often live on fixed incomes. HPD's and HDC's programs for seniors are critical to those in need; however, both HPD and HDC need to increase their oversight of the awarding of senior housing rental units as well as of their senior homeowners' assistance program.

Despite the scarcity of affordable housing for seniors, we found multiple instances where senior housing units were left vacant for long periods of time:

- At HANAC, six apartments were left vacant for an average of almost 3 years, including three that were never awarded or occupied. Two of the six apartments were fully furnished units designated for homeless applicants. However, one was never awarded and has been vacant for over 3 years, while the other was only awarded for 13 months and has since been vacant for over 2 years.
- At Woodlawn, only 15 of 80 available units were awarded as of July 2022, approximately 7 months after they became available and had a list of potential tenants. The other 65 apartments were still vacant as of July 2022 despite a waiting list of 12,050 applicants. We note that 24 apartments should have been awarded to homeless individuals; however, only 11 of those were leased as of July 2022.

We also found applicants at Bensonhurst, Victory Plaza (renamed Joan O. Dawson Plaza in 2021), and HANAC were incorrectly awarded apartments ahead of other applicants who should have been considered first.

Further, HPD and Parodneck were not effectively monitoring or taking appropriate action to ensure SCHAP requirements were being met.

Vacant Apartments

We found instances where senior housing units were left vacant for long periods of time. For example, six apartments at HANAC (under the SARA Program) were left vacant for an average of almost 3 years. Two of the six vacant apartments were fully furnished apartments designated for homeless applicants. However, one was never awarded to a homeless senior and, as of May 2022, had been vacant for over 3 years (see figure). Although the other apartment was initially awarded, it was only occupied for about 1 year and then remained vacant for 2½ years once the original tenant moved out. HPD officials indicated that the managing agent did not meet its responsibility to report vacancies to HPD by submitting rent roll and quarterly vacancy reports and is, therefore, not in compliance with the regulatory agreement. HANAC officials acknowledged that HANAC's previous property manager did not review the waiting list to fill vacant units. HPD should increase its oversight of the managing agent to ensure that apartments designated for the people who need them the most are not sitting vacant and that HANAC complies with the regulatory agreement and other SARA Program rules.



Images of the fully furnished HANAC apartments designated for qualified homeless applicants, one of which was vacant for more than 3 years.

According to the Handbook, marketing/managing agents¹ enter information from paper applications into Housing Connect for processing. Once all paper applications have been entered, the Housing Connect system randomizes both online and paper applications, generates an electronic log, and the resident selection process commences approximately 1 week later. Applicants are randomly assigned waiting list position numbers in Housing Connect. Leases are then offered to eligible applicants, and occupancy begins after verification of eligibility from HPD and receipt of a Temporary Certificate of Occupancy, which indicates that the property is safe for occupancy. In November 2021, we observed the entry of paper applications for Woodlawn (under the SARA Program) into Housing Connect. However, in July 2022 – approximately 7 months after the marketing agent received the list of applicants – of the 80 apartments (including 24 earmarked for homeless seniors), only 15 had been awarded, 11 of which were leased to homeless seniors. The remaining 65 apartments were vacant despite a waiting list of 12,050 applicants.

HPD officials agreed that the leasing process should not take so long but stated that it was the marketing agent’s responsibility to lease the apartments timely. Woodlawn’s managing agent stated that delays in awarding apartments were caused by a Housing Connect glitch, applicants’ failure to respond to documentation requests, and a subsidy approval process that takes up to 6 weeks to complete. HPD officials confirmed that they were aware that a Housing Connect glitch occurred, but disagreed that the glitch in Housing Connect was a factor that delayed the leasing process. Given the scarcity of affordable housing in the City, especially for vulnerable populations such as seniors and homeless seniors, it is important that HPD enhance its monitoring of the process and obtain information (i.e., rent rolls and vacancy reports) on vacant apartments on a regular basis from marketing/managing agents to ensure units are filled timely.

¹ At some developments, the marketing agent will also act as the managing agent; at other developments they are two separate entities.

Awarded Apartments

We found that six applicants at three developments – three applicants at Bensonhurst, two at Victory Plaza, and one at HANAC – were awarded rental units even though there were other applicants who should have been considered first.

Bensonhurst

Bensonhurst is a 71-unit Brooklyn development under the Section 202 Program. HDC is responsible for low-income housing tax credits (LIHTC) compliance at Bensonhurst. According to the Bensonhurst Resident Selection Plan, applicants are placed on the waiting list based on the date and time their applications are received. However, three seniors were considered for and awarded apartments when two applicants who requested accessible units were ahead of them on the waiting list. The two applicants who were bypassed have been on the waiting list since 2014.

Victory Plaza

Victory Plaza is a 136-unit Manhattan development under the SARA Program. According to the Handbook, the marketing agent may not submit an applicant's file to HPD or HDC for approval when there are applicants with lower log numbers whose eligibility statuses have not been updated. However, two seniors were awarded Victory Plaza apartments over other applicants with lower log numbers, as detailed below.

The Handbook states that when marketing agents initially lease the units, they may be required to give occupancy preference for a percentage of units to applicants who are residents of the community district in which the building is located. However, we found that a Manhattan resident was not given borough preference for a Victory Plaza apartment because the marketing agent entered an incorrect zip code in Housing Connect. Therefore, this resident was bypassed, and another applicant was awarded the apartment. HDC officials agreed this apartment was incorrectly awarded and added that the new Housing Connect has controls in place to identify similar issues in the future.

For another Victory Plaza apartment designated for a senior with a mobility disability, a mobility-impaired senior with a higher log number than 77 other applicants with a mobility disability was awarded the apartment. This senior was awarded one of the only two one-bedroom apartments in the development (the other one-bedroom apartment is assigned to the building's superintendent); the other apartments in the development are studios. HDC officials disagreed that the marketing agent selected the applicant incorrectly, asserting there were no other applicants with a disability in process at that time; further, units must be leased in a timely manner. However, since the marketing agent identified 77 other applicants with a mobility disability and lower log numbers, these applicants should have been considered before the applicant who was awarded the apartment. HDC officials could not provide documentation to substantiate that having an application in process is an allowed exception to the

established order of processing. Had HDC officials properly monitored the selection of tenants, this applicant may not have been approved for the apartment.

HANAC

The Handbook defines a multiple application as the appearance of any single person across two or more applications for any given project where the applications differ in the number or composition of household members present. If multiple applications are received for any single person, all applications for that applicant must be found ineligible. However, we found two applications with the same applicant's name and date of birth but different household sizes. Since this fits the definition of a multiple application, both applications should have been found ineligible. We note that this applicant was awarded a unit at HANAC although their application was flagged by the managing agent. As a result, 196 potentially eligible seniors may have been improperly skipped. HPD officials stated they are not sure the applicant is the same person on both applications. We requested both applications, but HPD officials did not provide them.

Incorrectly Rejected Applicants

At HANAC, we found that three applications were rejected for invalid reasons. The Handbook states that an applicant shall not be rejected for any reason that is not consistent with the rejection criteria stated in the Marketing Plan and Agency Selection Policies. For example, NYC residents must be considered before non-residents, and at least one person in the household must be 62 years or older. However, two applicants who, according to the application log, were 62 years or older were rejected for not meeting the age requirement. A third applicant was rejected for not being a NYC resident even though a Queens address was listed on the managing agent's log.

HPD officials stated that the first two applicants were correctly rejected because the managing agent noted that no one in the household was 62 years of age or older. However, we noted both applicants' dates of birth on the managing agent's log clearly showed they were at least 62 years of age at the time of application. For the third applicant, officials provided another log listing failure to submit required documentation as the reason for rejection, which conflicts with the stated reason received from the managing agent. When we asked for the rejection letters, HPD officials did not provide them or other evidence that these three applicants were appropriately rejected.

Improperly Maintained Waiting Lists

Serviam

Unlike other SARA Program developments, applications for Serviam apartments in the Bronx are not processed through Housing Connect. Instead, applications are submitted by telephone or through the New York City Housing Authority's (NYCHA)

self-service portal. A waiting list of applicants is then created, and NYCHA staff assign waiting list position numbers based on application dates and time stamps (i.e., hours, minutes, and seconds). Fordham Bedford Housing Corporation (Serviam’s marketing/managing agent), under the oversight of both NYCHA and HDC, identifies applicants who are eligible based on residency, age, income, and family composition; and contacts eligible applicants to request supporting documentation verifying applicant information. Among other regulatory agreement requirements, HDC must monitor the development’s compliance with LIHTC, which includes verifying applicants’ income and household size.

We reviewed NYCHA’s Master Waiting List and found that Serviam applicants’ position numbers were not always based on the times they submitted their applications. We found that 24 seniors were given higher (worse) waiting list position numbers than seniors who subsequently applied. For example, a senior who applied at 8:52:20 a.m. on February 6, 2018 was assigned waiting list position number 307, while a senior who applied nearly 2 hours later (10:41:28 a.m.) was assigned waiting list position number 302. In addition, we found:

- Eleven applicants were each given two different waiting list position numbers.
- Two applicants were given the same waiting list position number.
- Three applicants were kept on the waiting list even though they stated they were no longer interested in a Serviam apartment. For example, one senior who was assigned waiting list position number 194 indicated they were not interested in a Serviam apartment; however, this applicant was later assigned a second waiting list position number (204) and given another opportunity for an apartment.

Assigning more than one waiting list position number and reprocessing applicants jeopardizes the fair awarding of apartments to eligible seniors.

NYCHA officials attributed the assignment of multiple waiting list position numbers to seniors who failed to click the “submit” button after completing applications. When asked for the names of applicants who fit this category, officials provided a list of 10 names, but only one of these applicants had multiple waiting list position numbers on the waiting list.

Although NYCHA oversees Serviam’s waiting list, HDC should ensure that apartments are being awarded fairly to applicants since HDC is responsible for compliance with the LIHTC, which includes compliance with income and household size requirements. Several Serviam applicants have been given incorrect waiting list position numbers, which can cause them to miss out on apartments they are entitled to. Other applicants who are inappropriately given lower (better) waiting list position numbers may unfairly obtain apartments. HDC should monitor the managing agent and NYCHA’s waiting list to ensure applicants are given correct waiting list position numbers and are removed when no longer interested in apartments.

Bensonhurst

We also found inaccuracies on the Bensonhurst waiting list that may have resulted in the improper awarding of apartments. We reviewed the files of a sample of 30 applicants and identified six applicants whose accessibility preferences were incorrectly noted on the waiting list. Although these six seniors indicated on their applications that they required an accessible apartment due to a mobility disability, this preference was not noted on the waiting list.

In addition, we found the following inaccuracies:

- One senior who applied for an apartment on May 27, 2014 was noted on the waiting list as having applied on March 10, 2021.
- Reasons for passing over applicants were not correct. Rather than noting the actual reason, the managing agent listed all three of the following reasons – No Owner’s Preference, Failed to Respond, and Need Accessible Unit – for each applicant.

After we informed the managing agent of our findings, they agreed that the waiting list was incorrect and subsequently removed more than 118 applicants who should not have been included on the April 13, 2022 waiting list. At least 5 of these applicants should have been removed more than 10 years ago since they failed to respond to letters that the managing agent sent to them in 2009. Applicants who should have been removed from the waiting list may be processed again and inappropriately selected over other eligible applicants. In addition, the waiting list may have incorrect information about active waiting list applicants that could affect their consideration for apartments.

According to HDC officials, they are not responsible for monitoring Bensonhurst’s waiting list or determining who gets evaluated for apartments. They indicated that HUD oversees Bensonhurst’s waiting list and would supersede any of HDC’s decisions about Bensonhurst. Further, they would only conduct a review of the waiting list if there was a related complaint. While there might not have been specific complaints sent to HDC, we note that HUD’s 2019 Management and Occupancy Review report (MOR) related to Bensonhurst identified discrepancies pertaining to the administration of the waiting list. According to the MOR, corrective action was required for application processing/tenant selection and tenant file reviews. The MOR noted that the waiting list is not auditable as it lacked comments to substantiate reasons for bypassing applicants and justify awarding units to other applicants. This report should have alerted HDC officials to the issues at Bensonhurst. Since HDC is responsible for LIHTC compliance at Bensonhurst, it should confirm that the managing agent reviews applicants’ files and updates the waiting list so it reflects accurate information, including preference categories and reasons for passing over applicants before certifying compliance. HDC should review HUD’s MOR report to identify issues that may affect eligibility of applicants at developments such as Bensonhurst, where HDC is coordinating with HUD.

Non-Compliance With SCHAP Requirements

Parodneck and HPD signed a Loan Servicing and Disbursement Agreement (SCHAP Agreement) for Parodneck to administer SCHAP, which provides home repair loans to qualified homeowners. Loan recipients are required to continuously meet certain program requirements. We selected a sample of 25 properties and found several instances where SCHAP requirements were not being met.

Age Requirements

According to the SCHAP Agreement, the loan applicant must be at least 60 years of age. However, we found that loans totaling \$78,303 were given to three applicants (each from a different household) where one of the borrowers was younger than 60 years of age. HPD officials asserted that only one of the borrowers (applicants) in each of the households needs to be age 60 or older. We believe the SCHAP Agreement's language could cause confusion, and HPD's interpretation of the SCHAP Agreement could create opportunities for exploitation and/or abuse. For example, we noted one household listed two borrowers – a mother who was aged 87 and her son who was 57 years of age. According to a Parodneck report, 10 months after the loan was approved, the mother died and her son, not yet 60, became the primary beneficiary of the loan. HPD officials should explicitly state the age requirement for all applicants in future agreements, where required.

Missing Recertification for Continued Occupancy

Parodneck is required to issue annual certification letters for all outstanding loans, so that loan recipients can adequately document that they still own the property for which they received a loan and it is still their primary residence. Parodneck must then review all documents received in response to the letter and prepare and issue a summary report to HPD. Parodneck officials could not provide adequate documentation for seven of the 25 borrowers whose files we reviewed. Five of these borrowers had no recertification letters or supporting documents on file, and the other two had no documentation to confirm ongoing primary residence and ownership of their home. Parodneck officials informed us that one of the borrowers was approved for a SCHAP loan on August 23, 2019 but has not submitted a recertification and supporting documentation since then. HPD officials provided supporting recertification documentation in January 2023 that was missing from Parodneck's files for the applicants after we informed them of the missing documentation in 2022. Therefore, we have no assurance that the loan recipients had maintained ongoing residency during the period prior to when the documents were provided in 2023.

Inadequate Oversight of Properties With Outstanding Violations

According to the SCHAP Agreement, properties of homeowners who receive SCHAP loans must not have outstanding municipal violations on record. However, applicants may be awarded loans if the proposed rehabilitation or improvement

will remedy the violation. Failure to address a violation within 3 months from the date of issuance could result in the loan being considered in default. According to HPD Online – the department’s site that lists property violations, complaints, and litigation – four properties in our sample had 163 open violations as of June 7, 2022. HPD’s data shows the violations have not been remediated, some of which have been outstanding for more than 3 months. For example, the owner of one of these properties was awarded a SCHAP loan in September 2014, even though the property had a Class B hazardous violation (a broken cement stoop leading from the street to the entrance of the building). This violation was still outstanding as of June 2022 (almost 8 years after the loan was awarded). Another borrower, who was approved for a SCHAP loan in June 2019, received a Class C immediately hazardous violation in May 2019 for mice infestation – HPD’s data shows this violation was also outstanding as of June 7, 2022.

Parodneck officials informed us they do not search for outstanding violations. Therefore, they do not ensure repairs performed using SCHAP loans actually remediate outstanding violations. HPD should improve its oversight of compliance with SCHAP requirements for homeowners with outstanding SCHAP loans.

Insufficient Documentation of Payment of Program Funds to Contractors

According to the SCHAP Agreement, payment for repairs performed with SCHAP loans shall be accurately documented by Parodneck through a written report submitted to HPD and accompanied by canceled checks. However, upon our request, Parodneck officials could not provide canceled checks for a sample of 15 projects. Officials instead requested canceled checks from the bank but still could not provide the checks for two of the 15 projects. Officials stated that the bank could not provide canceled checks for the two projects, totaling \$146,751, because they were cashed over 7 years ago, which is the retention period for canceled checks. Consequently, there is no assurance that Parodneck ever submitted canceled checks to HPD, and we could not verify if \$146,751 paid to contractors to repair two homes was appropriate.

Inadequate Follow-Up of Outstanding Loans

According to the SCHAP Agreement, Parodneck must follow up to verify that borrowers continuously meet SCHAP requirements and provide HPD with a list of all borrowers who are in default on their loans. From our sample of 25 borrowers, two had loans that were in default. Although these two borrowers were included on default borrower lists that Parodneck sent to HPD in 2015 and 2018, neither Parodneck nor HPD provided us with evidence that they followed up with one of the borrowers. HPD officials followed up with the beneficiary of the other default borrower’s estate about 2½ years after Parodneck notified HPD that the borrower had died.

A SCHAP loan places a lien on the property, which generally needs to be satisfied if there is any change in ownership of the property. However, we found one loan from the 2015 default borrower's list that was not placed into repayment status despite a change in home ownership. The borrower had an outstanding loan amount of \$61,682, and HPD and Parodneck officials could not provide evidence that the loan was repaid. HPD officials did not effectively oversee Parodneck's administration of SCHAP to verify that borrowers maintained eligibility for the funds they received. HPD should ensure Parodneck monitors default loans and takes appropriate steps to collect outstanding monies.

Poor Monitoring of Program Funds

SCHAP funds in the HPD accounts shall be maintained separately and dedicated for the purposes set forth in the SCHAP Agreement. Funds not used for SCHAP should be returned to HPD. Based on our review, we found that funds totaling approximately \$174,000 were left over after HPD stopped funding SCHAP; this money is due to the City and should have been returned to HPD at the end of the program. After we brought this issue to HPD officials' attention in April 2022, they provided a bank statement and a copy of a check from Parodneck to HPD dated July 19, 2022 as evidence that the money was deposited in HPD's account in August 2022. If HPD officials were adequately monitoring SCHAP, they would have realized that the \$174,000 due was not repaid. As a result, Parodneck held the money that should have been returned to HPD for almost 2 years before we brought the issue to HPD's attention.

Conflicting Data

According to data provided by HPD, there were 83 SCHAP projects as of June 17, 2021, including 81 that were completed. However, the data did not include the dollar amounts or value for 12 of the 83 projects. On request, Parodneck provided us with data for just 80 SCHAP projects. We informed Parodneck officials of the discrepancy between the data provided by HPD and that provided by Parodneck; however, they could not provide an explanation for the difference. We then tested both data sets and found that there were homeowners of 93 properties assisted under SCHAP during our audit period. In addition, financial assistance totaling \$354,526 for 11 projects listed in HPD's data was missing from Parodneck's data. Further, financial assistance totaling \$212,959 for 10 projects listed in Parodneck's data was missing from HPD's data. HPD and Parodneck should better coordinate, so that they can provide accurate data on the number of SCHAP projects and related financial assistance.

Recommendations

To HPD:

1. Take appropriate actions, including periodically reviewing rent rolls/vacancy reports and coordinating with managing agents, to identify and promptly fill vacant apartments.
2. Ensure that managing/marketing agents have valid, documented reasons for rejecting applicants from award consideration and prioritize placement of individuals who were incorrectly rejected or passed over.
3. Work with Parodneck: to follow up with SCHAP loan recipients to ensure recipients meet program requirements; and to take appropriate remedial action, including collecting amounts owed from borrowers who default on their loans and ensuring that outstanding violations are resolved.

To HDC:

4. Review waiting lists and increase oversight of marketing/managing agents to ensure applicants are selected in the correct order for receiving apartments or removed from waiting lists if they are no longer eligible, and to ensure they prioritize placement of individuals who were incorrectly rejected or passed over.
5. Ensure that managing agents review applicant files and update waiting lists to reflect accurate information, including preference categories and reasons for passing over applicants.
6. Consider using Housing Connect for selecting and approving applicants for apartments when working with NYCHA on future projects.

Audit Scope, Objective, and Methodology

The objective of this audit was to determine whether HPD and HDC effectively oversee the awarding of senior housing units and a program assisting senior homeowners. Our audit covered the period from January 2014 through September 2022.

To accomplish our objective and evaluate internal controls, we reviewed policies and procedures, various agreements between City agencies and developments, and emails among agency officials and managing agents. We also analyzed applicant logs, waiting lists, rent rolls, and tenants' files to determine if vacant apartments were being filled timely and observed the entry of paper applications into Housing Connect. In addition, we interviewed HPD, HDC, and development officials to gain an understanding of the process for evaluating and approving applicants and obtain explanations for specific issues regarding selected apartments and applicants. We selected the three programs with the most completed projects as of April 2021: the SARA Program, Section 202 Program, and SCHAP. For SCHAP, we selected a judgmental sample of 25 of the program's 83 properties reported by HPD and reviewed the homeowners' eligibility files to determine whether they were eligible for the loans they were awarded. We also conducted various tests, comparisons, and analyses of waiting lists and applicant logs to determine the accuracy of the information and compliance with the programs' rules. For the SARA and Section 202 programs, we selected judgmental samples of developments (HANAC, Serviam, Victory Plaza, and Woodlawn for the SARA Program and Bensonhurst for the Section 202 Program). We then selected units within each development as follows.

We selected a judgmental sample of 20 of HANAC's 68 units and reviewed the tenants' files to determine whether the tenants were eligible for the units they were awarded. In addition, we visited all six vacant HANAC units to confirm the units were actually vacant.

We selected a judgmental sample of 25 of Serviam's 153 rejected applicants and reviewed the applicants' eligibility files to determine if the managing agent had valid reasons for rejecting the applicants. We also selected a sample of 20 (12 judgmentally selected and 8 systematically selected) of Serviam's 197 units and reviewed the tenants' files to determine whether they were eligible for the units they were awarded.

We selected a random sample of 20 of Victory Plaza's 136 units and reviewed the tenants' eligibility files to determine whether the tenants were eligible for the units they were awarded.

Of Bensonhurst's 71 units, we selected all 24 that had re-rentals and reviewed the tenants' files to determine whether they were eligible for the units they were awarded. In addition, we identified 149 applicants who were passed over for Bensonhurst units and selected a judgmental sample of 30 of these applicants. We reviewed the 30 applicants' eligibility files to determine if the waiting list was accurate and the managing agent had valid reasons for passing over the applicants.

We determined that the data used to pull our samples and perform our analyses was sufficiently reliable for use in accomplishing our audit objective. To select our judgmental samples, we considered factors such as development location, number of units, and applicant housing and award status. None of our samples were designed to be projected to the entire population.

Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section I of the State Constitution and Article III of the General Municipal Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. These 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 objective. We believe that the evidence obtained during our audit provides a reasonable basis for our findings and conclusions based on our audit objective.

As is our practice, we notify agency officials at the outset of each audit that we will be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the Mayor's Office of Operations have informed us that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from HPD and HDC officials that all relevant information was provided to us during the audit.

Reporting Requirements

We provided a draft copy of this report to HPD and HDC officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of it. In their response, HPD and HDC officials generally agreed with most of the report's recommendations and indicated actions they have taken or will take to implement them. Our responses to certain HPD and HDC comments are embedded within HPD's and HDC's response as State Comptroller's Comments.

Within 180 days after final release of this report, we request that the Commissioner of the New York City Department of Housing Preservation and Development and the President of the New York City Housing Development Corporation report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons why.

Agency Comments and State Comptroller's Comments



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nyc.gov/hpd



New York City
Housing Development Corporation (HDC)
110 William Street, New York, NY 10038
nychdc.com

April 20, 2023

Mr. Kenrick Sifontes
Audit Director
Division of State Government Accountability
Office of the State Comptroller (OSC)
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: Audit of Housing for Seniors, 2021-N-4

Mr. Sifontes,

Thank you for the opportunity to respond to your Audit Report on Housing for Seniors. We appreciate the OSC's interest in ensuring that New York's aging population is well-served and supported, a responsibility that HPD and HDC take very seriously. In our work every day, we demonstrate and maintain our commitment to this city's seniors.

To understand that commitment, it is foremost important to understand the established processes that govern the fair and equitable distribution of affordable housing. During the audit process, our teams at HPD and HDC did our best to orient the OSC's audit team to the rules, requirements, and inter-agency divisions of labor that ensure that qualified individuals and families receive such housing and live in it safely. However, it appears that the OSC's audit team did not fully understand these explanations.

State Comptroller's Comment – We fully understood the explanations provided by HPD and HDC officials and took them into consideration when preparing this report.

Per our audit response, the majority of the findings in this audit report describe not system failures, but requirements, policies, and/or intentional process steps that create positive results for seniors, families of seniors, and other populations in need: Leasing up a building carefully is not equivalent to "lea[ving housing units] vacant". Helping a struggling family to keep their home rather than initiating foreclosure is not proof of "inadequate oversight".

State Comptroller's Comment – Our audit identified significant issues that need to be addressed. For example, six apartments at HANAC were left vacant for an average of almost 3 years; two of the six apartments were fully furnished apartments designated for homeless applicants. Meanwhile, HPD and HDC officials did not provide evidence that they processed applications for these apartments. These examples do not equate to carefully leasing up a

building or helping a struggling family keep a home; rather, they demonstrate that HPD and HDC officials need to do more to effectively oversee the awarding of senior housing units as well as their senior homeowners' assistance program.

Prior to the start of this audit, HPD and HDC had begun enhancements to the Housing Connect system to provide more expeditious service to HPD/HDC housing applicants. Almost all recommendations that the OSC has proposed in this audit report were already underway at HPD and HDC if they were within our control to implement.

State Comptroller's Comment – HPD and HDC officials did not demonstrate that actions to address “almost all” of our recommendations were already underway. While we acknowledge HPD officials' efforts to improve the Housing Connect system, most of our findings were not related to the system but rather to issues that require better oversight from HPD and HDC officials.

Once again, thank you for providing the opportunity to comment on the Audit Report.

Sincerely,



Adolfo Carrión, Jr.
Commissioner
HPD



Eric Enderlin
President
HDC

Agency Response:
New York City Department of Housing Preservation & Development (HPD)
and New York City Housing Development Corporation (HDC)
to the Office of the New York State Comptroller (OSC)
Housing for Seniors – 2021-N-4
Date: April 20, 2023

The New York City Department of Housing Preservation and Development (HPD) and the New York City Housing Development Corporation (HDC) are providing joint comments to the Office of the New York State Comptroller (OSC). These comments respond to the OSC's audit to determine whether HPD and HDC effectively oversee the awarding of senior housing units and a program assisting senior homeowners, per a draft audit report ("the report") issued to HPD and HDC on March 21, 2023.

Consistent with their missions, HPD and HDC are committed to creating safe, affordable housing for seniors, to leasing that housing in a timely, equitable, and compliant manner, and to maintaining the physical and financial health of this housing in accordance with their regulatory commitments. We appreciate the OSC shares our commitment to, and consideration for, the well-being of seniors.

We also recognize that the processes for ensuring the fair distribution and monitoring of housing for seniors (and other eligible populations) is necessarily deliberate and multi-step; these careful processes ensure that eligible seniors and their families, as well as other eligible individuals and families in need, receive these valuable resources. HPD and HDC made efforts over the course of the audit to explain the following to the OSC's team:

1) Findings generally reflect point-in-time conditions of lease-up, rather than delays.

Example: Woodlawn Senior Housing (HPD)

As explained to the auditors, units were not "left vacant for long periods of time". The auditors selected Woodlawn Senior Housing for audit inclusion in July 2022 while the marketing agent was still conducting an initial lease-up of the property. *The language in the report obscured the fact that the vacant apartments were due to be filled in good order, and they were:* to date, 54 out of 55 lottery units have been offered to eligible households, and all 24 homeless set-aside units have been leased to formerly homeless seniors, all within the expected timeframe for initial lease-up.

State Comptroller's Comment – Our report did not obscure any facts about the vacant apartments at Woodlawn; units were indeed left vacant for long periods of time. As indicated in our report (p.8), 65 of Woodlawn's 80 apartments had not been awarded as of July 2022 – approximately 7 months after they became available – and had a list of potential tenants. We also found similar issues at HANAC, where six apartments had been left vacant for an average of almost 3 years.

As additional points related to Woodlawn: A) Reference to a "waiting list" of 12,050 applicants is misleading and irrelevant, as these applications were or are still pending initial selection from the lottery log and not yet screened; only a fraction will prove income-eligible and/or age-eligible.

State Comptroller's Comment – Although we agree not all applicants on the waiting list are eligible for an apartment, our reference to the 12,050 applicants is neither misleading nor irrelevant. Timely consideration of these applicants could have sped up the placement process and reduced vacancy periods.

B) HPD provided proof to the auditing team that there was no “glitch” in Housing Connect with any bearing on the speed of lease-up for Woodlawn Senior Housing; we are uncertain of why the auditing team still included this point (the source of which was a remark made by the marketing agent).

State Comptroller’s Comment – Our report appropriately included the managing agent’s explanation for the delay in the lease-up process. While HPD officials claimed that the Housing Connect glitch had no bearing on the speed of the lease-up, they did not provide proof to support their assertion.

2) Findings generally reflect specific wait list rules, rather than errors.

Example: HANAC (HPD)

As explained to the auditors, applicants at HANAC were not “rejected for invalid reasons”.

State Comptroller’s Comment – We disagree. These applicants were rejected for reasons that were inconsistent with the rejection criteria stated in the Marketing Handbook.

While the three applications cited by the auditors do show households with senior members and New York City addresses, the lottery log notes show that *the applicants were rejected for not meeting these requirements at the time of processing*, which means that their eligibility status changed during the application process. (Note that the marketing agent is responsible for contacting applicants in the order of the lottery log to verify the information on the application and determine eligibility.) All applicants are provided the opportunity to appeal (first to the marketing agent, and again to HPD/HDC), if they disagree with the determination, the reason for which is provided on the letter of determination; in this case, the applicants did not file an appeal.

State Comptroller’s Comment – Despite our requests, HPD officials did not provide the rejection letters for these applicants. Therefore, we have no assurance the applicants were aware of the reasons why they were rejected. Applicants who did not know why they were rejected may not have had enough information to decide whether to appeal the determination.

As an additional point related to HANAC, the auditors mention “HPD officials did not provide... evidence that these applicants were appropriately rejected.” HPD provided emails regarding a flood in HANAC’s offices that prevented them from providing certain documentation at the time of the audit; the report misleadingly implies that the auditors’ request for documentation was ignored.

State Comptroller’s Comment – HPD officials informed us of a flood but did not provide proof of the incident. Nonetheless, the rejection letters were electronically generated, making them less susceptible to flood damage and easier to retrieve. We expected the letters to be on file as required by the Marketing Handbook, but they were not.

Example: Victory Plaza (HDC)

As explained to the auditors, the comment that “two seniors were awarded Victory Plaza apartments over other eligible applicants with lower log numbers” is a mischaracterization of the process by which senior preference and disability preference were processed at this project. The HPD-HDC Marketing Handbook (Section 4-3, provided to the auditors) explains that disability set-aside (e.g., units for the mobility-impaired) is processed ahead of residency preference. The marketing agent for Victory Plaza met the 5% mobility set-aside on 01/14/2021 with log numbers up to 1864. Upon meeting the preference, the marketing agent did not process any additional mobility-impaired households. Later, the mobility-impaired household that had been assigned to the unit in question withdrew their application. As there were no mobility-impaired applicants in process with lower log numbers, and as the applicant in process for the borough preference was also mobility-impaired, *HDC determined that the marketing*

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agent acted acceptably by awarding this unit to the applicant in process. The auditors' comment that "having an application in process is not an allowed exception to the established order of processing" oversimplifies the scenario; HDC explained this to the auditors in several instances, and reiterated that the scenario being complex does not make it improper.

State Comptroller's Comment – We did not mischaracterize the process by which senior and disability preferences were processed. We also did not oversimplify the scenario in our report: awarding a unit to an applicant in process should only be appropriate and acceptable if the applicant is next in line and eligible for the unit. Therefore, Victory Plaza's marketing agent should have processed the applications of mobility-impaired seniors who had lower log numbers ahead of the applicant who was selected.

3) Findings generally reflect established practices for agency division of labor, rather than failures of HPD/HDC oversight.

Example: Serviam Heights and Bensonhurst (HDC)

The auditors' statement that "HDC is responsible for compliance with LIHTC, which includes compliance with income and household requirements" is misleading in the specific context of this finding. As explained to the auditors by legal teams at HPD and HDC, 1) HDC's regulatory oversight does *not* include the monitoring of a wait list generated by another agency (such as, in the case of Serviam Heights, the New York City Housing Authority [NYCHA]), and 2) HDC's LIHTC compliance responsibilities do *not* extend to oversight of NYCHA's wait list. HDC met its obligation to Serviam Heights by reviewing all files submitted for Serviam Heights to confirm that households met age, income and household size requirements. The auditors similarly mischaracterize HDC's responsibilities with regard to Bensonhurst, a property with a wait list managed by the U.S. Department of Housing and Urban Development (HUD) for which HDC's LIHTC oversight does *not* include a review of wait lists or of HUD's Management and Occupancy (MO). In short, *the auditors have raised issues that may be applicable to audits of NYCHA or HUD, but not of an audit to HPD/HDC.* The auditors seem to suggest that HPD/HDC should have gone above and beyond their specific roles to ensure compliance of other oversight entities at these properties; we disagree that this suggestion constitutes a finding.

State Comptroller's Comment – Our statement is not misleading, and we are not suggesting that HPD/HDC should have gone above and beyond their specific roles. While we acknowledge that NYCHA and HUD hold oversight responsibilities at Serviam and Bensonhurst, respectively, HDC officials should ensure that apartments are fairly awarded to applicants. HDC is responsible for compliance with LIHTC, which includes compliance with income and household size requirements. Reviewing the waiting list for accuracy and completeness is an integral part of determining compliance with these requirements, so HDC officials should conduct such a review.

4) Findings generally demonstrate HPD and HDC's intentional commitment to housing stability, rather than failures to take appropriate action.

Example: SCHAP (HPD)

Age Requirements: The auditors indicate that HPD's interpretation of the SCHAP agreement, which allows co-borrowers under the age of 60 to participate in the program, "creates opportunities for exploitation and/or abuse." However, as expressed to the auditors, *HPD's inclusive approach to lending is by design.* Permitting individuals over the age of 60 to co-borrow is responsive to the reality that many older adults live with spouses and/or caretaking older children in intergenerational households; allowing those family members to retain the property supports family and neighborhood stability.

State Comptroller's Comment – Notwithstanding HPD's rationale, the SCHAP Agreement could cause confusion, and HPD's interpretation of the agreement could create opportunities for exploitation and/or abuse.

Violation Removal: The auditors raise the issue of outstanding violations on SCHAP properties as example of “inadequate oversight”. However, as expressed to the auditors, *HPD’s approach to vulnerable homeowners is to provide support rather than to initiate default*; doing so involves working with homeowners to remove violations for corrected conditions (which can take time and effort) and using discretion in deciding when to collect debt (a last-resort approach).

State Comptroller’s Comment – We are not suggesting that HPD officials initiate default on vulnerable homeowners. Instead, we are recommending that officials provide appropriate monitoring to ensure homeowners correct conditions so violations can be removed, as required by the SCHAP agreement.

For all cases mentioned in the report, HPD’s Division of Neighborhood Preservation (DNP) had contacted or was in the process of engaging each homeowner to help navigate the violation removal process. As a result, all homes but one no longer have active C violations, and two homes have no active violations at all.

State Comptroller’s Comment – HPD’s outreach to the homeowners of properties where we identified open violations is encouraging. However, as of the date of HPD’s response, all four homes still had active violations and two homes had active Class C violations.

An additional note regarding SCHAP: The auditors correctly note that Parodneck, which manages SCHAP, could not provide cancelled checks for 2 out of a sample of 15 projects because those checks were past their bank’s retention period. The auditors describe this circumstance as “insufficient documentation of payment of program funds to contractors”; however, in lieu of those two checks, Parodneck provided final checks to the general contractor along with documentation from the borrower’s attesting to the completed work for the two applicable projects. HPD is unclear as to how, if Parodneck provided proof that contractors were paid for services rendered, that proof is “insufficient”.

State Comptroller’s Comment – The documents referenced by HPD do not prove the checks were actually paid to and cashed by the applicable contractor; canceled checks may provide this proof. Moreover, the SCHAP Agreement states that the written reports shall have canceled checks attached to them.

For the sake of brevity, HPD and HDC will not provide an analysis of every finding in the report to demonstrate the points above. These examples should be considered representative of responses to the issues raised in the findings section, all of which were discussed with the auditors prior to the issuance of this report.

Finally, a note that the audit scope period begins in 2014, before HPD made updates to its Housing Connect system for marketing affordable housing units. As explained to the auditors, A) HPD already understood, and was in the process of correcting for, the potential weaknesses of the previous system prior to the start of this audit, and B) many of the remaining findings would not have occurred within this updated system.

State Comptroller’s Comment – While we acknowledge efforts by HPD officials to improve the Housing Connect system, most of our findings were not system-related but rather issues that require better oversight from HPD and HDC officials.

Recommendation 1: Take appropriate actions, including periodically reviewing rent rolls/vacancy reports, and coordinating with managing agents, to identify and promptly fill vacant apartments.

HPD and HDC already engage in these processes and have recently enhanced their efforts via

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implementation of the new Housing Connect platform.

State Comptroller's Comment – While we acknowledge HPD officials' efforts to improve the Housing Connect system, most of our findings were not system-related and instead require better oversight from HPD and HDC officials.

Recommendation 2: Ensure that managing/marketing agents have valid, documented reasons for rejecting applicants from award consideration and prioritize placement of individuals who were incorrectly rejected or passed over.

HPD and HDC already engage in these processes and have recently enhanced their efforts via implementation of the new Housing Connect platform.

State Comptroller's Comment – While we acknowledge efforts by HPD officials to improve the Housing Connect system, most of our findings were not system-related and instead require better oversight from HPD and HDC officials.

Recommendation 3: Work with Parodneck to follow up with SCHAP loan recipients to ensure recipients meet program requirements, and to take appropriate remedial action including collecting amounts owed from borrowers who default on their loans and ensuring that outstanding violations are removed.

HPD already engages in these processes, as noted in the section above responding to the report findings. This said, HPD commits to conducting additional engagement with Parodneck, meeting with them on an annual basis to review loan defaults and violation data and to discuss HPD's individual outreach approaches for applicable borrowers.

State Comptroller's Comment – We appreciate HPD's commitment, in response to our findings and recommendations, to enhance its follow-up efforts with SCHAP loan recipients.

Recommendation 4: Review waiting lists and increase oversight of marketing/managing agents to ensure applicants are selected in the correct order for receiving apartments or removed from waiting lists if they are no longer eligible, and to ensure they prioritize placement of individuals who were incorrectly rejected or passed over.

HPD and HDC already engage in these processes and have recently enhanced their efforts via implementation of the new Housing Connect platform. Moreover, HPD and HDC expect the use of wait lists to decrease as more projects begin to use the updated functionality in this platform. (The exceptions are projects in which wait lists are monitored by HUD or NYCHA, as neither HPD nor HDC have the authority to monitor or amend these agencies' wait list requirements.)

State Comptroller's Comment – While we acknowledge HPD officials' efforts to improve the Housing Connect system, most of our findings were not system-related and instead require better oversight from HPD and HDC officials.

Recommendation 5: Ensure that managing agents review applicant files and update waiting lists to reflect accurate information, including preference categories and reasons for passing over applicants.

HPD and HDC already engage in these processes and have recently enhanced their efforts via implementation of the new Housing Connect platform. Moreover, HPD and HDC expect the use of wait lists to decrease as more projects begin to use the updated functionality in this platform. (The

exceptions are projects in which wait lists are monitored by HUD or NYCHA, as neither HPD nor HDC has the authority to monitor or amend these agencies' wait list requirements.)

Recommendation 6: Consider using Housing Connect for selecting and approving applicants for apartment when working with NYCHA on future projects.

HPD and HDC are not in a position to commit NYCHA, a separate agency, to the use of a specific system in the context of an audit response. However, HPD and HDC note that their collaboration with NYCHA has introduced Housing Connect to some of NYCHA's leasing processes, and HPD and HDC commit to continuing this collaboration in order to implement the most efficient and fair systems in as many leasing processes as possible.



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NYCHA’S COMMENTS TO
NEW YORK STATE COMPTROLLER’S DRAFT AUDIT REPORT of NEW YORK CITY
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT and NEW YORK
CITY HOUSING DEVELOPMENT CORPORATION - “HOUSING FOR
SENIORS” – REPORT 2021-N-4

The time and date of an individual’s application is system generated, as previously stated during the course of the audit. The system records the date and time when an application is started as well as when it is submitted. Tentative, unofficial, versions of the Serviam Heights waitlist were generated at various points in time at the request of NYCHA’s housing partner Fordham Bedford Housing Corporation. Each time such a tentative waitlist was generated, it reflected a snapshot in time of submitted applications. This allowed NYCHA’s housing partner to begin gathering relevant documents from applicants up to waitlist number #302.

Applicants were assigned a single waitlist number when the New York City Housing Authority (“NYCHA”) generated the final Serviam Heights waitlist (“Official Waitlist”) at the end of the application period. Discrepancies in applicant ranking appear between the Official Waitlist and past, unofficial, waitlists, due to the inclusion in the final list of completed applications that had not yet been properly submitted online and therefore did not appear on past unofficial waitlists that were generated.

Before the application period ended, NYCHA provided Fordham Bedford Housing Corporation with submitted applications on an on-going basis. At the end of the application period, NYCHA reconciled the Official Waitlist with prior tentative waitlists to provide Fordham Bedford Housing Corporation all completed applications. Attempts have been made by NYCHA to confirm all circumstances provided by the auditors, however, additional details are required.

State Comptroller’s Comment – We provided NYCHA officials with all the information they requested. They did not inform us they needed additional details.

Finally, NYCHA takes its stewardship of housing waitlists very seriously. NYCHA knows how important a fair and transparent process is to the integrity of list-based admissions. At no point was any household disadvantaged based on their ordinal ranking on the NYCHA-maintained waitlist.

State Comptroller’s Comment – Our audit found that 24 seniors were given higher (worse) waiting list position numbers than seniors who subsequently applied for apartments. Although NYCHA officials contend that no households were disadvantaged based on their ordinal ranking, these findings pose a risk that apartments may be unfairly awarded.

4.18.23

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