

H. CARL McCALL  
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE  
COMPTROLLER

December 14, 1999

Mr. Joseph Lynch  
Commissioner  
Division of Housing and Community Renewal  
Hampton Plaza  
38-40 State Street  
Albany, New York 12207

Re: The Saratoga County Rural  
Preservation Company  
Report 99-D-4

Dear Mr. Lynch:

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 reviewed selected aspects of the Division of Housing and Community Renewal's oversight of the Saratoga County Rural Preservation Company. Our review covered the period January 1, 1996 through September 9, 1999.

**A. Background**

The Rural Preservation Companies Program (Program) was established in 1980 by Article XVII of the Private Housing Finance Law. The primary intent of the Program is to promote and preserve housing for low- and moderate-income individuals by providing planning and administrative funds to community-based nonprofit corporations.

The New York State Division of Housing and Community Renewal (DHCR) administers Federal and State loans and grants for the construction, rehabilitation and preservation of low-income housing and provides administrative funds to the State's nearly 300 not-for-profit rural and neighborhood preservation companies. DHCR's administration of the contracted not-for-profit companies includes reviewing proposals and awarding grants to housing companies; negotiating and processing contracts; monitoring construction/rehabilitation, budgets, and progress; monitoring compliance through report reviews and quarterly site visits; and providing technical and administrative assistance.

The Saratoga County Rural Preservation Company, Inc. (Company) was incorporated in 1983 under section 402 of the Not-for-Profit Corporation Law of the State of New York. In 1995, DHCR awarded the Company a \$294,000 grant for the construction of a four unit permanent housing development for homeless veterans and their families in Wilton, New York, called Curr-Ahee. In addition, each year DHCR provides the Company with a \$65,000 program grant. This funding is to be used for the administrative and planning costs necessary to run a broad-based program of housing and community renewal and undertaking eligible program activities including Curr-Ahee.

**B. Review Scope, Objectives and Methodology**

We reviewed selected operating practices at the Company and DHCR's monitoring of these practices for the period January 1, 1996 through September 9, 1999. The primary objective of our review was to assess the validity of concerns about the Company which were brought to our attention by the New York State Commission on Quality of Care for the Mentally Disabled (CQC), which included specific complaints made by a former resident of Curr-Ahee. To accomplish this objective, we interviewed DHCR and Company officials, obtained and evaluated complaints lodged against the Company, interviewed the attorney for the former resident who provided us with additional information regarding the complaints, and interviewed officials from four government agencies who had previously investigated some of the matters contained in the complaints. In addition, we reviewed DHCR's monitoring procedures and examined Company program and expenditure records.

**C. Results of Review**

1. Assessment of the Complaints

In early 1999, CQC contacted the Office of the State Comptroller with concerns that were brought to its attention about the level of control exercised by the Company's Board of Directors and the reliability of the financial information. Among the concerns, a resident had alleged the Company was not providing residents with the level of support services (e.g., referrals to counselors, mental health services, medical services, housing, job search, etc.) that the Company had agreed to provide in its contract with DHCR. In general, our review disclosed that the allegations concerning the Company's operations were unfounded or had been addressed.

a. Board of Directors Involvement in Company Activities

We met with Company officials and reviewed Board of Directors (Board) meeting minutes to assess the level of control exercised by the Board. We found that the Board exercised control over Company activities, while giving Company officials the latitude necessary to manage daily operations. We found that the Board is routinely consulted on events at Curr-Ahee, is informed of significant issues and is responsible for approving significant financial matters, such as the Company's annual budget.

b. Financial Statements, Bank Statements and Canceled Checks

We reviewed the Company's 1998 audited financial statements, bank statements, and canceled checks to assess whether the cash receipts and disbursements appeared reasonable. Overall, we found the Company's receipts and disbursements appeared reasonable.

c. Complaints Pertaining to the Lack of Services

We reviewed the case record files for all individuals who resided at Curr-Ahee or the Company's transitional shelter during 1998 (total of 19 individuals), to determine whether the necessary support services were provided. We found that all of the residents were provided (either directly by the Company or via referral) with housing, food, and transportation, and most received medical, counseling, employment, and educational services. Company officials noted that while they often refer residents for support services to address their individual needs, they cannot force the residents to accept the services.

We also interviewed the attorney who represented the complainant to obtain more detailed information concerning the allegations and complaints raised. To assess whether appropriate measures were taken regarding these matters, we met with Company officials and reviewed documentation supporting actions taken. In general, we concluded that either the complaints in question were unfounded or Company officials took sufficient steps to resolve the complaints.

One complaint lodged against the Company had to do with its failure to provide a full-time counselor on site at Curr-Ahee, as specified in contract documents. Company officials explained to us that a full-time counselor was not necessary at Curr-Ahee because of the nature of the residents, who are working towards independent living and are given the autonomy to come and go as they please. Most of the residents are employed or perform volunteer work. Consequently, when Curr-Ahee opened, Company officials found there was no need for a full-time counselor on site. Instead, counselors who worked at the Company's home office were made available to Curr-Ahee residents as needed. Further, Company officials stated that they routinely visit Curr-Ahee residents to provide assistance and referrals to those in need. We judged the Company's explanation to be reasonable.

In addition, Company officials informed us that four other entities (HUD - Buffalo, HUD - New York City, the New York State Division of Veterans' Affairs and the New York State Attorney General's Office) also received complaints from the former resident of Curr-Ahee and conducted their own investigations of these matters. We contacted officials from these four agencies and determined that they had each conducted limited reviews of the resident's complaints within the past three years. All four of the representatives we spoke to stated their reviews had not revealed sufficient evidence to substantiate the resident's complaints, and as such no charges have been filed against the Company.

## 2. DHCR Oversight

We found that DHCR provides oversight of the Company's housing activities. DHCR contractually requires the Company to submit an annual report which outlines its programmatic goals and objectives. This report is reviewed and approved by DHCR. Company officials must submit a semiannual performance report which compares the Company's accomplishments to its original goals. DHCR officials review these reports at central office and also review supporting documentation maintained by the Company during quarterly site visits.

During our review of Company activities, we identified some opportunities for improvement that are not directly related to the main objective of our review, but which we believe should be addressed. We have reported these matters in a separate letter to Company officials and provided a copy to DHCR officials. We encourage DHCR officials to follow up on these issues as part of their continuing monitoring efforts and to encourage Company officials to improve their operations based on our recommendations.

### **Recommendation**

*Continue to routinely monitor the Company's activities, and encourage Company officials to improve their operations in conformance with our recommendations.*

We provided a preliminary version of this report to DHCR officials for review and comment. We considered their comments in preparing this report. DHCR officials expressed pleasure with our findings and stated that DHCR staff will continue to work with staff of the Company to implement our recommendations. A copy of DHCR's response to this report is included as Appendix A.

Major contributors to this report were Howard Feigenbaum, Edward Durocher, Kristee Iacobucci and Brandon Ogden.

We wish to thank the management and staff of DHCR and the Company for the courtesies and cooperation extended to our auditors during this review

Very truly yours,

Kevin M. McClune  
Audit Director

cc: Charles Conaway, NYSDOB  
Dottie Nixon, Company Executive Director



**George E. Pataki**  
Governor

Joseph B. Lynch  
Commissioner

**New York State Division of Housing and Community Renewal**

Hampton Plaza  
38-40 State Street  
Albany, NY 12207

November 30, 1999

Mr. Kevin M. McClune  
Office of the State Comptroller  
A. E. Smith State Office Building  
Albany, New York 12236

Dear Mr. McClune:

We have reviewed the audit report 99-D-4 prepared for Saratoga County Rural Preservation Company. We are most pleased with your review's findings and have no comments to offer. Please be assured that DHCR staff will continue to work with staff of the Saratoga County Rural Preservation Company to implement your recommendations, so that the quality services currently provided continue. The efforts of your staff in conducting this audit are appreciated.

Sincerely,

A handwritten signature in cursive script, reading 'John J. Solodow'.

John J. Solodow  
Director of Internal Audit  
and Quality Control

cc: Commissioner Lynch  
Ms. Dottie Nixon, Saratoga RPC  
Mr. Stephen Hicks  
Ms. Judy Calogero  
Mr. Glen King