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OFFICE OF THE STATE COMPTROLLER

October 22, 2009

Ms. Deborah VanAmerongen
Commissioner
NYS Division of Housing and Community Renewal
Hampton Plaza, 38-40 State Street
Albany, NY 12207

Re: Report 2009-F-22

Dear Ms. VanAmerongen:

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 the Division of Housing and Community Renewal (DHCR) to implement the recommendations contained in our audit report, *Tenant Selection Practices at Rochdale Village* (Report 2007-S-92).

Background, Scope and Objectives

Rochdale Village, Inc. (Rochdale) is the second largest co-op built under the Mitchell-Lama Law. Located in Queens, New York, it contains 5,860 residential apartments and 2 malls with 71 commercial stores, as well as other real property. A managing agent hired by Rochdale's Board of Directors (Board) oversees Rochdale's day-to-day operations. Rochdale is governed by the Private Housing Finance Law and is subject to oversight by the DHCR as part of that agency's responsibility for the State's housing program.

Our initial audit report, which was issued on April 29, 2008, examined whether Rochdale was selecting tenants for apartments in accordance with applicable requirements, and whether DHCR was providing the appropriate level of oversight and approval concerning Rochdale's tenant selection practices. We found that Rochdale was not selecting tenants in accordance with applicable requirements and that DHCR was not effectively monitoring the waiting lists and tenant selection practices at Rochdale to ensure apartments were allocated in a fair and equitable manner. Our audit identified numerous tenants who were not selected properly for apartments or were living in apartments without proper authorization.

The objective of our follow-up was to assess the extent of implementation, as of September 29, 2009, of the six recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

DHCR officials have made significant progress in addressing the problems we identified. We found that three of the six prior audit recommendations have been implemented, and three have been partially implemented.

Follow-up Observations

Recommendation 1

Work with Rochdale to establish tenant selection procedures that comply with Regulations, and ensure that:

- *applications are properly date- and time stamped and are entered on the waiting list;*
- *waiting lists are kept accurate and current and reflect apartment offerings, refusals, and other pertinent information;*
- *tenants are selected properly from the waiting list;*
- *transfer applicants are given priority for apartments; and*
- *applicants receive DHCR approval before taking possession of an apartment.*

Status - Implemented

Agency Action - DHCR officials have worked with Rochdale to strengthen tenant selection procedures. We observed that two new keyless machines are being used to date- and time stamp applications. We randomly selected 10 of the 325 applicants that were added to the automated waiting list between January 1, 2009 and June 2, 2009 and found that the 10 applications were date- and time stamped and promptly entered onto the automated waiting list. To determine whether the automated waiting list was kept accurate and current, we reviewed the files for 10 randomly selected tenants, which we selected from the 70 who moved into Rochdale between January 1, 2009 and June 3, 2009. We found that relevant information contained in the files - such as apartment offerings and refusals - was recorded in the automated waiting list. We also confirmed that offers for the ten apartments were extended to applicants in accordance with their place on the waiting list and that transfer applicants were given priority consideration for apartments. Further, we confirmed that each of the ten applicants received DHCR approval before taking possession of the apartment.

Recommendation 2

Improve oversight over Rochdale's tenant selection practices to ensure Rochdale compliance with Regulations, as well as internal procedures.

Status - Implemented

Agency Action - DHCR has taken several steps to improve its oversight over Rochdale's tenant selection practices. DHCR has provided training concerning the automated waiting list and relevant regulations to Rochdale and DHCR personnel. DHCR has established a database to

track milestones and approvals concerning the assignment of apartments and DHCR officials report they periodically review the automated waiting list system to identify any lingering transfer or admission applicants and spot check comments made in applicants' records. The DHCR site representative responsible for Rochdale reports that she reviews tenant selection practices during site visits. Further, DHCR has received Rochdale's tenant selection plan.

Recommendation 3

Improve DHCR review of applications submitted to ensure that tenants are selected in accordance with the Regulations.

Status - Implemented

Agency Action - DHCR has provided DHCR personnel with training concerning relevant regulations and use of the automated waiting list. We confirmed that the files for 10 randomly-selected tenants, whom we selected from the 70 who moved in between January 1, 2009 and June 3, 2009, contained a DHCR signed approval form and other required documentation evidencing DHCR review.

Recommendation 4

Determine whether applicants who received apartments without DHCR's approval met eligibility criteria. If not, take appropriate remedial action.

Status - Partially Implemented

Agency Action - DHCR has initiated a review of the 50 tenants identified in our report as having received apartments without DHCR review. DHCR established criteria to determine whether occupants not approved by DHCR would be qualified to live in Rochdale. As of July 8, 2009, DHCR determined that 10 have met those criteria. Two other tenants had moved out; either DHCR or Rochdale was in the process of obtaining or reviewing documentation for the remaining 38 occupants.

Recommendation 5

Investigate the suspicious circumstances under which tenants included in our report have obtained apartments in violation of the Regulations, and take appropriate remedial action.

Status - Partially Implemented

Agency Action - On a case-by-case basis, DHCR officials have investigated apartments obtained in violation of Regulations. As a result, some cases are currently pending in landlord/tenant court. The officials also reported that they will consider further action based on the results of an investigation that is being finalized by OSC's Investigation Unit.

Recommendation 6

Monitor vacated apartments to ensure that they are rented expeditiously. Investigate apartments that are reported as vacant for extensive periods of time.

Status - Partially Implemented

Agency Action - DHCR has enhanced its monitoring of vacant units. As part of their site visits, DHCR personnel inspect apartments reported as vacant and reportedly assist in expediting the restoration of apartments. Nonetheless, the number of vacant apartment has increased since the prior audit report. As of May 31, 2009, Rochdale reported 82 vacant apartments (3 additional apartments were removed from the market due to substantial water damage). These 82 units had been vacant as of May 31, 2009, for periods ranging from 1 day to 11 months, including 64 apartments that had been vacant for more than 30 days. Rochdale and DHCR officials explained that the current economic downturn has strained applicants' ability to secure the equity to purchase apartments, resulting in delays in selling the units.

Major contributors to this report were Myron Goldmeer and Adele Banks.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Division of Housing and Community Renewal for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Cindi Frieder
Audit Manager

cc. Mr. Jon Brown, Director of Internal Audit
Mr. Tom Lukacs, Division of the Budget