



VICKI BEEN
Commissioner
DON SHACKNAI
First Deputy Commissioner
MERYL BLOCK WEISSMAN
Assistant Commissioner

Division of Performance
Management and Analytics
100 Gold Street
New York, N.Y. 10038

June 22, 2016

Frank Patone, CPA
Audit Director
Office of the State Comptroller
59 Maiden Lane - 21st Floor
New York, NY 10038

**Re: Status Report on the Audit of the Mitchell Lama Program: Enforcement of Mitchell
Lama Surcharge Provisions
Audit Number: 2015-N-3**

Dear Mr. Patone:

The following represents the Department of Housing Preservation and Development's Status Report on the recommendations contained in your Audit of the Mitchell Lama Program: Enforcement of Mitchell Lama Surcharge Provisions.

If you have any additional questions, please call Assistant Commissioner Meryl Block Weissman at 212-863-6746.

Thank you.

Sincerely,

Vicki Been



STATUS REPORT
OFFICE OF THE NEW YORK STATE COMPTROLLER
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
STATUS REPORT ON AUDIT OF MITCHELL LAMA PROGRAM: ENFORCEMENT OF MITCHELL LAMA SURCHARGE
PROVISIONS
REPORT No 2015-N-3
Date: June 22, 2016

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
<p>Surcharge Calculation and Assessment</p>	<p>1. Recommendation: HPD should provide training to managing agents on the proper surcharge and income verification procedures.</p> <p>Agency Response: HPD will conduct income affidavit and surcharge calculation training for managing agents in January, 2016. Training on income verifications will be scheduled in conjunction with the issuance of the next income verification audit this Spring.</p>	<p>1. Corrective Action:</p> <p>Income affidavit and surcharge calculation training for managing agents was conducted in January 2016. Training materials have been prepared for the income verification training. The training will be scheduled in conjunction with the issuance of the next income verification audit.</p> <p>Date Implemented: Anticipated in Fall 2016</p>
<p>Data Entry Errors</p>	<p>2. Recommendation: HPD should ensure the data file prepared for Tax and Finance income verification is accurate.</p> <p>Agency Response:</p> <p>Prior to this audit, HPD had identified the deficiencies of the work performed by the previous vendor. HPD has identified and entered into an agreement with a new vendor to enter income affidavit data, has significantly revised the scope of work, and is requiring the vendor to adopt quality controls.</p>	<p>2. Corrective Action:</p> <p>The data entry conducted by the new vendor has recently been completed and reviewed by HPD for identifiable data entry errors. Data entry errors that were identified are being corrected by the vendor. It is anticipated that the data file will be sent to the NYS Department of Taxation and Finance by August, 2016 for comparison.</p> <p>Date Implemented: Anticipated in August 2016</p>
<p>Income Verification Audits</p>	<p>3. Recommendation: HPD should monitor building managers to ensure that self-reported income is verified and surcharges are properly assessed.</p> <p>Agency Response: HPD currently has plans to conduct 10 to 15 Mitchell-Lama compliance review audits annually. As part of the compliance review audit, HPD will</p>	<p>3. Corrective Action:</p> <p>All audits conducted since January 2016 have included a determination of compliance with the income verification process.</p> <p>Date Implemented: January 2016</p>

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
	<p>now expand its audit to ensure that the managing agent has completed the verifications of the income for residents who were flagged in the income verification process.</p>	
	<p>4. Recommendation:</p> <p>HPD should review the guidance on income verification to Mitchell-Lama building managers to make sure it is clear and consistent.</p> <p>Agency Response: HPD will review the guidance and direction given to Mitchell-Lama building managers to ensure clarity and consistency including detailing the implementation of surcharges and the timeframe for residents' responses.</p>	<p>4. Corrective Action:</p> <p>HPD has examined the income verification process and revised the instructions provided to managing agents to ensure clarity as well as detailing the implementation of surcharges and the timeframe for resident responses. In addition, HPD has consulted with the NYS Department of Taxation and Finance to redefine the codes used to reflect the results of the income comparison to better convey their meaning.</p> <p>Date Implemented: Anticipated in Fall 2016</p>
<p>Tenants who Exceed Maximum Allowable Income</p>	<p>5. Recommendation: Develop formal policies and protocols for the actions to be taken with respect to tenants whose incomes exceed the maximum allowable household income limit. Perform periodic quality assurance verifications to ensure compliance with those policies and protocols.</p> <p>Agency Response: As the State Comptroller's Office indicated in its report, less than one-half of 1% (0.5%) of Mitchell-Lama residents earn above \$250,000. Even given this very small percentage of Mitchell-Lama residents, HPD is seeking to require that people pay their fair share. Therefore, HPD will pursue State legislation to increase the maximum surcharge and eliminate the eviction requirement for over-income</p>	<p>5. Corrective Action:</p> <p>As stated in the original audit report as well as in our original response the percentage of high income Mitchell-Lama residents is extremely small. HPD continues to seek State legislation to increase the maximum surcharge and eliminate the eviction requirement for over-income Mitchell-Lama residents.</p> <p>Date Implemented: Ongoing</p>

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
	Mitchell-Lama residents.	
Questionable Primary Residence	<p>6. Recommendation: Follow-up on the occupant-related matters at the five developments we examined as detailed in the report.</p> <p>Agency Response: HPD is following up on occupant related matters, as needed.</p>	<p>6. Corrective Action:</p> <p>We are researching the specific occupant related matters in the various identified categories and will address where appropriate.</p> <p>Date Implemented: Ongoing</p>