

STATUS REPORT
OFFICE OF THE NEW YORK STATE
NEW YORK CITY DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
Status Report on Oversight of Application Fees
Report 2018-N-4
Date: June 17, 2020

Audit Finding	Audit Recommendation and Agency Response	Corrective Action Plan
Many Fees Paid, Few Apartments Awarded	<p>1. Recommendation: Utilize turnover rates when establishing waiting list sizes. Make these rates public so applicants can determine whether they want to apply or remain on the waiting lists.</p> <p>Agency Response: As stated in the agency's original audit report response (December 11, 2019) and explained during the audit process:</p> <ul style="list-style-type: none"> • HPD has in place a system for determining waitlist length that ensures a sufficient number of applicants who are both eligible and responsive. • Unit turnover is not a reliable predictor for determining receipt of housing, it is therefore misleading to advertise such rates as being related to an applicant's anticipated waiting time or likelihood of obtaining a unit. 	<p>1. Corrective Action: No further action taken. Refer to original response, dated December 11, 2019.</p>
Poor Controls Over Fees Can Impact Awarding of Housing Units	<p>2. Recommendation: Establish policies and procedures instructing managing agents on how to account for application fees, handle refunds (from lotteries prior to the change in the application fee), and canvass waiting lists; and periodically review for compliance.</p> <p>Agency Response: HPD partially agrees with this recommendation and is implementing a new practice requiring regularly-submitted documentation from all managing agents outlining whether fees were received, when/how fees were handled upon receipt (if received), and when/how fees were refunded (upon application rejection or withdrawal).</p>	<p>2. Corrective Action: HPD has implemented a new practice as part of the apartment application approval process: If it appears that a earlier applicant on the waiting list should have been the next to receive an apartment offer (per waitlist order), the waitlist must include a managing agent annotation indicating the date on which that earlier applicant had their application fee returned.</p> <p>Date Implemented: January 1, 2020</p>
	<p>3. Recommendation: Follow up on the discrepancies identified in this report and update the waiting lists as necessary.</p> <p>Agency Response:</p>	<p>3. Corrective Action: a) Washington Square application fees were reconciled. Metro Management added applicable applicants to the list after reconciliation.</p>

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	<p>a) <i>Discrepancies Between Fees Deposited and Totals That Should Have Been Deposited:</i> The balance of remaining fees to be investigated was <u>\$1,300</u>; see Corrective Action. All other fee discrepancies were resolved prior to the submission of the original audit response.</p> <p>b) <i>Applicants For Whom NYS Comptroller Could Not Find Copies of Payments:</i> As described in the original audit response, there was ultimately no discrepancy to resolve.</p> <p>c) <i>Applicants Listed as Not Having Paid Fees:</i> All discrepancies were resolved prior to the submission of the original audit response.</p> <p>d) <i>Applicants Who Should Not Have Been Active:</i> All discrepancies were resolved prior to the submission of the original audit response.</p> <p>e) <i>Returning Fees for Rejected Applicants:</i> All fees were returned prior to the submission of the original audit response.</p> <p>f) <i>Potential Unclaimed Funds:</i> All discrepancies were either resolved prior to the submission of the original audit response, or there was no discrepancy to resolve (as described in the original audit response).</p> <p>g) <i>Missing Records:</i> Missing records are still being investigated.</p>	<p>Date Correction was Completed: April 30, 2020</p>
	<p>4. Recommendation: Notify York's Board of Directors of the application fees kept by Tudor and recoup those fees as appropriate</p> <p>Agency Response: This recommendation was implemented prior to the submission of the original audit response.</p>	<p>4. Corrective Action: No further action taken. Refer to our original response dated December 11, 2019</p>

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<p>Returning Fees to Applicants; Turning Fees Over to Unclaimed Funds</p> <p>Report Sub-Section: Returning of Fees for Rejected Applicants</p>	<p>5. Recommendation: Instruct York Hill's managing agent to review the 11 disqualified applicants whose mail was returned and make additional attempts to return their fees.</p> <p>Agency Response: This recommendation was implemented prior to the submission of the original audit response.</p>	<p>5. Corrective Action: No further action taken. Refer to original response, dated December 11, 2019</p>
<p>Potential Unclaimed Funds</p>	<p>6. Recommendation: Establish criteria for determining when application fees are deemed abandoned and turn them over to OSC's Unclaimed Funds.</p> <p>Agency Response: As stated during the audit, HPD disagrees with the assertion that OSC's Unclaimed Funds unit is the appropriate receiver for funds that managing agents have been unsuccessful in returning. HPD will investigate other options for how these funds should be dispersed and/or managed.</p>	<p>6. Corrective Action: The Mitchell-Lama rules have been amended so that this issue applies only to applications made in the past. For refundable fees collected prior to the amendment, HPD will determine whether management has made refunds when required under the previous rules, as part of the apartment application approval process. In addition, HPD will post on its website the process for applicants to request a refund of their application fees.</p>
<p>Missing Records</p>	<p>7. Recommendation: Monitor managing agents' compliance with the requirement to maintain records to support applicant rejections and the return of fees.</p> <p>Agency Response HPD agrees with this recommendation and will implement a new practice requiring regularly submitted documentation from all managing agents outlining when/how fees were refunded; it will also reinforce current practices requiring documented justification for applicant rejection.</p>	<p>7. Corrective Action: HPD implemented the practice described in the Agency Response.</p> <p>Date Implemented: Beginning July 1, 2020</p>