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Page(s): 2

LIU: ‘GARBAGE BAG’ LOTTERY INVITES ERRORS

Audit finds that Housing Preservation and Development “randomizes” affordable-housing applications by swirling them around on the floor by hand, then pulling winners from a garbage bag

NEW YORK, NY – City Comptroller John C. Liu today announced that an audit of the Department of Housing Preservation and Development (HPD) found the agency lacked the crucial controls for ensuring that New York’s scarce affordable housing stock is awarded only to eligible applicants. Moreover, HPD officials for years have conducted housing lotteries by mixing applications around on the floor by hand, then putting them into large garbage bags from which they draw the winners.

“It’s shameful that when thousands of New York families desperately need affordable housing their hopes are pinned on the City’s embarrassingly ad hoc and sloppy process,” said Comptroller Liu. “The agency’s recent efforts to automate the housing lottery are welcome, but are long overdue.”

According to HPD, the agency received 274,270 applications for the 7,843 affordable housing units that were available through its lottery system in Fiscal Years 2011 and 2012. Comptroller Liu’s audit, which focused on FY 2011, determined that HPD’s garbage bag lottery was not sufficiently random and created opportunities for error or preferential treatment. In one example, auditors found that two out of 11 applicants who were listed as residents of the community board — and therefore offered first preference in the lottery — were not in fact residents of the community board.

While the audit did not find instances of fraud or unqualified applicants being awarded affordable apartments, the weaknesses in the agency’s selection process make errors more likely and allow fraud to go undetected.

Few Checks of Developers’ Picks

Families seeking affordable housing through HPD first submit their applications to the developer in charge of a housing site. HPD’s failure to follow up on applications that are rejected or approved gives significant power to developers and creates an avenue for possible fraud.

The developer decides the first cut of qualified applicants for affordable housing based on a review of an applicant’s income and assets, a criminal background and credit history check, an investigation of previous landlord/tenant disputes, verification of an address within the designated community board, and family size.

HPD guidelines require the agency to verify applicant information. Comptroller Liu's audit, however, found that the agency verified only the income information of applicants deemed qualified and passed along by the developer. HPD did not check applicants who were rejected by the developer and did not attempt to verify any information other than income from developer-selected applicants.

Insufficient Procedures to Track and Monitor Complaints

On top of its lack of controls over the selection of lottery applicants and its antiquated method of lottery drawing, HPD failed to properly record and track applicants' complaints. The audit found the agency did not ensure that it recorded such basic information for each complaint as the name and address of the complainant, the name of the housing development, and the name of the developer. Of 220 complaints reviewed by auditors, none listed the HPD project manager responsible, and nearly half did not list the complainant's name, but rather just an email address. Ten complaints that were forwarded by the HPD Commissioner's office were not even listed as complaints.

HPD officials agreed to implement five of the audit's recommendations.

Background

A 2009 audit of HPD's Cornerstone program, conducted by then-Comptroller William C. Thompson Jr., noted that selection of applicants for apartments "began by placing all envelopes on the floor and manually mixing them up" before they were placed into large plastic bags to be drawn.

Following the initiation of the present audit in July 2011, the agency began to institute an automated application process. On June 5, the agency announced its automated process, which exists as a pilot project and is accepting online applications in housing lotteries for two developments: <https://a806-housingconnect.nyc.gov/nyclottery/lottery.html#home>.

In its audit response, HPD stated that the automated lottery system would be fully operational by the fall of 2012.

Liu credited Deputy Comptroller Tina Kim and the Bureau of Audit for their work on this report. The full audit can be found at www.comptroller.nyc.gov

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