



City of New York

OFFICE OF THE COMPTROLLER

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MANAGEMENT AUDIT

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Deputy Comptroller for Audit

Follow-up Audit Report on the
Department of Finance's Administration
of the Senior Citizen Rent Increase
Exemption Program

MG12-118F

December 3, 2012

<http://comptroller.nyc.gov>



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
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NEW YORK, N.Y. 10007-2341

John C. Liu
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December 3, 2012

To the Residents of the City of New York:

My office has audited the Department of Finance (DOF) to determine whether DOF implemented the seven recommendations made in a previous audit, *Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program* (Audit No. MG11-053A), issued on September 23, 2011. We perform follow-up audits of City operations as a means of increasing accountability and ensuring that City resources are used effectively, efficiently, and in the best interest of the public.

The current follow-up audit found that of the seven recommendations originally made, six recommendations were implemented and one recommendation was partially implemented. DOF investigated the accounts with deceased tenants identified in the previous audit and, as of May 31, 2012, had retrieved a total of \$9.8 million in property tax abatement credits (TACs). However, although DOF does currently perform monthly death matches of its Senior Citizen Rent Increase Exemption database with individuals listed as deceased in the Social Security Administration's Death Master File, it does not perform matches against all open accounts—specifically for tenants with open accounts who have not renewed their leases. In addition, DOF does not always follow its own policies and procedures pertaining to the recoupment of funds after a change in circumstance. As a result, DOF did not always retrieve the correct amount of TAC payments that were issued subsequent to the death of a tenant.

To address these issues, the audit recommended that DOF include all open accounts in its monthly death matches, adhere to the timeframes stipulated in its policies and procedures, and investigate and adjust accounts that were incorrectly processed.

The results of the audit have been discussed with DOF officials, and their comments have been considered in preparing this report. Their complete written response is attached to this report.

If you have any questions concerning this report, please e-mail my audit bureau at audit@comptroller.nyc.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "JCL".

John C. Liu

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THE CITY OF NEW YORK OFFICE OF THE COMPTROLLER MANAGEMENT AUDIT

Follow-up Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program

MG12-118F

AUDIT REPORT IN BRIEF

The Department of Finance (DOF) administers a broad range of programs that offer tax credits, one of which is the Senior Citizen Rent Increase Exemption (SCRIE) program. This program provides an exemption to eligible tenants from future rent increases and offers the landlords an equivalent credit on their property taxes in the form of a property tax abatement credit (TAC). Tenants who apply and are determined to be eligible are legally entitled to SCRIE benefits. Landlords do not have the authority to refuse participation or to prevent a tenant from participating in the SCRIE program. For our scope period of July 1, 2009, through May 31, 2012, DOF issued \$357.9 million in new TACs and retrieved \$22.5 million in TACS previously issued on behalf of 54,299 tenants.

Our follow-up audit focused on whether DOF has implemented the seven recommendations made in a prior audit report, *Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program* (Audit No. MG11-053A), issued on September 23, 2011. This audit found that DOF had inadequate controls in place to ensure that all TACs are appropriately issued to landlords.

Audit Findings and Conclusion

The follow-up audit found that DOF has improved its administration of SCRIE. Of the seven recommendations made in the previous audit, we found that DOF implemented six and partially implemented one.

We determined that since the previous audit, DOF has established formal policies and procedures to guide its staff in processing SCRIE applications and related information. In addition, DOF did investigate the accounts with deceased tenants identified in the previous audit and, as of May 31, 2012, had retrieved a total of \$9.8 million in TACs. Moreover, DOF has developed controls to ensure that SCRIE records are accurately updated and that benefit transfers are correctly performed for deceased tenants with eligible household members. DOF has also developed additional controls such as the use of LexisNexis to research missing applicant information; has

instituted a web-based system to scan and store all SCRIE documents; and currently conducts periodic reviews of SCRIE user accounts.

However, although DOF does currently perform monthly death matches of its SCRIE database with individuals listed as deceased in the Social Security Administration's Death Master File, it does not perform death matches against all open accounts--specifically for tenants with open accounts who have not renewed their leases. As a result, DOF does not retrieve all TAC payments that were issued subsequent to the death of a tenant and does not always accurately update its database to reflect the current status of all SCRIE accounts. In addition, DOF does not always follow its own policies and procedures pertaining to the recoupment of funds after a change in circumstance. As a result, DOF did not always retrieve the correct TAC payments.

Audit Recommendations

This report makes three new recommendations, specifically that DOF should:

- Include all open accounts in its monthly death matches against the Social Security Administration's Death Master File.
- Adhere to the timeframes stipulated in its policies and procedures pertaining to the recoupment of funds.
- Investigate and adjust the 16 accounts that were incorrectly processed.

Agency Response

In its response, DOF agreed with all three recommendations.

INTRODUCTION

Background

DOF administers a broad range of programs that offer tax credits, one of which is SCRIE. This program provides an exemption to eligible tenants from future rent increases and offers the landlords an equivalent credit on their property taxes. Tenants who apply and are determined to be eligible are legally entitled to SCRIE benefits. Landlords do not have the authority to refuse participation or to prevent a tenant from participating in the SCRIE program.

To be eligible for SCRIE, one must be at least 62 years of age, with a maximum household income of \$29,000 per year, pay more than one-third of the total household's disposable income for rent, and live in a rent-controlled, rent-stabilized, or hotel-stabilized apartment in New York City¹. In return for the exemptions, the City pays property owners an amount equal to the difference between the last amount of rent paid by the tenant prior to applying for SCRIE and the current legal regulated rent. This amount is paid in the form of a property TAC issued on behalf of the tenant to the landlord against the landlord's real estate taxes. DOF authorizes the TACs and bi-annually transfers the credit to the building owner's property tax account.

Landlords, tenants, and the families of tenants are required to notify DOF within 30 days when there is a change in the tenant's circumstances, such as a death or a permanent move from the apartment. In such instances, if there is no other eligible household member, DOF is required to revoke the benefits and recoup previously issued TACs in the form of a debit adjustment going back to the first day of the month following the change in circumstances. The law provides no statute of limitations on the retroactive period for recoupment.

Prior to September 18, 2009, SCRIE applications were processed by the Department for the Aging (DFTA) and TACs were issued by DOF. As of September 18, 2009, DOF also began processing initial applications and, by January 2010, DOF was responsible for the entire SCRIE program. For our scope period of July 1, 2009, through May 31, 2012, DOF issued \$357.9 million in TACs on behalf of 54,299 tenants. During this period, DOF also retrieved \$22.5 million in previously issued TACs.

A prior audit report, *Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program* (Audit No. MG11-053A), issued on September 23, 2011, found that DOF had inadequate controls in place to ensure that all TACs are appropriately issued to landlords. This report is based on a follow-up audit we conducted to determine whether DOF has implemented the recommendations made in the previous audit. In this report, we discuss the recommendations from the prior audit as well as the current implementation status of each of these recommendations.

Objective

The objective of this audit was to determine whether DOF implemented the seven recommendations made in the prior audit report.

¹ SCRIE is also available to seniors residing in Mitchell-Lama buildings; however, these applications are processed by the Department of Housing Preservation and Development and are not covered by this audit.

Scope and Methodology Statement

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This follow-up audit covered the period July 1, 2009, through May 31, 2012. Please refer to the Detailed Scope and Methodology at the end of this report for the specific procedures and tests that were conducted.

Discussion of Audit Results

The matters covered in this report were discussed with DOF officials during and at the conclusion of this audit. A preliminary draft report was sent to DOF officials on September 19, 2012, and discussed at an exit conference held on October 12, 2012. On October 26, 2012, we submitted a draft report to DOF officials with a request for comments. We received a written response from DOF officials on November 13, 2012. DOF agreed with all three audit recommendations.

The full text of the response is included as an addendum to this report.

RESULTS OF FOLLOW-UP AUDIT

In this follow-up audit, we assessed the implementation status of seven recommendations made in the prior audit. Of the seven recommendations, we determined that six recommendations were implemented and one recommendation was partially implemented.

Previous Finding: “DOF Had Not Established Formal Procedures for SCRIE”

The previous audit found that DOF staff processed applications for an entire year without a policy and procedures manual and without any form of training. The failure to institute controls and procedures to detect the issuance of inappropriate benefits may increase the risk that errors or fraud may occur and go undetected.

Previous Recommendation #1: “Develop comprehensive policies and procedures for issuing TACs and for supervisory reviews of applications processed by staff. These policies and procedures should be enforced and communicated during periodic training sessions.”

Previous DOF Response #1: “We agree that Policy and Procedure manuals are critical documents for any operation. A new supervisor was put at the helm of SCRIE in December and a new Assistant Commissioner was hired to oversee all exemption and abatements in January. ...the two of them have been working on a review of all processes and procedures with the aim to create Standard Operating Procedure (SOP) documents. Several comprehensive final documents have recently been completed...staff is being trained on the final versions.”

Current Status Recommendation #1: IMPLEMENTED

Since the previous audit, DOF has established formal policies and procedures to guide its staff in processing SCRIE applications and related information. Between August 2011 and March 2012, DOF prepared nine detailed Standard Operating Procedures (SOPs) *with specific instructions for staff to use in processing SCRIE applications and the accompanying correspondence*. DOF also *included policies and procedures requiring supervisory reviews of applications*. Lastly, according to DOF officials, training pertaining to SCRIE policies, procedures, and processing of applications is conducted during bi-weekly SCRIE staff meetings.

Previous Finding: “No Mechanism to Identify Changed Circumstances”

The previous audit found that DOF lacked a mechanism to identify instances in which SCRIE benefits may need to be discontinued because of a change in circumstances, such as a tenant’s death or when mail is returned or leases are not renewed. The absence of such a mechanism increased DOF’s vulnerability in this area.

Previous Recommendation #2: “Periodically match recipients listed in its databases with individuals listed as deceased in the Social Security Administration’s Death Master File to ensure that benefits are not issued on behalf of deceased tenants and to identify TACs that may need to be recovered.”

Previous DOF Response #2: “DOF Response: “DOF is instituting a match of all our active SCRIE recipients to the Social Security Administration’s Death Master File (DMF) every month. We will match on Social Security Numbers. If no SCRIE eligible tenant remains in the apartment, the SCRIE abatement will be revoked the month following the date of death.”

Current Status Recommendation #2: PARTIALLY IMPLEMENTED

Since the previous audit, DOF performs monthly death matches of its SCRIE database with individuals listed as deceased in the Social Security Administration’s Death Master File. However, it does not perform death matches against all open accounts-- specifically for tenants with open accounts who have not renewed their leases. As a result, DOF does not retrieve all TAC payments that were issued subsequent to the death of a tenant and does not always accurately update its database to reflect the current status of all SCRIE accounts.

As of May 31, 2012, we identified 338 open accounts associated with 1,259 deceased tenants that appeared to be closed but were still listed as active in SCRIE². These accounts are related to tenants who may have died before the end of a lease period and their leases were not renewed. We asked DOF to review these open accounts. As of August 31, 2012, DOF revoked and retrieved TAC payments totaling \$89,134 for 330 accounts and processed benefit transfers for the remaining eight accounts. According to DOF officials, they perform death matches for tenants with open accounts and current leases or those with pending applications, but they do not perform death matches for tenants with open accounts who have not renewed their leases. In these instances, unless DOF is notified by the family or landlord, DOF may be unaware of the tenant’s death and would, therefore, not retrieve TAC payments issued subsequent to the date of death.

Previous Recommendation #3: “Investigate the benefits issued on behalf of all the 3,801 deceased tenants - specifically, the \$379,450 that it paid on behalf of the 79 tenants cited in this report who died without any eligible household members.”

Previous DOF Response #3: “We researched the list of 79 tenants cited in the report who died without any eligible household member. . . All 79 tenants have been revoked from the SCRIE program and their tenant status has been changed to DEATH (versus ACTIVE OR INACTIVE). . .

“All 3,801 tenants have been reviewed and to-date 3,214 (of the 3,801) tenants have been revoked. 2,988 required a TAC debit. The TAC debit will appear as a property tax charge (if no remaining householder is SCRIE eligible) for the 2,988 tenants is \$9,962,247.43.”

Current Status Recommendation #3: IMPLEMENTED

Since the previous audit, DOF investigated the 3,801 accounts with deceased primary tenants as well as the 79 tenants who died without any eligible household members. We confirmed that, as of May 31, 2012, DOF had revoked 3,391 of the 3,801 accounts and 78 of the 79 accounts³, retrieving a total of \$9.8 million in TACs. The remaining 410 accounts are still open or have

² The SCRIE database is used by DOF in processing SCRIE benefits. The information included in this database pertains to landlord and tenant information required to determine tenant eligibility as well as to the processing of TAC payments.

³ One of the 79 accounts was still open due to a benefit transfer.

pending applications, and we confirmed that DOF had updated the records for 353 of these open accounts. However, 57 open accounts still had TACs issued for periods after death that had not been retrieved for tenants who died during their lease periods. Subsequent to informing DOF of these accounts, DOF officials retrieved an additional \$52,094 in TACs for 38 accounts. (The remaining 19 accounts included 11 benefit transfers and eight accounts with incorrect social security numbers. DOF has currently updated these records.)

In addition, upon our review of the 3,391 revoked accounts, we found that DOF did not retrieve the correct amount for 250 of these accounts, totaling a net amount of \$73,885 in TACs credited for periods after death⁴. DOF officials acknowledged that they had made errors pertaining to 171 accounts and that they had not investigated the remaining 79 accounts. According to DOF, these 79 accounts had been processed by DFTA and DOF did not believe that they were required to update those accounts. Subsequently, we asked DOF to investigate the 79 accounts as well as four of the 171 accounts that remained incorrectly processed. As of October 24, 2012, DOF had retrieved TAC payments totaling \$48,873 for these accounts. However, DOF did not retrieve the correct amount for 16 accounts. (DOF retrieved an excess of \$3,937 for 14 accounts and retrieved an insufficient amount totaling \$1,157 for two accounts). For 12 of the 16 incorrectly processed accounts, DOF did not follow its own policies and procedures and revoked the benefits beginning with the month that the change in circumstance occurred rather than the required recoupment period of the first day of the month following the change in circumstances. (The other four incorrectly processed accounts are attributed to technical errors).

Previous Recommendation #4: “Develop controls to ensure that when it does identify deceased tenants with eligible household members, that its records are accurately updated and that benefit transfers are correctly performed, listing the new tenant’s date of birth and social security number.”

Previous DOF Response #4: “We have updated our procedures to ensure that DOF transfers the SCRIE benefit to eligible household members where appropriate. Our revised procedures require that a surviving household member who believes s/he is eligible for a benefit takeover must apply for SCRIE. The revocation notice sent to the tenant’s address has been amended to point the surviving household member to apply for a benefit takeover, and we have created an application for benefit takeover that can be downloaded from our website.”

Current Status Recommendation #4: IMPLEMENTED

Since the previous audit, DOF has developed controls to ensure that SCRIE records are accurately updated and that benefit transfers are correctly performed for deceased tenants with eligible household members. Specifically, SCRIE records had been accurately updated for all but three⁵ of the 263 sampled accounts that we reviewed. This includes 200 accounts that were properly revoked and 60 accounts that were updated to reflect the new tenant’s name, date of birth, social security number, and lease period.

⁴ This includes \$125,922 more that should be retrieved from 70 accounts and \$52,037 that was retrieved in excess from 180 accounts.

⁵ These three accounts are part of the 57 open accounts previously mentioned in the Current Status section relating to Recommendation #3. In August 2012, DOF revoked the three accounts and retrieved TAC payments totaling \$10,402.

Previous Recommendation #5: “Develop additional controls that would allow it to ensure that TACs are issued on behalf of eligible tenants, especially in those instances where tenants do not have a social security number.”

Previous DOF Response #5: “We will review our procedures for the few applicants who file income documentation without an SSN and consider whether additional procedures should be put in place for this population.”

Current Status Recommendation #5: IMPLEMENTED

Since the previous audit, DOF has developed additional controls, such as the use of LexisNexis to research missing applicant information, to better ensure that TACs are issued on behalf of eligible tenants, especially in instances where tenants do not have a social security number. Our review of SCRIE accounts with some form of activity between July 1, 2009, and May 31, 2012, found that all 54,299 such accounts had a social security number⁶. In addition, when we reviewed four of the 18 accounts⁷ from the prior audit where benefits were issued using a deceased tenant’s social security number, we found that the social security number had been updated to that of the current tenant in all four cases.

Previous Finding: “Inadequate Maintenance of Files”

The previous audit found that DOF had no central record system to manage files containing original documents processed. The ability to locate the supporting documents becomes essential if DOF, tenants, or landlords have questions or disputes regarding information entered into SCRIE.

Previous Recommendation #6: “Create a central log listing all applications filed and improve its filing system to ensure all applications and supporting documents are easily retrievable and secure.”

Previous DOF Response #6: “We are going to change our current filing archive system to include each application number housed in a file box. The application numbers will be added to our existing file log.”

Current Status Recommendation #6: IMPLEMENTED

Since the previous audit, DOF has instituted a web-based system to scan and store all SCRIE documents and to electronically retrieve the accounts by docket number as of November 2011. Our review of 263 judgmentally selected accounts found that supporting documents were accurately filed by docket number and were readily accessible. This new system has corrected the deficiencies of DOF’s previous filing system, which did not allow for the tracking of documents after they were processed or for the determination of whether the documents had been removed, misfiled, or lost.

Previous Finding: “Accounts of Former Employees Not Deactivated in a Timely Manner”

⁶ We selected a sample of 50 deceased tenants identified from the prior audit and verified that the social security numbers were legitimate by matching the social security numbers to the original hardcopy files.

⁷ We selected these four of the 18 accounts to review based on the fact that they were the oldest SCRIE records and, combined, they totaled \$358,559 in SCRIE payments.

The previous audit found that DOF did not deactivate SCRIE user accounts in a timely manner for employees who no longer worked with the program. SCRIE contains sensitive and confidential information, such as birth dates and social security numbers, making the deactivation of accounts for former employees or those not associated with SCRIE even more crucial. Deactivating system accounts in a timely manner and reviewing audit trails on a regular basis would limit the threat of identity theft by unauthorized individuals.

Previous Recommendation #7: “Periodically review activity on the computer system to detect unauthorized use and promptly deactivate accounts on SCRIE for those who are no longer associated with the program.”

Previous DOF Response #7: “We disagree with the Comptroller that a procedure is necessary to disable former DOF employees from access to the SCRIE application since DOF has an existing process where employees who leave the agency have their access to all of Finance’s computer systems automatically terminated. For DOF employees that transfer within the agency, we have updated our process to review SCRIE access codes on a quarterly basis.”

Current Status Recommendation #7: IMPLEMENTED

Since the previous audit, DOF now conducts periodic reviews of SCRIE user accounts. Since September 2011, DOF had activated 16 user accounts for new staff and deactivated 16 user accounts for former staff, all in a timely manner (i.e., within one to three business days of leaving the SCRIE unit).

Recommendations

To address the issues that still exist, DOF should:

1. Include all open accounts in its monthly death matches against the Social Security Administration’s Death Master File.

DOF Response: “We agree with this recommendation. We are in the process of updating our query match to the SSADMF to include those individuals that received a TAC benefit in a given month.”

2. Adhere to the timeframes stipulated in its policies and procedures pertaining to the recoupment of funds.

DOF Response: “We agree and intend to continue to adhere to the timeframes stipulated in our policies and procedures or update the documents whenever necessary.”

3. Investigate and adjust the 16 accounts that were incorrectly processed.

DOF Response: “We agree and this was done prior to the receipt of the draft audit. Our research and any adjustments, if necessary, was documented and emailed to the Comptroller’s office for review.”

Auditor Comment: While DOF did make adjustments to some of its accounts, it did not adhere to the timeframes stipulated in its policies and procedures. As a result, the adjustments to 12 of the accounts were not accurate. In addition, based on the information provided to us, DOF did not correct the technical errors pertaining to the remaining four accounts. Accordingly, we urge DOF to investigate and adjust the 16 accounts that were incorrectly processed.

DETAILED SCOPE AND METHODOLOGY

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, §93, of the New York City Charter.

This follow-up audit covered the period July 1, 2009, through May 31, 2012.

To address the current status of the recommendations made in our previous audit and to ascertain whether any new procedures were implemented, we interviewed DOF management and staff. We also used the *Audit Report on the Department of Finance's Administration of the Senior Citizen Rent Increase Exemption Program* (MG11-053A), issued September 23, 2011, as the basis to assess implementation of our previous recommendations. This included DOF's response to the report, dated September 8, 2011. To ascertain whether DOF had established formal policies and procedures for the processing of SCRIE applications, we reviewed the nine Standard Operating Procedures issued since the prior audit⁸.

To determine the total amount of TACs issued to landlords during our 35-month scope period (July 1, 2009, through May 31, 2012), we reviewed an electronic database of all TACs posted as of May 31, 2012, and found that DOF issued \$357.9 million in TACs on behalf of 54,299 tenants. During this period, DOF also recouped \$22.5 million in previously issued TACs.

To determine whether DOF issued SCRIE benefits on behalf of deceased tenants, we reviewed the results of all death matches conducted by DOF since the last audit (from October 2011 to July 2012). We also compared the primary social security number on file for the 54,299 tenants who received SCRIE benefits between July 1, 2009, and May 31, 2012, against the Social Security Administration's Death Master File (as of June 2012). We identified 1,259 accounts with tenants who were reported as deceased since December 1, 2010. This included 776 revoked accounts and 483 open accounts. For each of the 776 revoked accounts, we reviewed TACs posted for periods after the tenant's death to determine whether the TACs had been appropriately retrieved. For each of the 483 open accounts, we determined which accounts had not received TAC payments in the most recent bi-annual TAC payment in order to identify the accounts where tenants may have died before the end of a lease period and TACs may need to be retrieved. We identified 233 open accounts where no TACs were issued, 105 open accounts with payments made after the tenant's date of death, and 145 accounts that DOF subsequently revoked after we received the SCRIE database in May 2012. We calculated TAC payments issued after the tenant's death and the amount of TACs that may need to be retrieved for 338 open accounts. We then verified on SCRIE the amount of TACs that DOF had retrieved as of August 31, 2012.

⁸ The nine Standard Operating Procedures included the following: (1) Initial Application Processing; (2) Renewal Application Processing; (3) Tenant Revocation; (4) Major Capital Improvement (MCI) Adjustment; (5) Quality Control and Assurance; (6) Return Mail; (7) How to Update Landlord or Managing Agent Information; (8) How to Approve TAC; and (9) How to Delete a Tenant Representative.

To ascertain whether DOF investigated the 3,801 accounts with deceased tenants (including the 79 accounts with tenants who died without eligible household members that had been cited in the previous report), we verified that the account status provided by DOF matched the account status in SCRIE. This included 3,391 revoked accounts and 410 open accounts (397 open accounts and 13 accounts with pending applications). For each of the 3,391 revoked accounts, we reviewed the TACs posted for periods after the tenant's death to determine whether the appropriate TACs had been retrieved. DOF identified 79 of these revoked accounts as accounts that had been processed by DFTA. We submitted these accounts to DOF and verified on SCRIE the amount of TACs that DOF had retrieved as of October 24, 2012. For each of the 410 open accounts, we determined whether social security numbers in account records had been updated as of May 31, 2012. We also determined which of the 397 open accounts had not received TAC payments in the most recent May 2012 bi-annual TAC payment in order to identify the accounts where tenants may have died before the end of a lease period and TACs may need to be retrieved. We identified 57 open accounts with payments made after the tenant's date of death. We calculated TAC payments issued after the tenant's date of death and the amount of TACs that may need to be retrieved. We submitted these 57 accounts to DOF and verified on SCRIE the amount of TACs that DOF had retrieved by the end of August 2012. For the remaining 13 accounts with pending applications, we reviewed available documents to determine whether accounts were in the process of a benefits takeover or renewal.

To verify whether DOF developed controls to ensure that when it does identify deceased tenants that its records are accurately updated, we judgmentally selected 263 accounts, including 200 revoked accounts, 50 open accounts, and 13 accounts with pending applications from the 3,801 accounts with deceased tenants identified in the previous audit. For the revoked accounts, we confirmed that available documents supported the decision to revoke the account. For the open and pending accounts, we determined whether records on SCRIE had been updated to reflect that the SCRIE benefits had been transferred to an eligible household member. We compared the social security number and name of tenant associated with the docket number in the SCRIE database to the social security number and name of tenant associated with said docket number on our death match. To determine whether records have been updated, we reviewed the tenant's current lease period, ascertained whether a lease had been signed by both tenant and landlord, and checked the current tenant's date of birth.

To test whether DOF updated social security numbers in SCRIE on a timely and continuous basis, we verified that all 54,299 accounts with TAC transactions had a social security number on record. We also judgmentally selected four of 18 docket numbers from the prior audit where the social security number on record had been that of a deceased tenant and compared it to the current social security number on file to determine whether it had been updated to that of the new tenant.

To determine whether DOF adequately maintained SCRIE files and supporting documents, we reviewed the scanned applications and supporting documents found on DOF's web-based system for 263 judgmentally selected accounts and assessed the system's accessibility and accuracy.

To determine whether DOF periodically reviewed access rights and promptly deactivated accounts on SCRIE for those staff no longer associated with the program, we reviewed a computer-generated security table showing users with access to SCRIE as of April 9, 2012. We determined whether DOF had appropriately and promptly deactivated the accounts of users no longer working with the unit.



David M. Frankel
Commissioner

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November 13, 2012

H. Tina Kim
Deputy Comptroller for Audit
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New York, NY 10007
Sent via e-mail: tkim@comptroller.nyc.gov

Re: Draft Follow-up Audit Report on the Department of Finance's
Administration of the Senior Citizen Rent Increase Exemption (SCRIE)
Program – dated October 26, 2012
MG12-118F

Dear Deputy Comptroller Kim:

We appreciate the Comptroller's follow-up audit findings concerning the 2010-11 SCRIE audit (MG11-053A- issued on September 23, 2011) regarding the tightening of existing controls to ensure SCRIE benefits are revoked timely at the death of a SCRIE tenant.

As we stated in our response to the initial audit, we have been working diligently to improve our administration of SCRIE for almost three years. Many different personnel, policy and process changes were implemented from early 2010 onwards that have contributed towards a much improved oversight of the program and the benefits it awards to New York City seniors.

We are gratified to see the Comptroller recognizes all the work done by the SCRIE unit. While we are pleased to see that this follow-up audit has resulted in the determination that the Department of Finance (DOF) fully implemented six and partially implemented one of the seven audit recommendations, we know this is part of our larger effort to continually enhance how we run SCRIE.

DOF is deeply committed to maintaining a highly efficient and well-run SCRIE unit. The success of the unit is dependent on a constant review and monitoring of the policies, procedures and processes related to the issuance of SCRIE benefits.

Below are DOF's responses to three new audit recommendations made in the follow-up audit:

Audit Recommendations and DOF Responses

1. DOF should include all open accounts in its monthly death matches against the Social Security Administration's Death Master File (SSADMF).

DOF Response: We agree with this recommendation. We are in the process of updating our query match to the SSADMF to include those individuals that received a TAC benefit in a given month.

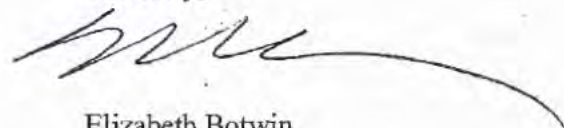
2. DOF should adhere to the timeframes stipulated in its policies and procedures pertaining to the recoupment of funds.

DOF Response: We agree and intend to continue to adhere to the timeframes indicated in our policies and procedures or update the documents whenever necessary.

3. DOF should investigate and adjust the 16 accounts that were incorrectly processed.

DOF Response: We agree and this was done prior to the receipt of the draft audit. Our research and any adjustments, if necessary, was documented and emailed to the Comptroller's office for review.

Sincerely,



Elizabeth Botwin

cc: George Davis III, Deputy Director, Mayor's Office of Operations
Sara Meyers, Assistant Commissioner, Tax and Parking Program Operations
Celia Carino, Director, Internal Audit