Department of
Housing Preservation
& Development
nyc.gov/hpd

DINA LEVY
Commissioner

Office of the Commissioner
100 Gold Street
New York, NY 10038

July 14, 2026

Mr. Kenrick Sifontes
Audit Director
Division of State Government Accountability
Office of the State Comptroller
59 Maiden Lane, 21st Floor
New York, NY 10038

Re: Follow-Up Report
Audit of Physical and Financial Conditions at
Select Mitchell-Lama Developments (2024-N-4)

Dear Mr. Sifontes,

The New York City Department of Housing Preservation and Development (HPD) submits the attached 180-day response to the Office of the State Comptroller's (OSC) final report regarding the audit of Physical and Financial Conditions at Select Mitchell-Lama Developments (2024-N-4) issued on January 16, 2026. The purpose of this letter is to provide a status update on HPD's implementation of the agency's commitments in response to recommendations made by OSC.

Sincerely,

Dina Levy
Commissioner

Enclosure: 180-day Status Update for Audit of Physical and Financial Conditions at Select Mitchell-Lama Developments (2024-N-4)

Attachment
Audit Name: **Audit of Physical and Financial Conditions at Select Mitchell-Lama Developments**
Report: **180-day Status Update**
Auditor: **Office of the State Comptroller**
Audit Number: **2024-N-4**, published Jan 16, 2026

Auditor's Recommendation	Agency Original 10/10/2025 Response	180-day Implementation Status Update
Recommendation 1		
Improve monitoring of the three developments, including but not limited to: 1a) Verifying that managing agents maintain the development in a manner that preserves the properties and protects the health and safety of their residents by ensuring annual individual unit inspections are conducted, related reports are completed, and deficiencies are corrected; and routinely checking to verify that all self-closing doors are fully operational.	HPD agrees that annual apartment inspections can be beneficial in identifying common conditions and potential issues. HPD will follow up with developments to press for adherence with the annual inspection requirement, and also to remind them of the importance of regularly inspecting self-closing doors to ensure their proper operation.	In January 2026, HPD sent a reminder to developments, including to the three developments sampled in the audit, regarding the importance of self-closing doors. Additionally, as of 2025, HPD is requiring managing agents to submit an annual compliance certification, which includes confirmation that an annual inspection of all apartments was conducted by management/building staff. At the end of July when certifications are due, HPD will review all responses and will issue an out of compliance letter to managing agents who have not certified completion with the annual individual unit inspections for 2025.
Recommendation 1 (continued)		
1b) Ensuring that immediate corrective action is taken when hazardous conditions are identified.	As a general matter, HPD agrees with the importance of immediate corrective action to hazardous conditions; the Agency will continue to apply its available resources to address such issues timely and to follow up with developments for action on hazardous conditions identified in inspection reports, as it would have done no matter the outcome of the audit. However, HPD disagrees with the implication that, given the resources available, it is not pursuing prompt	As with all NYC multiple dwellings, Mitchell Lama apartments continue to be subject to HPD enforcement actions which includes performance of inspections, issuance of violations, and performance of emergency repairs for uncorrected immediately hazardous violations. HPD will continue to explore additional actions that may be taken to improve the housing maintenance conditions in Mitchell Lama buildings.

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	corrective action as quickly as possible when hazardous conditions are identified.	
Recommendation 2:		
Develop and implement policies and procedures regarding bonus and gratuity payments.	HPD disagrees that a Mitchell-Lama portfolio-wide policy regarding bonus and gratuity payments is necessary and maintains that privately-owned and managed developments should codify and regulate their own policies regarding such payments. As noted in the report, HPD's position is that annual gratuities to housing maintenance staff are customary, and that a rule restricting such payments could result in staff attrition and result in negative impacts for the properties and their residents.	HPD is in the process of developing a policy to codify its expectations regarding bonus and gratuity payments.
Recommendation 3		
Monitor managing agents and the developments' boards (where applicable) to ensure they: 3a) Operate the developments in a fiscally sound manner, with HPD providing training if necessary.	As a general matter, HPD agrees with the importance of developments operating in a fiscally sound manner and will continue to consistently encourage the prudent financial management of Mitchell-Lama developments, as it would have done no matter the outcome of the audit; HPD will also continue offering financial oversight training to co-op board members. However, HPD disagrees with the implication that it does not engage in this type of monitoring as a regular practice.	The agency currently offers and will continue to offer regular training to co-op boards and to development management. We are exploring whether the agency has sufficient discretionary resources to expand on available training opportunities.

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Recommendation 3 (continued)		
3b) Promptly fill vacant units.	As a general matter, HPD agrees with the importance of promptly filling vacancies, and will continue to encourage managing agents to rehabilitate units as rapidly as possible without sacrificing safety or thoroughness, as it would have done no matter the outcome of the audit. However, HPD disagrees with the implication that Mitchell-Lama units are not being filled as promptly as reasonably possible. Units with significant physical deficiencies requiring capital funding will take longer than a unit requiring standard rehabilitation. In some cases, HPD and HDC financing provides needed assistance to Mitchell-Lama housing developments to address the work needed to restore vacant units to move-in condition.	Please refer to the original response.
Recommendation 4		
Adequately review transactions for appropriateness of expenses and sufficiency of supporting documentation during annual review.	HPD agrees with this recommendation and has resumed consistent periodic reviews of the books and records of selected developments as of late 2023 (having resolved a staffing shortage that precluded consistent reviews since the pandemic); the review of transactions for appropriateness and the sufficiency of supporting documentation is a part of this review. Within the past year, the agency hired two additional staff members whose duties include performing administrative audits to help address this need.	HPD is pleased to report that the agency continues to conduct periodic administrative reviews of Mitchell Lama managing agents, which includes a review of building expenses, supporting documentation, and whether the managing agent appropriately sent transactions to HPD for review.

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Recommendation 5		
Periodically review a sample of contracts and expenses to identify payments to vendors and service providers that, in the aggregate, equal or exceed $100,000 in any fiscal year to ensure they are approved by HPD and that contracts at $100,000 or more were competitively bid and approved by HPD.	HPD agrees with this recommendation and has resumed consistent periodic reviews of the books and records of selected developments as of late 2023 (having resolved a staffing shortage that precluded consistent reviews since the pandemic); part of this review involves identifying contracts of $100,000 or more to ensure competitive bidding and HPD approval. HPD requires annual compliance reporting that includes a representation regarding the $100,000 aggregate limit and has adjusted audit protocol to review payments that exceed $100,000 in the aggregate in a FY.	HPD is pleased to report that the agency continues to conduct periodic administrative reviews of Mitchell Lama managing agents, which includes a review of building expenses, supporting documentation, and whether the managing agent appropriately sent transactions to HPD for review. In addition, HPD continues to require managing agents to complete an annual certification, which includes confirmation of compliance relative to the $100,000 threshold.
Recommendation 6		
Monitor managing agents to ensure rent arrears are collected in a timely manner.	HPD disagrees with the implication that managing agents are not currently collecting arrears as timely as possible. Developments reviewed as part of this audit already employ appropriate practices of escalating action for the non-payment of rent/maintenance charges, up to and including eviction proceedings. For those actions requiring a decision from housing court, the tremendous backlog and lengthy process substantially extends the timeframe to resolve the matter.	Please refer to the original response.
Recommendation 7		
Develop and implement policies and procedures regarding the usage of personal	HPD agrees that personal credit cards should not be used for housing development company-related purchases, and the agency is exploring the	HPD is in the process of finalizing a directive, including a policy regarding the usage of personal credit cards for housing company purchases. HPD

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credit cards for housing company purchases.	most effective way to implement program-wide changes.	expects to issue the directive in the second half of 2026.