New York City Department of Housing Preservation and Development

Physical and Financial Conditions at Selected Mitchell-Lama Developments

Report 2024-N-4 | January 2026

OFFICE OF THE NEW YORK STATE COMPTROLLER

Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability

Audit Highlights

Objectives

To determine whether Mitchell-Lama developments supervised by the New York City Department of Housing Preservation and Development are being maintained in a manner that protects the health and safety of residents and whether funds at these developments are being used for intended purposes. Our audit covered the period from January 2019 through April 2025.

About the Program

The Mitchell-Lama Housing Program (Program) was created in 1955 to provide affordable rental and cooperative (co-op) housing to middle-income families. The New York City (City) Department of Housing Preservation and Development (HPD), the nation's largest municipal housing preservation and development agency, is charged with promoting the quality and affordability of the City's housing and the strength and diversity of its many neighborhoods. There are both City-supervised and State-supervised Mitchell-Lama developments. As of June 25, 2024 there are 92 HPD-supervised Mitchell-Lama rental and limited-equity co-op developments, with approximately 46,787 units.

Owners of City Mitchell-Lama developments often enter into written agreements with agents for management services, which must be approved in writing by HPD. The managing agents of Mitchell-Lama developments are required to maintain developments in an economically viable manner, in good physical condition, and in compliance with current Mitchell-Lama rules. This audit is based on a sample of three developments: Clinton Towers (Manhattan), Evergreen Gardens (Bronx), and Tivoli Towers (Brooklyn).

Key Findings

Our audit found that HPD needs to improve its oversight of the physical and financial conditions at the sampled developments. Management at all three sampled developments failed to provide a safe and clean living environment for their residents and commercial tenants and used development funds for activities that were not directly related to the developments' operations.

- Across the three developments, we observed several hazardous physical conditions, including façade damage; non-working self-closing/fire doors; units with mold, water damage, and peeling paint; and a commercial tenant (day care) with mouse droppings in classrooms.
- We found approximately $163,862 in transactions for the period from January 2019 through December 2024 that were either unrelated to normal operations or inadequately supported. Included in the $163,862 were:
  - $114,288 in non-mandated bonus payments, holiday events, and gratuities.
  - $49,574 in expenses that were not supported with invoices or canceled checks.
- We estimated that managing agents were unable to collect $327,514 in unrealized rental income from units that remained vacant for more than 120 days at Clinton and Tivoli Towers.
- We found all three developments had aggregate payments to vendors exceeding $100,000 and did not notify HPD, as required. Further, Evergreen contracted with five vendors with payments over $100,000 without receiving HPD approval and no evidence of competitive bidding.

Key Recommendations

- Improve monitoring of the three developments, including but not limited to:
  - Verifying the managing agents maintain the developments 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/fire doors are fully operational.
  - Ensuring that immediate corrective action is taken when hazardous conditions are identified.
  - Developing and implementing policies and procedures regarding bonus and gratuity payments.
- Ensure managing agents operate the developments in a fiscally sound manner by:
  - Adequately reviewing transactions for appropriateness of expenses and sufficiency of supporting documentation during annual reviews.
  - Promptly filling vacant units.
  - Periodically reviewing a sample of expenses to identify payments to vendors and service providers that, in the aggregate, equal or exceed $100,000 in any fiscal year to ensure HPD has approved them, and that contracts were competitively bid and those at $100,000 or more were approved by HPD.

Office of the New York State Comptroller
Division of State Government Accountability

January 15, 2026

Dina Levy
Acting Commissioner
New York City Department of Housing Preservation and Development
100 Gold Street,
New York, NY 10038

Dear Commissioner Levy:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By so doing, it provides accountability for the tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Physical and Financial Conditions at Selected Mitchell-Lama Developments*. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article III of General Municipal Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

Division of State Government Accountability

Contents

Glossary of Terms

Term	Description	Identifier
HPD	New York City Department of Housing Preservation and Development	*Auditee*
Clinton	Clinton Towers, Mitchell-Lama development, Manhattan	*Development*
Development	Mitchell-Lama property	*Key Term*
Evergreen	Evergreen Gardens, Mitchell-Lama development, Bronx	*Development*
HDC	New York City Housing Development Corporation	*Agency*
Managing Agent	Agent that manages a Mitchell-Lama development	*Key Term*
Program	Mitchell-Lama Housing Program	*Program*
Property Manager	On-site manager of a Mitchell-Lama development	*Key Term*
Rules	Rules of the City of New York, Title 28: Housing Preservation and Development, applicable to Mitchell-Lama properties	*Regulations*
Tivoli	Tivoli Towers, Mitchell-Lama development, Brooklyn	*Development*

Background

The Mitchell-Lama Housing Program (Program) was created in 1955 to provide affordable rental and cooperative (co-op) housing to middle-income families. In exchange for low-interest mortgage loans and real property tax exemptions, the Program requires owners to comply with limitations on profit and income limits for residents. There are both New York City (City or NYC)-supervised and State-supervised Mitchell-Lama developments. City Mitchell-Lama developments are under the supervision of the New York City Department of Housing Preservation and Development (HPD), and State Mitchell-Lama developments are under the supervision of Homes and Community Renewal's Division of Housing and Community Renewal. HPD, the nation's largest municipal housing preservation and development agency, is charged with promoting the quality and affordability of the City's housing and the strength and diversity of its many neighborhoods. As of June 25, 2024, there are 92 HPD-supervised Mitchell-Lama rental and limited-equity co-op developments, with approximately 46,787 units.

Owners of City Mitchell-Lama developments enter into written agreements with agents for management services, which must be approved in writing by HPD. The managing agents of Mitchell-Lama developments are required to maintain developments in good physical condition and in compliance with current Mitchell-Lama Rules, which are the Rules of the City of New York, Title 28: Housing Preservation and Development (Rules).

This audit is based on a judgmental sample of three developments (see table below for development details and the Exhibit at the end of our report for a map of all Mitchell-Lama developments and highlighted sampled developments).

Sampled Developments

Development	Location	Number of Buildings	Number of Units	Current Managing Agent	Property Type
Clinton Towers	Manhattan	2	397	P&L Management	Rental
Evergreen Gardens	Bronx	2	358	Nelson Management	Rental
Tivoli Towers	Brooklyn	1	321	Stellar Management	Rental

Audit Findings and Recommendations

As the oversight agency of the City's Mitchell-Lama Program, HPD is responsible for ensuring that managing agents provide residents with a safe and clean living environment and that development funds are spent for intended purposes.

We determined that HPD officials are failing to adequately monitor the developments' managing agents to ensure developments are being maintained in a manner that protects the health and safety of their residents and commercial tenants. We observed hazardous physical conditions that included crumbling building façades, holes in a building foundation, pest infestations, mold, and self-closing/fire doors that did not close and latch automatically. Many of these issues are class C violations or "immediately hazardous" and must be repaired within 21 days or less. Without proper oversight, hazardous physical conditions at the developments could go undocumented and uncorrected for long periods of time, ultimately jeopardizing the health and safety of residents and employees.

Further, management at all three developments did not adhere to the Rules related to the proper use of funds, as evidenced by our findings of inappropriate expenses, lack of support for expenditures, and lack of required competitive bidding. Notably, all three developments operated at a net loss before depreciation for at least 3 of the years of our scope period.

Hazardous Physical Conditions

According to the Rules, each housing company shall maintain its structures, grounds, elevators, boilers, and other equipment in a manner that preserves the property, protects the health and safety of the residents and employees, and provides for economical operation of the development. In addition, the Rules state:

> *All developments are subject to physical inspection. HPD may retain a third party to make inspections or may rely on inspections made by others. The inspector shall carry out his or her inspection together with a representative of the housing company. … HPD or its designee shall issue a written inspection report which shall be sent to the owner or the President of the Board of Directors and the managing agent.*

HPD officials also reserve the right to conduct a physical inspection of each development at any time. Additionally, the NYC Housing Development Corporation (HDC) conducts physical inspections of Mitchell-Lama developments and informs HPD of any major issues.

According to Section 27-2041.1(a) of the New York City Administrative Code, "[i]t shall be the duty of the owner of a multiple dwelling, which is required to be equipped with self-closing doors pursuant to section 28-315.10, or any other applicable law, to keep and maintain such doors in good repair." Section 27-2041.1(b) further provides that "[a]ny owner required to keep and maintain self-closing doors pursuant to subdivision a of this section who fails to keep or maintain such doors shall be liable for a class C immediately hazardous violation. Notwithstanding any other provision of law to the contrary, the time within which to correct such violation shall be 14 days after service of the notice of violation."

According to NYC Construction Codes, in order to keep buildings safe, owners of properties higher than six stories must have exterior walls and appurtenances inspected every 5 years and must file an examination report with the New York City Department of Buildings. Property owners must repair dangerous conditions within 30 days of filing the report.

Additionally, the Rules direct managing agents to conduct an annual inspection of all units for the purpose of identifying unreported electrical or other equipment, observing the physical condition of the units, and ascertaining compliance with the rules and regulations of the project. Findings should be reported in writing to the owner and HPD. Despite our requests for the required annual individual apartment inspection reports, management at all three developments failed to provide them. In the absence of such reports, HPD has no assurance that the units are being maintained in accordance with the Rules and therefore are not aware of any unsafe physical conditions that may exist. If conditions go undocumented and uncorrected for long periods of time, they can ultimately jeopardize the health and safety of residents.

To determine whether the developments were being maintained as required by the Rules, we visited the three developments to verify current conditions. Our site visits were:

- Clinton: August 27 and December 12, 2024; and January 8, 2025
- Evergreen: September 24, 2024; March 5, and March 21, 2025
- Tivoli: July 24, August 7, and August 21, 2024

At all three developments, we found that improvements are needed to ensure the preservation of the property and to protect the health and safety of residents and employees. Detailed below are our observations of the hazardous physical conditions at each of the three sampled developments we visited.

Clinton

We conducted three site visits to Clinton—August 27 and December 12, 2024 and January 8, 2025—and found several unsafe conditions, such as evidence of mice infestation in a commercial space and missing tiles/water leaks in common areas.

When we visited Clinton's five commercial spaces on December 12, 2024, we found unsafe conditions at one of the spaces—a day care in which children were present. Specifically, we observed discoloration on ceiling tiles that appeared to be caused by a water leak (see Figure 1). We also observed mouse droppings on classroom floors, in a book closet, and on mouse traps placed under radiators (see Figures 2, 3, and 4). Day care employees informed us of an ongoing mice infestation while the outdoor courtyard has been under construction. Mice in a day care setting pose serious health and safety risks to children and staff as they can contaminate food and surfaces with their droppings and urine, creating unsanitary conditions.

According to Clinton’s managing agent, commercial tenants—such as the day care—are responsible for providing their own extermination services as well as making sure their space is sanitary, safe, and in good condition, per their lease. However, management, once made aware of a mice infestation involving one of their tenants, should take action to determine the root cause and take steps to remediate it. Whether they are found directly responsible for an issue or not, the managing agent should ensure that health and safety risks identified within Clinton are corrected.

Figure 1 – Water-damaged ceiling tiles in closet

In response to our preliminary findings, HPD officials stated that, upon learning of the problem, Clinton’s managing agent acted promptly to engage a contractor to seal off all identified potential access points and pressed the tenant to get an exterminator. Clinton’s managing agent advised us that the day care’s rodent problem had improved significantly after the work was performed and the tenant strengthened its extermination services.

Figure 2 – Mouse droppings in day care book closet

Figure 3 – Mouse droppings on classroom floor

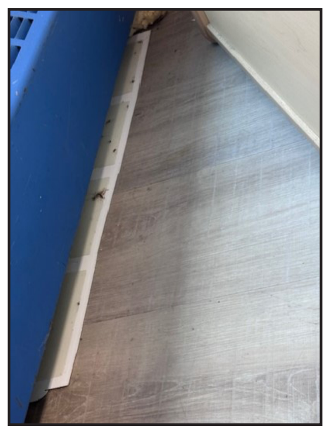


Figure 4 – Mouse droppings on traps in classroom

When we visited Clinton on August 27, 2024, we observed the ceiling in the lobby had missing ceiling tiles throughout the entire ground-floor level (see Figure 5). The managing agent informed us that work was halted due to a lack of payments to the contractor. On a subsequent visit on December 12, 2024, we saw that the communal courtyard and community room were closed. We also noticed building materials belonging to the contractor around the courtyard (see Figure 6). According to the managing agent, the courtyard has not been accessible to residents for at least 10 years because management suspected the area was being used for drug-related activities. The community room also had construction supplies and paperwork scattered throughout.

Further, the audit team saw evidence of water leaks throughout the garage. Although it appeared that some of these leaks had been fixed, some areas were still in need of repair. We noted that this condition was also documented in Clinton’s physical inspection reports from HDC for our entire scope period—over 5 years. The managing agent stated the repair work was stopped due to the contractor not being paid.

In response to our preliminary findings, HPD officials stated that about $22 million in refinancing was used to fund substantial façade work, garage repairs, and courtyard upgrades. All liens that may have delayed prior work have been removed, and work is expected to resume shortly. Additionally, HPD informed us that it is currently working to provide additional funding for lobby renovations, security enhancements, and boiler repairs.

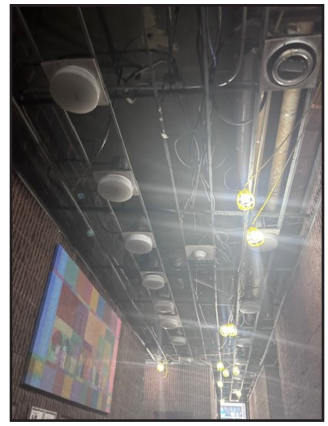


Figure 5 – Missing ceiling tiles in lobby

During our visit on January 8, 2025, we observed hazardous physical conditions in two of the 40 sampled units. One unit had possible mold on its bathroom ceiling, and another unit had loose hinges on a kitchen cabinet door.

To determine whether Clinton units are being inspected annually as required, we requested individual unit inspection reports from Clinton's managing agent for our audit scope. According to Clinton's property manager, individual unit inspections started in October 2024 and were to continue into 2025; however, as of August 13, 2025, we had not received the individual unit inspection reports.

Figure 6 – Building material around courtyard

Evergreen

We conducted three site visits to Evergreen—September 24, 2024 and March 5 and 21, 2025—and found several unsafe conditions such as holes in the foundation, inoperable self-closing/fire doors, and hazardous conditions in various units such as water damage.

On our March 21, 2025 visit, we observed holes in the foundation of Building 950 that created an opening where unwanted animals and water could enter (see Figure 7). We also observed a large piece of brickwork and debris in the courtyard, and at Building 955, a bench that was detached from the ground, which could be a tripping hazard.

Figure 7 – Holes in the foundation of Building 950

During our March 5, 2025 visit, we observed the following hazardous conditions in Evergreen's shared interior spaces:

- In Building 950, the 11th-floor Staircase B door had a broken doorknob, not allowing it to fully self-close and latch (Figure 8).
- In Building 955, the 14th-floor Staircase A door had a missing "gut" (internal component of a lock set that allows the door to be locked and unlocked) that did not allow it to fully self-close and latch.

Per HPD Policy, unit doors and hallway doors are required to swing close and latch by themselves after being opened, so that in the case of a fire, the closed doors trap the fire and smoke and stop them from spreading. Not properly maintaining self-closing/fire doors can cause fires to spread faster, causing damage to the development and risk to human life. We also observed the following conditions in Buildings 950 and 955:

Figure 8 – 11th-floor Staircase B: broken doorknob preventing the door from fully self-closing and latching

- Building 950:
  - Community room: a hole in the ceiling and missing ceiling tiles.
  - Laundry room: discoloration and peeling paint on the wall and ceiling due to a water leak.
  - We also observed bubbling paint/plaster on the first- and fourth-floor hallways and cracks in the wall of the fourth-floor hallway.
- Building 955:
  - We noted that the fire alarms in hallways on the fifth-, ninth-, and 16th floors were beeping, indicating they needed replacement batteries.
  - We noticed the laundry room had missing wall tiles and cracks around the door frame.
  - We also observed bubbling paint/plaster on the 12th-floor hallway, discoloration in the 12th-floor hallway, and peeling paint on the walls in the ninth-floor hallway.

On April 8 and 15, 2025, we requested the individual unit inspection reports for our audit scope from the managing agent and, as of August 13, 2025, we had not received the requested reports. During our site visit on March 5, we identified hazardous physical conditions in 22 of the 35 sampled units. These conditions included:

- Cracks on living room walls (Figure 9)
- Bubbled wall paint/plaster due to water damage (Figure 10)
- Peeling paint (Figure 11)
- A hole in a bathroom ceiling that was covered with cardboard (Figure 12)
- Discoloration on the bathroom wall and ceiling due to a water leak

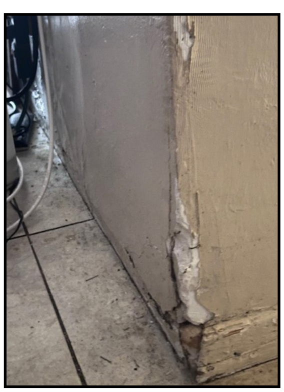


Figure 9 – Cracks on living room wall

Figure 10 – Bubbled paint/ plaster on bathroom wall

Figure 11 – Peeling paint on bathroom ceiling

Figure 12 – Hole in bathroom ceiling covered with cardboard

Tivoli

We conducted three site visits to Tivoli—July 24, August 7, and August 21, 2024—and found various unsafe conditions such as damaged façade, inoperable self-closing/fire doors, and leaks in the boiler room and elevator control room. Further, we found possible mold and water damage and other potential hazardous/unsafe conditions in other occupied units.

When we visited Tivoli on July 24, 2024, the façade was damaged, including missing concrete and exposed steel beams, and was encased in netting. Tivoli's officials informed us that a section of the façade fell off in 2021, which caused cracks in the building's exterior. We also noticed that no work was being done on the façade when the team visited on other occasions. Tivoli officials told us that work was halted due to financial issues and not receiving a variance approval from the New York City Department of Environmental Protection. As of August 21, 2024, the date of our last visit to Tivoli, work on the façade had not resumed.

Due to the crumbling façade, tenants at Tivoli did not have access to the communal courtyard. On our visits to Tivoli, we noticed tenants congregating at the side entrance in chairs and sofas, and on the sidewalk. When we questioned this, Tivoli's managing agent stated that because of the non-accessible courtyard, people would congregate at the side entrance and on the sidewalk. We noticed that the playground and community center also were not accessible to tenants. In response to our preliminary findings, HPD officials noted that HPD and HDC closed on approximately $13 million in supplemental City capital funding in September 2024 to complete a full scope of work to address the development's pressing issues, including the façade design flaws.

Figure 13 – 10th-floor fire door of Stairwell B does not self-close and latch

When we visited Tivoli on August 7 and 21, 2024, we observed several self-closing/fire doors that were not fully closing and latching or that had broken glass:

- 10th-floor Stairwell B fire door and 33rd-floor Stairwell A fire door did not self-close and latch (Figure 13).
- 17th-floor Stairwell A fire door had a missing gut, preventing it from self-closing and latching.
- 28th-floor Stairwell A fire door's gut was stuck inside, preventing the door from latching.
- Five fire doors—18th and 31st floors in Stairwell A and 17th, 28th, 30th, and 31st floors in Stairwell B—had either broken or missing glass (Figure 14).

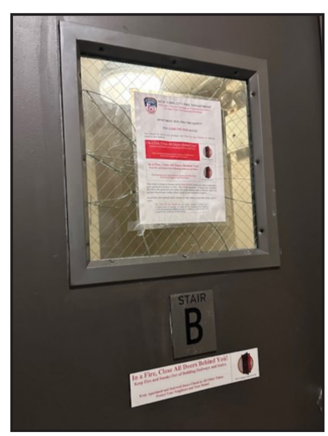


Figure 14 – Fire door with broken glass

Not properly maintaining self-closing/fire doors can cause fires to spread faster, causing damage to the development and injury to its residents.

Further, on our August 21, 2024 visit, we observed several leaks and water puddles in the boiler room, along with peeling paint and discoloration of the walls (see Figures 15 and 16). We also observed possible mold and peeling paint on the ceiling due to a leak in the elevator's control room.

To determine whether Tivoli units are being inspected annually as required, we requested individual unit inspections reports from Tivoli's managing agent for our audit scope. As of August 13, 2025, we had received none of the requested reports.

On August 7, 2024, we observed hazardous physical conditions in 10 of the 32 occupied units we visited (see link below for more photos). Some of the unsafe conditions we observed in one or more of the 10 units included:

- Possible mold growth under a kitchen sink (Figure 17)
- Inoperable balcony doors
- Bathroom tiles with water damage
- Clogged bathroom sinks
- Leaking toilet
- Cracks on a bedroom wall
- Missing stove knob, impacting functionality and safety

In addition, another tenant reported that their unit experienced two flooding incidents, resulting in mold growth throughout the unit. In response to our preliminary findings, HPD officials noted that Tivoli's management has been in communication with HPD about issues related to the unit with the reported mold and is putting plans in place to address them.

Click for additional photos of Clinton, Evergreen, and Tivoli.

Figure 15 – Leak in boiler room

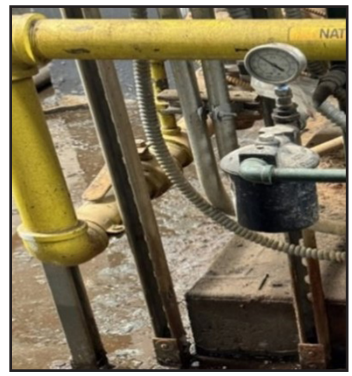


Figure 16 – Puddle in boiler room

Figure 17 – Possible mold under the kitchen sink

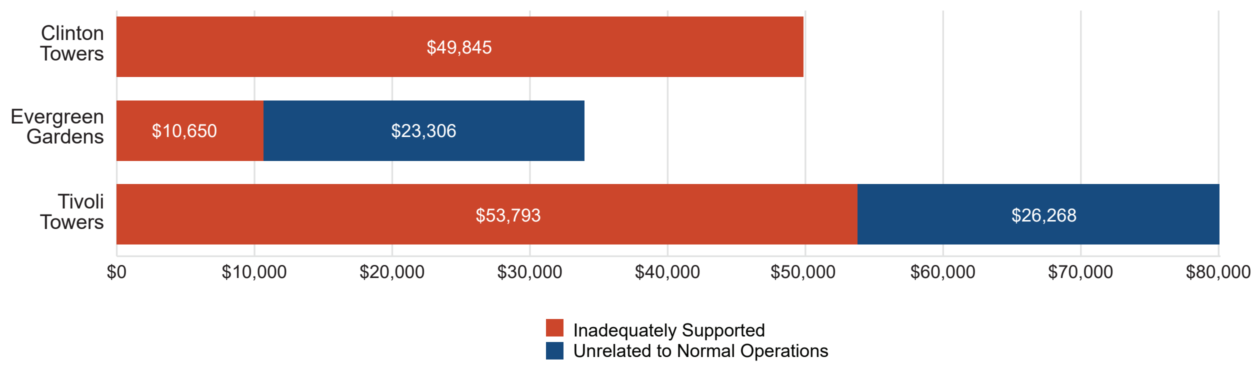
Recommendation

1. Improve monitoring of the three developments, including but not limited to:
    - Verifying that managing agents maintain the developments 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/fire doors are fully operational.
    - Ensuring that immediate corrective action is taken when hazardous conditions are identified.

Inadequate Oversight of Financial Conditions

Based on our review of sampled transactions at Clinton, Evergreen, and Tivoli, HPD officials should improve their oversight of financial conditions at the developments. Across the three developments, we found approximately $163,862 in transactions that were either unrelated to normal operations or inadequately supported (see Figure 18).

Figure 18 – Expenses Unrelated to Normal Operations or Inadequately Supported



In addition, we did not find competitive analysis and/or bidding and written HPD approval for $4.6 million in contracts. Finally, we estimated approximately $327,514 in loss of rental revenue for vacant units.

In accordance with the Rules, "managing agents must maintain an office or place of business where they will keep all books, records, bills, and other documents pertaining to the housing company. These records will be available for inspection and review by the owner, HPD or other interested parties as permitted by statute or rules of HPD." Additionally, development funds should be used prudently and for business related to the developments.

HPD has failed to adequately review supporting documentation to ensure expenses are valid and appropriate. Lack of such review can result in a development's management misusing and wasting funds and issuing checks to inappropriate parties. Further, HPD does not have policies and procedures that address the payment of bonuses; officials told us that such payments are neither condemned nor condoned. However, bonuses are generally awarded for good performance. Consequently, developments are not prevented from paying bonuses while operating at a loss—even though such payments may result in maintenance increases to residents as well as the inability to address hazardous conditions. Additionally, HPD officials do not have policies and procedures in place related to gratuity payments, so developments are not prevented from paying gratuities while operating at a loss. Moreover, management of the three developments seem to lack training in or awareness of good governance and of their financial responsibilities, as evidenced by the use of funds for unnecessary purposes in the face of financial losses.

Clinton

To determine whether the sampled developments' funds were being used for their intended purposes, we selected a judgmental sample of 226 transactions, totaling approximately $1.3 million, from Clinton's general ledgers for the 5 years ended September 30, 2024. Based on our review of the documentation provided, we found 112 transactions totaling $49,845 that were unrelated to normal operations as follows.

Unrelated to Normal Operations

- $39,449 in non-mandated bonus payments to maintenance workers, porters, and the superintendent.
- $4,500 in holiday gratuities paid to the superintendent.
- $3,440 for holiday parties, decorations, and gifts.
- $2,456 for other non-allowable miscellaneous administrative expenses, including $932 for "food and drink" for the board of directors.

While Clinton spent nearly $50,000 on items unrelated to operations, the development reported that, as of June 30, 2025, it had outstanding payables of about $4.1 million. Furthermore, Clinton operated at a net loss before depreciation of $416,566 in fiscal year 2021, $412,474 in 2022, and $216,894 in 2023. If Clinton continues to make unnecessary payments and purchases while operating at a net loss, it may result in maintenance cost increases, the inability to address hazardous conditions, or other negative consequences to residents.

Evergreen

To determine whether the sampled developments' funds were being used for their intended purposes, we selected a judgmental sample of 200 transactions, totaling approximately $1.6 million, from Evergreen's general ledgers for the 5 years ended December 31, 2024. Based on our review of the documentation provided, we found 28 transactions totaling $33,956 that either were unrelated to normal operations or inadequately supported as follows.

Unrelated to Normal Operations

- $10,250 in non-mandated bonus payments to the maintenance staff, porters, and the superintendent.
- $400 for two transactions that were deemed unrelated to normal operations because they were documented as holiday parties/donations.

Inadequately Supported

- $19,433 for six transactions not supported with invoices. Expenses were related to elevator repairs, electrical repairs, lead removal, access fees, on-site tech, and heating repairs.

- $1,563 for supplies not supported with a canceled check.
- $1,500 for an unsupported settlement payment.
- $810 for a credit card interest payment that was shared among multiple properties. Managing agents did not provide an allocation methodology to support payments claimed to Evergreen.

As of August 13, 2025, the requested documentation for transactions that were inadequately supported had not been provided. Therefore, we cannot determine if these expenditures were appropriately related to the operations of the development or paid to the payees listed on the general ledger.

Tivoli

To determine whether the sampled developments' funds were being used for their intended purposes, we selected a judgmental sample of 138 transactions, totaling approximately $922,115, from Tivoli's general ledgers for the 5 years ended June 30, 2024. Based on our review of the documentation provided, we found 26 transactions totaling $80,061 that either were unrelated to normal operations or inadequately supported as follows.

Unrelated to Normal Operations

- $48,393 in non-mandated bonus payments to maintenance workers, porters, and the superintendent.
- $5,400 in holiday gratuities paid to the superintendent.

Inadequately Supported

- $17,413 for nine transactions not supported with invoices or receipts. Unsupported expenses were claimed in various categories, such as repairs and maintenance, accounting, marketing, and legal fees.
- $8,855 for three transactions not supported with canceled checks, including $5,226 for elevator repairs and maintenance, $2,650 for contracted security, and $979 for copier expenses.

As a result of inadequately supported documentation, we could not determine if these expenditures were appropriately related to the operations of the development or paid to the payees listed on the general ledger.

While Tivoli spent about $80,000 on items either unrelated to operations or inadequately supported, the development reported that, as of September 30, 2024, it had $207,496 in outstanding payables. We also noted that Tivoli operated at a net loss, before depreciation, of $930,112 in fiscal year 2022. If Tivoli continues to make unnecessary payments and purchases while operating at a net loss, it may result in maintenance cost increases, the inability to address hazardous conditions, or other negative consequences to residents.

In response to our preliminary findings, HPD claimed annual bonuses/gratuities to housing maintenance staff are customary, and that a rule restricting such payments could result in staff attrition and negative impacts for the properties and their residents.

Lack of Supporting Documentation and Required Competitive Bidding for Contracted Services

According to the Rules, "contracts for building services, repairs, replacements, redecorating or improvements and supplies shall be let on the basis of lowest cost compatible with quality of performance, material, and workmanship … on the basis of no less than three competitive bids …[and] contracts over $100,000 shall be submitted for HPD written approval."

We found Evergreen contracted with five vendors (each exceeding the $100,000 threshold) during our audit scope; payments from these contracts totaled $3.9 million. One of the contracts, with payments totaling $811,350, was with a vendor that provided boiler/burner-controlled combustion services. The management agency did not provide us with HPD's written approval or evidence of competitive bidding for these services.

For Tivoli, we requested the security contract for our scope period and received a contract for security services that was executed in 2014. We could not determine whether the contract was in effect during our scope period or whether it was competitively bid and approved by HPD. According to the Rules, any renewal contract for building services, including security, must be submitted to HPD for written approval prior to the expiration of any previous contract.

Without competitive bidding and analysis and an updated security contract, we cannot determine whether contracts were awarded based on the lowest cost compatible with quality of performance, material, and workmanship as required by the Rules, nor can we be certain that the development is not spending its funds on inappropriate or superfluous expenses. There is also a risk that managing agents may select unqualified vendors, family, and friends.

No HPD Notification for Expenditures Exceeding $100,000

As of July 2023, the Rules state that "the managing agent must promptly notify HPD if the housing company makes payments to and/or incurs charges from any vendor or service provider that in the aggregate equal to or exceed $100,000 in any fiscal year. Such notification shall be in writing and must be made no more than seven days after such payments and/or incurred charges reach the $100,000 limit; and upon a housing company making payments to and/or incurring charges from any vendor or service provider that in the aggregate equal or exceed $100,000 in any fiscal year, no further charges may be incurred without the prior written approval of HPD."

We requested all contracts with payments that in the aggregate exceeded $100,000 for our scope period. We also analyzed general ledgers during our scope period and found all three developments did not notify HPD of any of the expenses with aggregate payments to vendors exceeding $100,000. We found the following:

- Clinton paid one vendor more than $579,810 to provide repair services.
- Evergreen paid one vendor $180,561 for fencing services.
- Tivoli paid one vendor $161,631 for building supply services.

Managing agents from all three developments could not provide written notification sent to HPD and, therefore, no further charges should have been incurred without HPD's written approval. Both Clinton and Evergreen's managing agents informed us they were not aware of the requirement to promptly notify HPD of payments to vendors that in aggregate equal or exceed $100,000.

Loss of Rental Revenue for Vacant Units

According to an HPD directive, if a unit remains vacant for more than 120 days, management must provide a written explanation for the excessive vacancy period and a plan of action to resolve the matter causing the delay in reoccupying the unit. At Clinton and Tivoli, we found that several of the vacant units had been empty for extended periods. Having units remain vacant for such long periods not only results in a loss of income for the development but can also lead to further deterioration in the units' physical condition, making them more costly to repair. We estimated that managing agents for Clinton and Tivoli were unable to collect $327,514 in unrealized rental income from units that remained vacant for more than 120 days.

- As of December 12, 2024, Clinton's management reported eight vacant units, five of which were vacant for 120 days or more. We calculated that the managing agent was unable to collect $62,636 in unrealized rental income for the five units.
- As of July 24, 2024, Tivoli's management reported 16 vacant units; 10 (nine of which were move-in ready) were vacant for 120 days or more with six of the 10 vacant for more than 1 year. We calculated that the managing agent was unable to collect $264,878 in unrealized rental income for the 10 units.

Recommendations

2. Develop and implement policies and procedures regarding bonus and gratuity payments.
3. Monitor managing agents and the developments' boards (where applicable) to ensure they:
    - Operate the developments in a fiscally sound manner, with HPD providing training if necessary, and
    - Promptly fill vacant units.

4. Adequately review transactions for appropriateness of expenses and sufficiency of supporting documentation during annual reviews.
5. Periodically review a sample of expenses to identify payments to vendors and service providers that, in the aggregate, equal or exceed $100,000 in any fiscal year to ensure HPD has approved them, and that contracts were competitively bid and those at $100,000 or more were approved by HPD.

Other Matters

Excessive Resident Arrears

The Rules state that it is the managing agent's responsibility to collect rent/carrying charges as well as to take the necessary actions to collect past-due rent/carrying charges. Uncollected rents can negatively impact a development's finances. We reviewed financial statements as well as the Aged Delinquency Reports related to Clinton, Evergreen, and Tivoli during our audit scope period. In total, the three developments reported approximately $4 million in arrears.

Clinton

During our review on November 20, 2024, we identified $992,380 in arrears, of which $670,110 was more than 90 days overdue. We found two residents with total arrears of $83,380 and $80,384, respectively.

Evergreen

During our review on February 12, 2025, we found $1,262,008 in rent arrears, of which $711,673 was more than 120 days overdue. We found two residents with total arrears of $75,889 and $64,149, respectively.

Tivoli

During our review on July 29, 2024, we found approximately $1.8 million in arrears, of which $1.4 million was more than 90 days overdue. We found two residents with total arrears of $198,448 and $189,566 respectively. According to Tivoli's managing agent, legal action is initiated within 3 months if the tenant fails to pay their rent.

In response to our preliminary findings, HPD officials stated that managing agents address rent arrears through established escalation processes. During the required legal process for addressing non-payment, residents remain in their units, accruing arrears. The amount of rent arrears has intensified since the COVID pandemic.

Recommendation

6. Monitor managing agents to ensure rent arrears are collected in a timely manner.

Personal Credit Card Usage

On January 24, 2024, an HPD Administrative Audit of Clinton stated that "the superintendent purchases supplies based on the inventory shelf balances. Periodically, the superintendent uses his [personal] credit card to make purchases and is later reimbursed. When building supplies are ordered, the maintenance personnel signs-off on delivery tickets and most invoices are approved for payment by the superintendent. There isn't a system that links and records transactions receipts to invoices. Invoices are paid by the main office." Without a system in place, there is a risk of improper or unauthorized financial decisions and undetected misuse of funds.

HPD's audit instructed Clinton's superintendent to refrain from making housing company purchases with his personal credit card and recommended Clinton set up purchase order accounts with vendors. However, we reviewed Clinton's general ledgers as of June 2024 and found $9,551 in reimbursements that were paid to the superintendent for personal credit card purchases.

Recommendation

7. Develop and implement policies and procedures regarding the usage of personal credit cards for housing company purchases.

Audit Objectives, Scope, and Methodology

The objectives of our audit were to determine whether Mitchell-Lama developments supervised by HPD are being maintained in a manner that protects the health and safety of residents, and whether funds at these developments are being used for intended purposes. Our audit covered the period from January 2019 through April 2025.

To accomplish our objectives and assess related internal controls, we reviewed the Rules of the City of New York, local laws, and HPD's policies and procedures, including HPD's fiscal audits and physical inspection reports. We met with HPD officials to obtain an understanding of their rules, policies, and procedures, as well as their oversight of the developments, and met with development residents to obtain their testimony regarding development conditions.

We used a non-statistical sampling approach to provide conclusions on our audit objectives and to test internal controls and compliance. We selected judgmental samples. However, because we used a non-statistical sampling approach for our tests, we cannot project the results to the respective populations. Our samples, which are discussed in detail in the body of our report, include:

- A judgmental sample of three developments (Clinton, Evergreen, and Tivoli) from a list of 92 HPD-supervised Mitchell-Lama developments provided by HPD. Our sample was selected based on various factors, including development type, location, and complaint and violation data from HPD Online. We visited all three sampled developments to observe physical conditions and met with the developments' managing agents and on-site property managers to obtain an understanding of how they oversee the developments' conditions and operations.
- To determine whether expenses were supported and used for business purposes, we selected and reviewed a judgmental sample of 564 transactions, totaling approximately $3.9 million, from the three developments' general ledgers for the period from January 2019 through December 2024, which consisted of: Clinton – 226 transactions totaling approximately $1.3 million; Evergreen – 200 transactions totaling approximately $1.6 million; and Tivoli –138 transactions totaling approximately $922,000. The transactions selected were based on various factors including dollar amount, vendor name, and transaction type.

For the three developments, we also reviewed HPD records, including the developments' certified annual financial statements, contracts, payroll records, invoices, general ledgers, and other relevant documents related to financial and physical conditions. We conducted office visits to each of our sampled developments' management companies and reviewed documentation such as vacancy reports, invoices, contracts, and written HPD approvals related to the sample we selected. During our audit scope, Evergreen was managed by Grenadier Realty Corporation until December 2021, and subsequently by Nelson Management.

We determined that the data used to pull our samples and perform our analyses was sufficiently reliable for use in accomplishing our audit objectives.

As part of our audit procedures, we used data visualization software to enhance understanding of our report.

Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article III of General Municipal Law.

We conducted our 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.

As is our practice, we notify agency officials at the outset of each audit that we will be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor's Office of Operations have informed us that, as a matter of policy, mayoral agency officials do not provide representation letters in connection with our audits. As a result, we lack assurance from agency officials that all relevant information was provided to us during the audit.

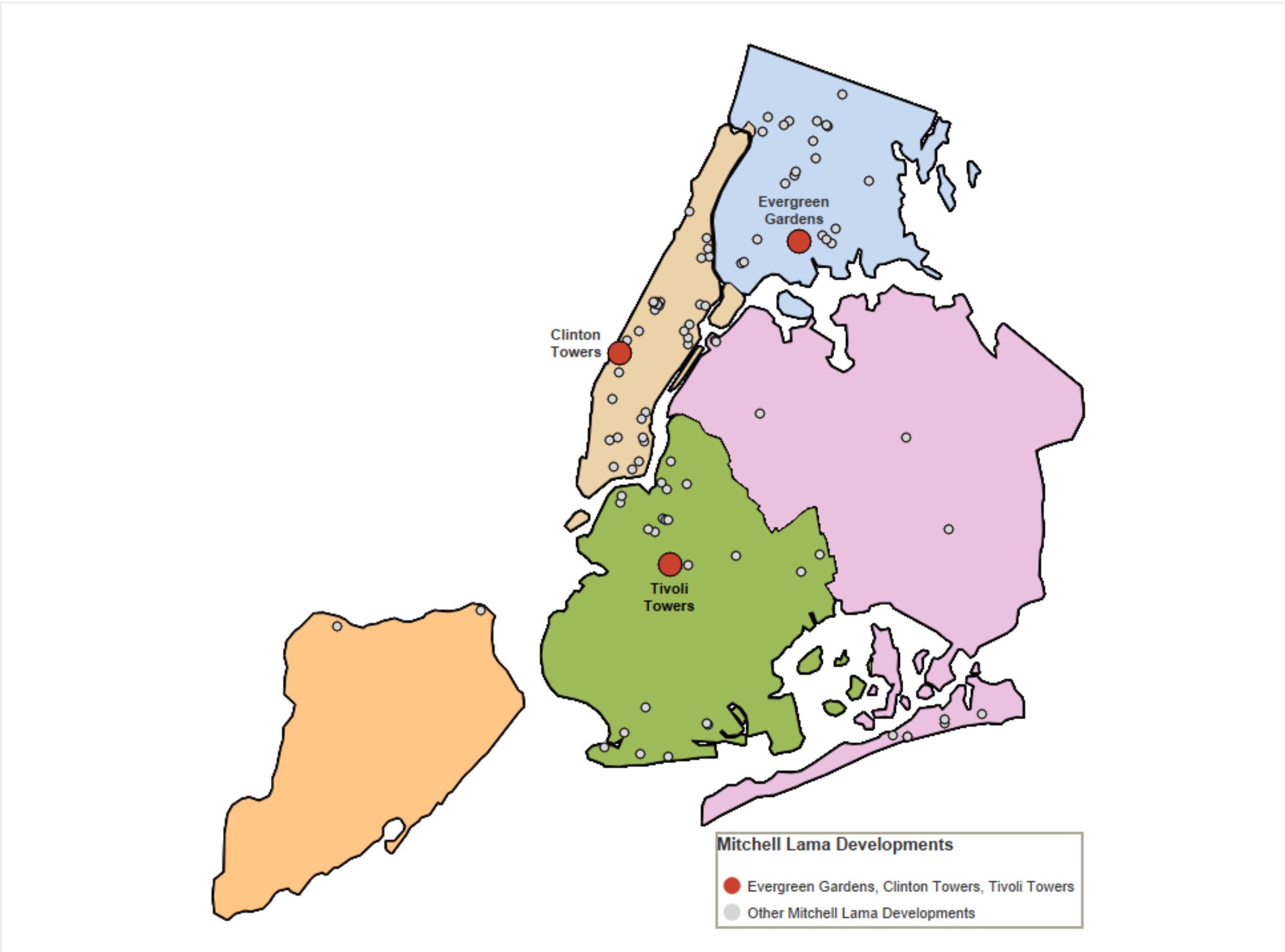
Reporting Requirements

We provided a draft copy of this report to HPD officials for their review and formal comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of it. In their response, HPD officials generally agreed with most of the report's recommendations and indicated actions they have taken or will take to implement them. Our responses to certain HPD comments are embedded within HPD's response as State Comptroller's Comments.

Within 180 days after final release of this report, we request that the Commissioner of the New York City Department of Housing Preservation and Development report to the State Comptroller, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons why.

Exhibit

All New York City Mitchell Lama Buildings
as of June 26, 2025



Borough	Number of Developments
Manhattan	34
Brooklyn	23
Bronx	22
Queens	11
Staten Island	2

Colors were selected from https://colorbrewer2.org/ by Cynthia A. Brewer, Geography, Pennsylvania State University.

Department of
Housing Preservation
& Development
nyc.gov/hpd

AHMED TIGANI
Acting Commissioner

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

October 10, 2025

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

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

Dear Kenrick,

Thank you for the opportunity to respond to your Audit Report. We appreciate the OSC's interest in ensuring that housing in HPD's Mitchell-Lama portfolio is financially and physically sound.

As described to the auditors during their fieldwork, the maintenance of an aging housing stock presents a series of challenges that were only exacerbated by the pandemic and subsequent inflationary environment. The Mitchell-Lama portfolio faces distinct pressures, particularly given its age, and HPD has been working diligently to shore up the physical and financial health of this critical housing stock. The City has been actively working to address the capital needs at all three developments that are the focus of this audit, but additional support will be required from all levels of government to address the broader needs of the portfolio. As such, we agree with several of the recommendations, most of which HPD had implemented, or was in the process of implementing, prior to or in the course of the audit.

That said, the report also cites a number of issues for which HPD provided explanations during the audit that should have mitigated certain findings or, in many cases, rendered them moot. We have included some, but not all, of these explanations in our response.

State Comptroller's Comment – We reviewed and considered all information and explanations provided by HPD and management agency officials in arriving at our findings and conclusions.

Once again, thank you for providing the opportunity to comment on the Audit Report, and for recognizing the Agency's commitment to sustaining this critical source of affordable housing.

Sincerely,

Ahmed Tigani

Printed on paper containing 30% post-consumer material.

Agency Response:
New York City Department of Housing Preservation & Development (HPD) to the Office of the New York State Comptroller (OSC)

Physical and Financial Conditions at Select Mitchell-Lama Developments

2024-N-4

Date of Response: October 10, 2025

Overview

The New York City Department of Housing Preservation and Development (HPD, or the Agency) is providing comments to the Office of the New York State Comptroller (OSC). These comments respond to the OSC's audit to determine whether Mitchell-Lama developments supervised by HPD are being maintained in a manner that protects the health and safety of residents, and whether funds at these developments are being used for intended purposes, per a draft audit report ("the report") issued to HPD on September 11, 2025.

The core of HPD's mission is housing safety, affordability, and community strength, which we demonstrate through our ongoing commitment to our Mitchell-Lama portfolio. Since 1955, the Mitchell-Lama program has been an invaluable source of affordable housing for low- and middle-income New Yorkers, as well as a path to homeownership for many who might not otherwise have had access to this opportunity. HPD is proud of its work to preserve these properties; in Fiscal Year 2025 alone, HPD closed on preservation financing for over 5,000 units of Mitchell-Lama housing.

In New York City, and across the nation, maintaining an aging building stock is an enormous challenge for every property manager, organization, and agency dedicated to housing quality. The COVID pandemic greatly exacerbated this challenge, and impacts in terms of rental arrears, delayed maintenance, and rising costs continue to affect buildings across the city. HPD is not deterred by these challenges, however, which serve only to make the Agency's mission more critical. HPD has long worked proactively to ensure the long-term stability of the Mitchell-Lama portfolio.

As discussed with the OSC audit team, HPD and HDC have closed on substantial preservation funds to these properties in recent years to make capital repairs for the purpose of improving the developments' physical and financial conditions. However, the report made incomplete reference to these financing activities, most of which predate or were contemporaneous with audit fieldwork.

Specifically:

- Tivoli Towers
    - In June 2022, HPD and HDC closed an approximately $55 million refinancing (including about $15 million in City capital subsidy) to fund extensive façade work, roof replacement, elevator repairs, electrical upgrades and plumbing replacements. *The audit report did not mention this 2022 refinancing.*
    - In September 2024, following the partial façade collapse mentioned in the report, HPD and HDC closed on approximately $13 million in supplemental City capital subsidy funding to allow the façade issues to be fully addressed and for the remainder of the scope of work to be completed. *The report states that facade work had not resumed as of August 2024, but in fact it resumed almost immediately thereafter, following the September 2024 supplemental loan closing; completion is expected in 2026. Moreover, the report suggests*

that these funds were allocated in response to the preliminary audit findings, when in fact they were closed-on prior.

State Comptroller's Comment – Our report accurately states that façade work had not resumed at the time of our visit on August 21, 2024. Moreover, we did not suggest that funds were allocated in response to our preliminary audit findings; rather, we simply noted HPD's response to our preliminary audit findings.

- Clinton Towers
  - In December 2021, HPD and HDC closed on an approximately $22 million in refinancing (including about $12 million in City capital subsidy) to fund substantial façade work, garage repairs, and courtyard upgrades, among other items. In addition, HPD is currently working to provide additional funding for lobby renovations, security enhancements and boiler repairs. *The audit report did not mention this 2021 refinancing nor the ongoing effort to supplement it.*

    State Comptroller's Comment – HPD is mistaken. Our report (on page 10) clearly mentions the $22 million in refinancing, as well as efforts to obtain additional funding for lobby renovations, security enhancements, and boiler repairs.

- Evergreen Gardens
  - In December 2021, HDC closed on approx. $23 million in capital financing to fund façade repairs, roof restoration, lobby upgrades, boiler work and security system upgrades. *The audit report did not mention this investment.*

    State Comptroller's Comment – We acknowledge that HPD and HDC closed on several million dollars in refinancing, including City capital subsidies. However, despite the funds that were secured, our report identified numerous deficiencies at the three sampled developments.

Response to Findings
Notwithstanding the veracity of certain difficulties related to resource constraints, HPD disagrees with certain descriptions and characterizations in this report; in most cases, HPD brought data or explanations that mitigate or refute certain findings, but the findings remain included.

State Comptroller's Comment – As noted above, we considered all data and explanations provided to us that were relevant to our audit scope and objective. Our findings and conclusions are based on the evidence provided by HPD and managing agency officials**.**

1) **The report inaccurately cites rental arrears as a metric of financial oversight.**

OSC cites a series of arrears figures as proof that the managing agents of these properties are managing collections poorly. However, the report uses point-in-time arrears figures for the properties, which do not reflect the policies, processes, and patterns intrinsic to rent collection, and which fail to account for the substantial collection challenges that property managers face. As HPD informed the auditors, the managing agents address rent arrears promptly and via established escalation. That residents remain in their units accruing arrears is a circumstance that occurs due to the required legal process for addressing non-payment and respects tenant and owner rights that they are entitled to.

State Comptroller's Comment – We are cognizant of the difficulties in managing rental arrears. However, we not only accurately reported arrears and the point in time to which they apply, but provided information about how long the amounts had been outstanding, which helps distinguish between timing delays and chronic delinquencies. We also aptly noted, on page 19 of our report, HPD's explanations regarding how managing agents address rent arrears.

2) **The report highlights an issue that is both resolved and not within the audit scope.**
OSC mentions that, having visited the five commercial spaces at Clinton Towers, it found one space with issues requiring attention. As the OSC notes, commercial spaces are maintained by the lessee per their lease with the building: they are not residential and therefore not subject to the same type of HPD oversight outlined in the audit background, and as such, the recommendations that the OSC has made regarding unit inspections (discussed below) would not apply to these spaces. Nonetheless, HPD, out of concern, contacted management about the issue when it was brought to the Agency's attention. Management "acted promptly" (p. 9) to address the conditions in the commercial space, so it is disappointing to see a significant portion of the audit report devoted to this issue.

State Comptroller's Comment – We disagree with HPD's statement that our report highlights an issue that is not within the audit's scope, as this issue potentially impacted the health and safety of children who use space at the development. Although commercial spaces are maintained by the lessee, commercial spaces are a part of the development and HPD is responsible for general development oversight. Nevertheless, our recommendation regarding unit inspections was not aimed solely at commercial spaces. Our report simply reported a condition we identified during our site visit, the same way we highlighted conditions found at other developments.

3) **The report mentions non-substantiated conditions and overstates hazard levels.**
The report cites a managing agent remark about the management having closed the courtyard at Clinton Towers ten years ago due to "suspected drug-related activity" (p. 9). The closure of the courtyard is not a health and safety issue and HPD has never received reports of drug-related activity at Clinton Towers; inclusion of this unsubstantiated suspicion is therefore gratuitous and furthers the stereotypes regarding illicit behavior in affordable housing. Moreover, at Tivoli Towers and Evergreen Gardens, the report describes such items as "peeling paint", "leaking toilets", and "clogged sinks" as "hazardous conditions"; these are issues that should be taken seriously and addressed by the property management staff within a reasonable time frame, but they are non-harmful maintenance items commonly observed in all types of housing and resolved by resident work order.

State Comptroller's Comment – The report cites the managing agent's remark about the courtyard simply to report their reason for the extended closure (the courtyard has been closed for at least 10 years) and to add context to why it is now being used to store building materials instead of being available for use by the residents. If the management agent, in the agency's opinion, is furthering stereotypes regarding illicit behavior in affordable housing, and inappropriately denying residents use of development space, HPD as the oversight entity should address this with the management agent rather than allowing this situation to continue. As stated in our report, peeling paint, leaking toilets, and clogged sinks were observed in units that were currently occupied; such conditions are both unhealthy and unsafe. Moreover, HPD's website classifies violations such as broken or defective toilets and sinks as immediately hazardous.

For brevity, HPD will not describe or enumerate all instances in which the Agency's explanations did not appear or are not articulated fully; however, these examples serve to demonstrate what appear to be an imbalanced weighing of evidence against the Agency in various instances.

4

State Comptroller's Comment – We thoroughly reviewed all relevant information provided by HPD officials and building management and considered their explanations in developing our conclusions.

Response to Recommendations

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.

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 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.

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.

State Comptroller's Comment – We encourage HPD to also offer training to development management as recommended, not just to co-op board members.

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.

State Comptroller's Comment – As noted in our report, many of the vacant units we observed were rehabilitated and ready for occupancy. As recommended, HPD should encourage managing agents to fill these units in a timely manner, thereby reducing loss of rental revenue while providing housing to eligible individuals from the waiting list—many of whom were waiting for more than 10 years.

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.

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.

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.

State Comptroller's Comment – Because the three sampled developments reported about $4 million in resident arrears, we encourage HPD to improve its monitoring of managing agents to ensure these excessive arrears are collected timely.

Recommendation 7: Develop and implement policies and procedures regarding the usage of personal credit cards for housing company purchases.
HPD agrees that personal credit cards should not be used for housing development company-related purchases and the agency is exploring the most effective way to implement program-wide changes.

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