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STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 9, 2026

RuthAnne Visnauskas  
Commissioner/Chief Executive Officer  
Homes and Community Renewal  
Hampton Plaza  
38-40 State Street  
Albany, NY 12207

Re: Physical and Financial Conditions  
at Selected Mitchell-Lama  
Developments Located Outside  
New York City  
Report 2025-F-18

Dear Commissioner Visnauskas:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of Homes and Community Renewal to implement the recommendations contained in our audit report, *Physical and Financial Conditions at Selected Mitchell-Lama Developments Located Outside New York City* (Report [2022-S-46](#)).

**Background, Scope, and Objective**

The Mitchell-Lama Housing program (Program) was created in 1955 by the Limited Profit Housing Act to provide affordable rental and cooperative (co-op) housing to middle-income families. A total of 269 State-supervised Mitchell-Lama developments (developments), with over 105,000 apartments, were built under the Program. Developments are owned and managed by private companies (owners). In exchange for low-interest mortgage loans and real property tax exemptions, the Program required owners to comply with limitations on profit, income limits for tenants, and supervision by Homes and Community Renewal's (HCR) Division of Housing and Community Renewal (DHCR).

Often, owners employ a managing agent, a person or entity responsible for managing the developments. Pursuant to New York Codes, Rules and Regulations (Regulations), when owners do so, they are required to enter into an annual agreement with the managing agent, which must include a DHCR-approved Management Plan. It is the responsibility of the owners to provide safe and habitable housing and to maintain the physical and financial integrity of the development, and it is the function of the managing agent to effectively and efficiently manage the development to ensure that the owner's responsibilities are carried out. Both the owner and managing agent must agree to manage the development in accordance with local codes and State rules and regulations. Each development has an assigned DHCR Housing Management Representative (management representative), who is responsible for monitoring and evaluating

the development’s management, as outlined in Title 9 of the Regulations. Management representatives are required to conduct yearly on-site assessments of a development’s physical condition as well as fiscal reviews (site and office visits). They must provide the results—including recommendations—in a written report, the DHCR Management Field and Office Visit Report (Field and Office Visit Report), to the development. DHCR requires the development’s Board of Directors (Board) or managing agent to respond to this Report within 30 days, describing the plan for corrective action.

The objectives of the initial audit, issued on December 8, 2023, were to determine whether residents of Mitchell-Lama developments supervised by DHCR were provided safe and clean living conditions, and whether funds were properly accounted for and used for intended purposes. Our audit covered the period from January 2019 through December 2022. This audit was based on a sample of five developments located outside New York City: Barker Terrace (Barker), Executive House (Executive), Seneca Towers (Seneca), Sunnyside Manor (Sunnyside), and Tompkins Terrace (Tompkins). According to DHCR officials, as of September 2023, Tompkins was dissolved,<sup>1</sup> meaning it voluntarily left the Mitchell-Lama program and is no longer subject to DHCR regulation (see Table 1).

**Table 1 – Sample of Developments**

Development	Development County Location	Managing Agent	Number of Units	Development Type
Barker	Westchester	Prestige Management	92	Co-op
Executive	Albany	Self-managed (no agency)	160	Co-op
Seneca	Monroe	Rochester Management	491	Rental
Sunnyside	Westchester	Metro Management	121	Co-op

The audit found DHCR did not adequately oversee the physical and financial conditions at the sampled developments. Management at those developments misspent funds and failed to provide a safe and clean living environment for the residents. We observed hazardous conditions at two of the five sampled developments, and DHCR officials also identified hazardous conditions during their own visits but did not share their findings with the developments in a timely manner. All five developments misspent funds under DHCR’s watch. For a sample of 470 transactions totaling approximately \$2.5 million from the general ledgers of the five developments, we identified 164 totaling \$327,363 that were unrelated to normal operations, inadequately supported, or apparent conflict-of-interest transactions.

The objective of our follow-up was to assess the extent of implementation, as of December 22, 2025, of the seven recommendations included in our initial audit report.

**Summary Conclusions and Status of Audit Recommendations**

DHCR officials made some progress in addressing the problems identified in the initial audit report; however, further improvements are needed. Of the initial report’s seven audit recommendations, one was implemented, four were partially implemented, and two were not implemented.

<sup>1</sup> Developments are eligible to withdraw from the Mitchell-Lama program, or buy out, after 20 years upon prepayment of the mortgage (or after 35 years in the case of developments aided by loans prior to May 1, 1959). When developments buy out, they are no longer subject to DHCR regulation, and apartments need not be kept affordable for moderate-income families.

## **Follow-Up Observations**

### **Recommendation 1**

*Improve monitoring of financial and physical conditions at sampled developments, including but not limited to:*

- *Verifying that management representatives responsible for oversight at the sampled developments prepare and send the Field and Office Visit Reports to the developments' management promptly, as required;*
- *Conducting site and office visits to each development at least annually in accordance with DHCR Guidelines; and*
- *Utilizing current information when conducting risk assessments.*

Status – Partially Implemented

Agency Action – Since the issuance of our initial audit report, DHCR management representatives have conducted at least two site visits to each of the sampled developments; however, the Field and Office Visit Reports prepared by the management representatives did not address all the mandatory items. Instead, the reports for all four sampled developments identified sections that were either marked “Not Reviewed” or “Not Applicable.” Further, DHCR officials did not send the reports to the developments' management promptly. For example, the report for Sunnyside was not sent until 5 months after the visit (see Table 2).

**Table 2 – Reports**

<b>Development</b>	<b>DHCR Field and Office Visit (as of 12/22/2025)</b>	<b>Report Sent to Development Management</b>	<b>Time Between Visit and Report Issuance</b>
Executive	December 19, 2024	March 12, 2025	3 months
Barker	July 22, 2025	August 8, 2025	< 1 month
Seneca	October 16, 2024	December 12, 2024	2 months
Sunnyside	August 15, 2024	January 31, 2025	5 months

We also reviewed the 2024 risk assessments for all four sampled developments. We found that information from the most recent reports, as well as input from field staff, was included in these reports.

### **Recommendation 2**

*Ensure developments have up-to-date Management Plans that contain allowances that are related to the ordinary operations of a project and enforce adherence to these Management Plans.*

Status – Not Implemented

Agency Action – DHCR officials stated that Management Plans are collected at the time of renewal of managing agent contracts or as part of the request for proposals process for a new managing agent. We reviewed Management Plans on file for Barker, Sunnyside, and Seneca and found that Sunnyside and Seneca’s Management Plans had still not been updated. In fact, they were dated 16 and 15 years ago (2010 and 2011), respectively. Even though we received a signed Management Plan for Barker, we were unable to determine the date of the plan. Additionally, officials at Executive stated they did not have a Management Plan.

Our initial audit also found that DHCR approved a Management Plan for Seneca Towers that contained allowances unrelated to the “ordinary operations” of the development; for example, the approved Management Plan allows for the employment of an activities director to plan and assist with resident functions, such as trips, parties, bingo, and other entertainment. Because Seneca did not update its Management Plan, these allowances continue to exist.

### **Recommendation 3**

*Improve monitoring of financial conditions at the sampled developments including but not limited to:*

- *Reviewing expenditures, including all bonus payments and petty cash and reimbursements transactions, and enforcing compliance with Regulations related to the accounting for and proper use of the developments’ funds;*
- *Taking appropriate action, including recouping funds, for transactions that are inappropriate or unusual; and*
- *Enforcing compliance with Regulations related to conflict-of-interest transactions and to the responsibilities of the Board of Directors, and systematically reviewing Board meeting minutes to identify non-compliance with Regulations and act when necessary.*

Status – Partially Implemented

Agency Action – After our audit report was issued, DHCR issued two memos (2023-B-12 and 2024-B-8) to all housing company owners, managing agents, and site managers regarding unauthorized payments, petty cash transactions, operating fund accounts, and conflicts of interest. However, DHCR does not review all bonus payments, petty cash, and reimbursement transactions.

We reviewed a sample of 111 transactions (selected from general ledgers for the period of January 1, 2024 through September 30, 2025) across the four developments and identified 42 transactions totaling \$24,137 in non-business-related expenses at three of the developments. For example, at Sunnyside, we found holiday bonus payments and reimbursements for refreshments for Board meetings totaling \$6,323 in 2024 and 2025.

Similarly, we found inappropriate reimbursements totaling \$7,929 to the Board President of Executive, including expenses related to parties in 2024 and 2025. Moreover, we noted that in the July and December 2024 Field and Office Visit Reports related to Executive, DHCR marked the section regarding unusual or inappropriate expenditures as “Satisfactory.” Further, the October 2024 report to Seneca states that unusual or inappropriate expenditures were “Not Applicable.” However, during our testing, we found

inappropriate expenses, including a membership expense for the service coordinator, and reimbursements for food, casino trips, and supplies for parties (see Table 3). According to DHCR officials, the casino trips were resident community activities, intended to benefit Seneca’s tenants.

**Table 3 – Expenditures**

Development	Bonus and Gratuity Payments		Unrelated to Operations		Totals	
	Transactions	Amount	Transactions	Amount	Transactions	Amount
Barker	1	\$400	-	-	1	\$400
Executive	-	-	15	\$7,929	15	7,929
Seneca	-	-	20	9,485	20	9,485
Sunnyside	4	5,900	2	423	6	6,323
<b>Totals</b>	<b>5</b>	<b>\$6,300</b>	<b>37</b>	<b>\$17,837</b>	<b>42</b>	<b>\$24,137</b>

DHCR officials did not provide any evidence that funds had been recouped for inappropriate transactions noted in the initial audit report.

In addition to previously referenced memorandums (2023-B-12 and 2024-B-8) to the developments’ management, DHCR issued a newsletter in July 2024 that included a section titled, “What are the ‘Fiduciary Responsibilities’ of your Board of Directors?” The newsletter included points such as following established Board policy, securing written Board approval by resolution for contracts and financial transactions, and refraining from benefiting or achieving personal gain from a corporation’s assets or transactions, as well as a website link to Mitchell-Lama training videos. However, we found that Sunnyside’s management continued to contract with a construction company owned by the development superintendent. For example, Sunnyside paid the superintendent’s company \$6,914 in 2024 and \$413 in 2025 for moving and repair services as well as garbage removal.

We also reviewed the Board meeting minutes for Sunnyside, Barker, and Executive from January 2024 through June 2025 and found for Sunnyside and Barker, there was no evidence that DHCR systematically reviewed the minutes to identify non-compliance with Regulations.

**Recommendation 4**

*Develop and implement policies and procedures related to bonus payments and approval and payment of overtime at developments and monitor compliance with these policies.*

Status – Partially Implemented

Agency Action – In 2023 and 2024, DHCR officials issued policies and procedures regarding unauthorized payments, including bonus and gratuity payments. However, DHCR did not develop policies related to the approval and payment of overtime at the developments. When we reviewed Seneca’s general ledgers, we found that maintenance staff and the superintendent were still receiving overtime payments. From April 1, 2024 to August 31, 2025, maintenance staff received \$44,291 in overtime payments and the superintendent received \$9,212. However, we did not see evidence that overtime was approved.

### **Recommendation 5**

*Mandate regular training for development management and Board members to ensure they are aware of good governance and their fiduciary responsibilities.*

Status – Implemented

Agency Action – On January 11, 2024, DHCR issued memo 2024-B-1, which mandated regular training for Board members in accordance with the Private Housing Finance Law. The statute mandates that every duly elected or appointed member of the Board receives a minimum of 2 hours of training dealing with the financial oversight, accountability, and fiduciary responsibilities of being a Board member. Managing agents for the three sampled developments that have a Board (Sunnyside, Barker, and Executive) provided evidence that all Board members completed the required training. While DHCR did not require similar training for development management, DHCR officials informed us that managing agents are required to have acceptable professional certifications. We found that the management for all four of our sampled developments had either a real estate license or certification in real estate management.

### **Recommendation 6**

*Monitor commercial rent collection at Seneca and work with development management to take appropriate steps to collect outstanding rent.*

Status – Not Implemented

Agency Action – According to DHCR officials, they do not monitor commercial rent collections because they are not party to commercial leases. Nonetheless, we reviewed Seneca's general ledger from April 2024 to March 2025 and found no evidence that monthly rent collections totaling \$200 per month for two commercial tenants were reported as income or collected. We estimate there to be \$2,400 in outstanding rent that should be reviewed and collected. More recently, from April 2025 to August 2025, the managing agent did report monthly rent contributions as income on the development's general ledger.

### **Recommendation 7**

*Improve oversight of physical conditions at sampled developments by ensuring immediate corrective action is taken when unsafe conditions are identified, and document dates of correction.*

Status – Partially Implemented

Agency Action – DHCR issued memo 2023-B-14 on November 9, 2023 to all housing company owners, managing agents, and site managers, reminding them of their ongoing responsibilities, including taking corrective action when unsafe conditions are identified. Additionally, DHCR management representatives routinely perform site and office visits to developments in their portfolio. The purpose of the resultant Field and Office Visit Report is to recommend correction of deficiencies and improvements where warranted, and evaluate the project's overall management. However, of the four sampled developments, we received a corrective action plan for only Executive, which was prepared in response to a DHCR Field and Office Visit conducted in June 2024.

We visited Barker on September 16, 2025, and found the ceiling damage in the storage room, cited in the initial audit report, still existed (see Figure 1). Additionally, we found four fire doors on the third floor (Stairways A and B) and on the fifth floor (Stairways A and B) that did not latch and self-close. Moreover, one of these doors was also listed in DHCR's July 2025 Field and Office Visit Report as an issue (see Figures 2, 3, and 4). On December 16, 2025, Barker's Property Manager reported to DHCR that the ceiling damage and the self-closing fire doors were repaired.

Similarly, when we visited Sunnyside on September 4, 2025, we found a tripping hazard in the courtyard (see Figure 5), which also appeared on DHCR's July 2025 Field and Office Visit Report, as well as two stairwell doors (second-floor Stairwell B and fourth-floor Stairwell B) with inoperable latches that prevented them from properly latching and self-closing (see Figures 6 and 7). On December 19, 2025, Sunnyside's Property Manager reported to DHCR that the self-closing fire doors were repaired.

Additionally, when we visited Seneca on October 15, 2025, we found missing and stained ceiling tiles due to water damage in the lobby hallway (see Figures 8 and 9). We could not determine whether this condition was noted on DHCR's most recent Field and Office Visit Report for Seneca because DHCR conducted its visit during the week of October 6, 2025, and the managing agents had yet to receive the report from DHCR.

Major contributors to this report were David DiNatale, Trina Clarke, Gabriela Gratereaux, and Ian Cunningham.

HCR officials are requested, but not required, to provide information about any actions planned to address the unresolved issues discussed in this follow-up within 30 days of the report's issuance. We thank the management and staff of HCR for the courtesies and cooperation extended to our auditors during this follow-up.

Sincerely,

Diane Gustard  
Audit Manager

cc: Sean Fitzgerald, Homes and Community Renewal  
Cathy Sparks, Homes and Community Renewal  
Mohammed Siddiqui, Homes and Community Renewal

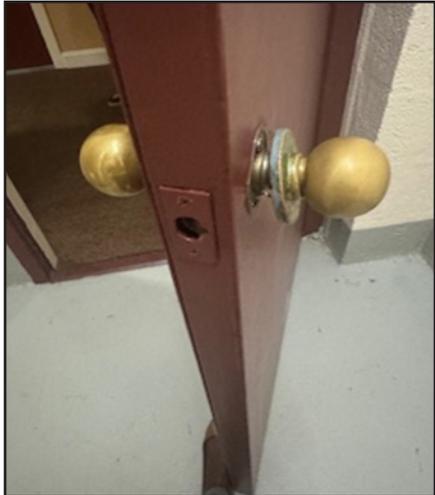
# Exhibit



**Figure 1 (left)** – Ceiling damage in storage room at Barker (September 16, 2025)



**Figure 2 (right)** – Third-floor Stairwell A door with missing latch at Barker (September 16, 2025)



**Figure 3 (left)** – Third-floor Stairwell B door with missing latch at Barker (September 16, 2025)



**Figure 4 (right)** – Fifth-floor Stairwell B door with inoperable latch at Barker (September 16, 2025)



**Figure 5 (left)** – Uneven ground in the courtyard at Sunnyside (September 4, 2025)



**Figure 6 (right)** – Second-floor Stairwell B door with inoperable latch at Sunnyside (September 4, 2025)



**Figure 7 (left)** – Fourth-floor Stairwell B door with inoperable latch at Sunnyside (September 4, 2025)



**Figure 8 (right)** – Stained ceiling tiles in the lobby hallway at Seneca (October 15, 2025)



**Figure 9 (left)** – Missing ceiling tiles in the lobby hallway at Seneca (October 15, 2025)