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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
38-40 State Street
Albany, NY 12207

Re: Division of Housing and Community
Renewal: Physical and Financial
Conditions at Selected Mitchell-Lama
Developments Located Outside
New York City – Sunnyside Manor:
Unauthorized Bank Account
Report 2025-F-24

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 initial audit report, *Physical and Financial Conditions at Selected Mitchell-Lama Developments Outside New York City – Sunnyside Manor: Unauthorized Bank Account* (Report [2024-S-12](#)).

Background, Scope, and Objective

The Mitchell-Lama Housing program (Program) was created to provide affordable rental and cooperative (co-op) housing to middle-income families. A total of 269 State-supervised developments with over 105,000 apartments were built under the Program. Mitchell-Lama developments are owned by private companies and supervised by Homes and Community Renewal's (HCR) Division of Housing and Community Renewal (DHCR) and by the New York City (NYC) Department of Housing Preservation and Development (HPD).

Often, owners employ a managing agent, a person or entity that is responsible for managing the developments. It is the responsibility of the owners to provide safe and habitable housing and maintain the financial and physical integrity of the developments. It is the function of the managing agents to effectively and efficiently manage the developments to ensure that the owners' 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 management representative who is responsible for monitoring and evaluating the development's management, as outlined in Title 9 of the New York Codes, Rules and Regulations (Regulations). Management representatives are required to conduct yearly on-site assessments of the 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—to the development. DHCR requires the development’s board of directors or managing agent to respond to this report within 30 days, describing the plan for corrective action.

The objective of the initial audit, issued on July 3, 2024, was to determine whether residents of Mitchell-Lama developments supervised by DHCR are provided safe and clean living conditions, and whether funds are properly accounted for and used for intended purposes. The report solely addressed the existence and use of an unauthorized bank account by Sunnyside Manor’s Board of Directors (Board). The audit found that Sunnyside Manor’s Board held a checking account separate from the development’s operating account—with a balance of \$14,888 as of March 31, 2022—that, according to the property manager, included deposits of community room rental income. In addition to these deposits, we identified transactions, totaling \$51,048, paid from Sunnyside Manor’s operating account to the Board-held account. Bank statements for the Board-held account showed numerous questionable debit card transactions. This Board-held account was not included on Sunnyside Manor’s general ledger and audited financial statements and appears to have received limited oversight.

The objective of our follow-up was to assess the extent of implementation, as of November 20, 2025, of the three recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

DHCR officials have made progress in addressing the issues identified in the initial audit report. Of the initial report’s three audit recommendations, two were implemented and one was partially implemented.

Follow-Up Observations

Recommendation 1

Review the Board-held bank account at Sunnyside Manor for compliance with Regulations, and take appropriate action, including recouping funds, for transactions that are inappropriate or unusual.

Status – Partially Implemented

Agency Action – According to DHCR officials, they directed the development to close all Board-held accounts and transfer any remaining funds to the housing company’s operating accounts. Sunnyside Manor’s management was instructed to provide supporting documentation, including bank statements showing zero balances and evidence of the transfer of funds. We confirmed that the account was closed in June 2023, and \$15,005 was transferred to the operating account. DHCR officials claimed that, because the account was closed prior to the original audit being issued, there were no funds to identify as inappropriate or unusual. Therefore, the recommendation to recoup funds related to the unauthorized account is not applicable. However, the records regarding the transactions outlined in our report were for a period preceding the closing of the account and should have been reviewed to identify any inappropriate or unusual transactions. Examples of the questionable transactions included Amazon purchases (such as vitamins shipped to an Arizona address, a treadmill mat, a cooking apron, and toys) totaling \$2,512 and restaurant payments totaling \$1,723, including a single payment of \$1,149 at one restaurant.

Recommendation 2

Periodically review Sunnyside Manor's rent receipts and miscellaneous operating income, including community room rental income.

Status – Implemented

Agency Action – DHCR Management representatives periodically conducted site and office visits to Sunnyside Manor to review the physical and financial conditions. Management representatives developed a written report associated with their visit. We reviewed the reports for August 2024 and July 2025 and found the most recent report included documented verification of miscellaneous operating income categories, including rent receipts and community room rental income. DHCR officials also provided us with a budget and rent determination, which considers rent receipts to make income projections and assessments for both apartment rental and community room income. Additionally, we reviewed Sunnyside Manor's general ledger and verified that rental and community room income were included as revenue.

Recommendation 3

Issue guidance to all Mitchell-Lama developments related to the use of Board-held accounts and remind them of the Regulations for opening bank accounts and depositing rental income.

Status – Implemented

Agency Action – DHCR issued guidance in the form of a memorandum (#2023-B-12) in October 2023 to all limited profit and limited dividend housing companies' owners, managing agents, and site managers. The memo highlights "9 NYCRR Section 1728-2.4 Operating Funds; Separately held board bank Accounts," which states that management must open an operating bank account in which all rent receipts and miscellaneous operating income are deposited. All expenses for current operations are disbursed from this account.

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

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
Mohammad Siddiqui, Homes and Community Renewal