

**MINUTES OF THE
48TH MEETING OF THE
NEW YORK STATE AFFORDABLE HOUSING CORPORATION
AUDIT COMMITTEE
HELD ON THURSDAY, JANUARY 29, 2015 AT 8:15 A.M.
AT ITS OFFICES AT
641 LEXINGTON AVENUE
NEW YORK, NY 10022**

MEMBERS AND DESIGNEES

PRESENT:

Darryl C. Towns	Acting Committee Chairman
Thomas H. Mattox	Member (via video conference)
Elaine McCann	New York State Division of the Budget, representing Mary Beth Labate, Member (via videoconference)

Commissioner Darryl C. Towns presided over the meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Elaine McCann, representing Budget Director, Mary Beth Labate, from the Division of the Budget, Commissioner Thomas Mattox from the New York State Department of Taxation & Finance and Linda Baldwin representing Cesar Perales, Secretary of State are participating in the meeting via video conference from the New York State Division of Budget conference center at the Capitol Building Room 131 in Albany; Andrew SanFilippo is attending the meetings from the Agencies' Buffalo Regional Office at Electric Tower, 535 Washington Street, Suite 105 and Marge Rogatz is attending via video conference from ACT Conferencing at 102 3rd Street Mineola NY 11501. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Christopher Curtis, Deputy State Treasurer, in his role as designee for Commissioner Mattox, New York State Department of Taxation and Finance, HFA/AHC Member attended this meeting as guests.

Mr. Kim asked for motions and seconds to call the Audit Committee meetings to order of the New York State Housing Finance Agency (HFA) and the New York State Affordable Housing Corporation (AHC); the State of New York Mortgage Agency (SONYMA); the State of New York Municipal Bond Bank Agency ("MBBA") and the Tobacco Settlement Financing Corporation ("TSFC"). Commissioner Towns moved to call the HFA and AHC meetings to order; Commissioner Mattox seconded the motion. Ms. McCann moved to call the SONYMA meeting to order; Commissioner

Towns seconded the motion. Mr. SanFilippo moved to call the MBBA and TSFC meetings to order; Ms. McCann seconded the motion.

Mr. Kim stated that as items are presented to each Committee throughout the meetings, these motions and seconds, will be used, unless specific items call for a different vote, or unless any Committee member wishes to record his or her vote differently.

Mr. Kim reported that Steven J. Weiss is the Governance Committee Chairman for the New York State Housing Finance Agency and the New York State Affordable Housing Corporation; that Kenneth M. Bialo is the Acting Chairman for MBBA and TSFC and in his absence Mr. Andrew SanFilippo will chair the meeting for MBBA/TSFC and that Commissioner Darryl C. Towns will be the Acting Chairman for SONYMA.

The meetings of the Audit Committees of the affiliated agencies were opened in joint session for the consideration of various matters of shared importance. These minutes reflect only those items being considered by the New York State Affordable Housing Corporation (AHC). A record of items considered by the Audit Committee of the other affiliated agencies is contained in the minutes of each Committee respectively.

Mr. Kim stated that for purposes of convenience and to make sure the meetings of the respective agencies go smoothly, items shared by one or more of the Agencies will be presented by SONYMA Acting Committee Chairman Towns.

The first item on the agenda was the adoption of the minutes of the 47th AHC Audit Committee meeting held on December 9, 2014. Absent comments or corrections from the Members, the minutes were deemed approved.

The next on the agenda was a resolution approving Internal Audit's follow-up Audit of 2013 Audit Reports. Mr. Louis Roberts, Partner, Ernst & Young LLP, presented the 2014 Audit Results noting that the scope of the audit was consistent with the plan presented back in August 2014. He reported on the services provided by Ernst & Young and noted that Ernst & Young will issue an unmodified opinion on the financial statements and issue a report on internal controls. He said there were no significant issues to report; that all judgments were reasonable and consistent with policies and there were no uncorrected misstatements. He said it is recommend that in 2016 more effort will be put into reviewing what is presented by the actuary.

Mr. Roberts reported that there was a review made of Information Technology ("IT") general controls and they used their IT Audit team to walk through the IT general controls in support of the audit and found that there were no significant issues, however, he said, recommendations were made for the segregation of duties.

Management reported that it does periodic back-up recovery testing once a year and penetration third-party testing.

Mr. Kim noted that all recommendations have been implemented and necessary corrections have been made.

Considering the first and second motions previously entered, the motions were carried, and the following resolution was unanimously adopted:

A RESOLUTION OF THE AUDIT COMMITTEES OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION, REVIEWING AND APPROVING INTERNAL AUDIT'S FOLLOW-UP OF 2013 AUDIT REPORTS

The next item on the agenda was a resolution approving the Internal Audit's Treasury Department Audit Report. Mr. Chohey, Vice President, Internal Audit, explained that an examination of the accounting records and system of internal controls were conducted for the Treasury Group on July 31, 2014. He reported that in accordance with the Agencies' Investment Guidelines, the investment portfolio comprised of U.S. Treasury securities and Federal and New York State obligations. He said, in addition, the Agencies have entered into a number of investment agreements with financial institutions where the Agencies are providing investment funds against and which acceptable collateral has been pledged under separate collateral agreements. He said additionally, the Treasury Group is also responsible for monitoring tax-exempt bonds. Mr Chohey said, as of the audit date, SONYMA had twelve (12) active SWAP agreements totaling approximately \$420 million.

Considering the first and second motions previously entered, the motions were carried, and the following resolution was unanimously adopted:

A RESOLUTION OF THE AUDIT COMMITTEES OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION, REVIEWING AND APPROVING INTERNAL AUDIT'S TREASURY DEPARTMENT AUDIT REPORT

The next item on the agenda was a resolution approving the Internal Audit's Human Resources Audit Report. Mr. Chohey reviewed the accounting records and system of internal control for the Agencies' Human Resources Group ("HR") as of May 31, 2014. He described the main function of HR which is to provide effective policies, procedures and guidelines to ensure that the Agencies' mission and program goals are achieved. He said HR are responsible for the recruitment of staff, administration of employee salaries and benefits and ensuring that the Agencies are compliant with state and federal policies and laws. He said this group teams up with management to select the best candidate for open positions. Mr. Chohey said this group also ensures that staff members are

afforded the employee benefits provided by the Agencies as part of the terms of their employment agreement, i.e. Pension, and Healthcare.

Mr. Chohey noted that as of the audit date, the Agencies had a total of 191 staff members whose biweekly gross funding totaled approximately \$274,000 for HFA and \$352,000 for SONYMA.

Mr. Chohey said Internal Control recommendations and established procedures consist of the following:

- 1) Perform a vulnerability risk assessment of the critical functions performed by the unit annually.
- 2) Strengthen internal controls by revising the Agencies' HR procedural manual to document the current operating policies and procedures in order to create a better work environment.
- 3) Adhere to the Agencies policies and procedures with regard to the hiring of new employees.
- 4) Adhere to the Agencies' policies and procedures regarding the retention of employee personnel records.
- 5) Strengthen internal controls with regard to the allocation of employee salaries.
- 6) Strengthen controls by reestablishing the annual employee performance evaluation.
- 7) Strengthen controls by notifying IT management when an individual or consultant has terminated their employment with the Agencies.
- 8) Advise department managers and supervisors to take a more proactive role in monitoring employees who are on a flextime schedule.
- 9) Strengthen controls with regard to maintaining cash balances in payroll accounts.
- 10) Reconcile the monthly health insurance billing invoice prior to obtaining the management's approval for payment.

Mr. Chohey noted that there was disagreement related to Item 3.

Considering the first and second motions previously entered, the motions were carried, and the following resolution was unanimously adopted with the exception of the above-mentioned item:

A RESOLUTION OF THE AUDIT COMMITTEES OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION, REVIEWING AND APPROVING INTERNAL AUDIT'S HUMAN RESOURCES AUDIT REPORT

The next item on the agenda was an information item regarding the Ninth Annual Evaluation by the Audit Committee. It was noted that information in connection with this item was contained in the materials provided to the Members, which materials are incorporated herein by reference.

Mr. Kim noted that the questionnaire for this annual evaluation needs to be completed and emailed or faxed to Mr. Weinstock on or before Tuesday, February 17, 2015. He said the results of this

performance evaluation will be presented at the next meeting of the Committees scheduled to be held on Tuesday, April 7, 2015 at 9:00 a.m.

There being no unfinished business, Commissioner Towns; Commissioner Mattox seconded the motion and the meeting was adjourned at 9:41 a.m.



C. Jason Kim, Secretary