MINUTES OF THE
54TH MEETING OF THE
NEW YORK STATE AFFORDBLE HOUSING CORPORATION
AUDIT COMMITTEE
HELD ON THURSDAY, APRIL 14, 2016 AT 8:32 A.M.
AT ITS OFFICES AT
641 LEXINGTON AVENUE
NEW YORK, NY 10022

MEMBERS AND DESIGNEES

PRESENT:

William C. Thompson	Agency Chairman
Nestor M. Davidson	Committee Chairman
Todd Scheuermann	New York State Division of the Budget, Representing, Robert Mujica, Member (via videoconference)
Eric Mostert	New York State Division of Taxation and Finance, Representing Commissioner Jerry Boone (via video conference)

Mr. Nestor M. Davidson presided over the meeting.

Mr. Adam H. Schuman, Senior Vice President and Counsel to the Agencies reported that Mr. Nestor Davidson was presented as the new Audit Committee Chair for the Housing Finance Agency and the New York State Affordable Housing Corporation. Mr. Schuman also noted that following the Committee and Board meetings, an educational session would be held which focuses on the relationship between the Committee and the external auditor, as part of a series of sessions that will be conducted throughout the upcoming year dealing with Audit Committee issues.

Mr. Schuman acted as Secretary. He noted that Mr. Todd Scheuermann, representing Mr. Robert Mujica, Director of the New York State Division of the Budget and Eric Mostert representing Commissioner Jerry Boone from the New York State Division of Taxation and Finance are participating in the meeting via video conference from the Division of the Budget conference center at the Capitol Building, Room 131 in Albany. Also, Mr. Andrew SanFilippo participated in the meeting via video conference from the Agencies' Buffalo regional office at Electric Tower, 535 Washington Street, Suite 105. Ms. Marge Rogatz participated from the Champion Office Suite, located at 1225 Franklin Avenue, Suite 325, Garden City, New York and Ms. Bethaida Gonzalez participated from the Syracuse Regional Office, 620 Erie Boulevard, Suite 312. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Schuman asked for motions and seconds to call the Audit Committee meetings to order of the New York State Housing Finance Agency (HFA); 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). Mr. Davidson moved to call the HFA and AHC meetings to order; Agency Chairman Thompson seconded the motion. Agency Chairman Thompson moved to call the SONYMA meeting to order; Mr. Scheuermann seconded the motion. Mr. Bialo moved to call the MBBA and TSFC meetings to order; Mr. SanFilippo seconded the motion.

Mr. Schuman 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. Schuman reported that Mr. Davidson is the Committee Chairman for the HFA and AHC Audit Committees; Mr. Kenneth Bialo is the Committee Chairman for MBBA and TSFC Audit Committees; Commissioner Rubin is the Committee Chairman for SONYMA Audit Committee.

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) Audit Committee. A record of items considered by the Audit Committee of the other affiliated agencies is contained in the minutes of each Committee respectively.

Mr. Schuman 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 MBBA/TSFC Committee Chairman Kenneth Bialo.

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The first item on the agenda was the adoption of the minutes of the 53rd AHC Audit Committee meeting held on January 28, 2016. Absent comments or corrections from the Members, the minutes were deemed approved.

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The next item on the agenda was a resolution approving the Internal Audit's Work Plan for Fiscal Year 2017. Mr. Stephen B. Chopey, Vice President, Internal Audit, explained that the Plan is in the same format as last year and includes four schedules. He briefly reviewed the results of last year's Plan which he noted was not completed in its entirety. He noted that once again, HFA and SONYMA will help with the external audit. He thanked the staff for their cooperation.

It was confirmed that in this case, MBBA does not include TSFC. MBBA/TSFC Committee Member, Mr. SanFilippo asked about the impact of the audit on First Niagara considering that it is being bought by Key Bank. Mr. Chopey explained that the Agency will proceed with the audit but it is strictly concerned with the single family portfolio. It was noted that a Certified Public Accountant has been hired to assist in the process.

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, THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MORTGAGE AGENCY, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION REVIEWING AND APPROVING INTERNAL AUDIT'S WORK PLAN FOR FISCAL YEAR 2017

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The next item on the agenda was a resolution approving Internal Audit's Debt Issuance Audit Report. Mr. Chopey explained that the Debt Issuance Group is responsible for managing the sale of notes and bonds for the HFA, TSFC, MBBA and SONYMA. He said it also provides technical expertise to the Agencies, both on an on-going basis for existing bond programs and special purpose bonds. He reported that staff works closely with the Agencies' legal group and multifamily development staff, as well as with outside bond counsel underwriters and underwriter's counsel. He stated that the group consists of six (6) staff members, comprised of three (3) management and three (3) staff persons, and reports to the President of Finance and Development.

Mr. Chopey stated that for fiscal year 2014, the Agencies had issued approximately $3.7 billion in bonds comprised of $2.1 billion for HFA, $1.2 billion for TSFC and $420 million for SONYMA.

Mr. Chopey reported that since the last audit, State legislation has allowed HFA to finance multifamily rental projects through the issuance of unrated bonds that would be privately placed with qualified financial institution buyers. He said HFA's first direct purchase financing was closed in April of 2012. He said since April of 2014, there have been twenty-three (23) direct purchase financings totaling approximately $1.711 billion.

Mr. Chopey noted that Management has responded to the recommendations made and it was confirmed that it is actually able to satisfy all directives.

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, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, THE TOBACCO SETTLEMENT FINANCING CORPORATION AND STATE OF NEW YORK MORTGAGE AGENCY R EVIEWING AND APPROVING INTERNAL AUDIT'S DEBT ISSUANCE AUDIT REPORT

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The next item on the agenda was a resolution approving the Internal Audit's Follow-Up

Audit of 2014 Audit Reports. Mr. Chopey explained that the Internal Audit Department has conducted a follow-up review of audits performed in the calendar year 2014 to examine the resolution of exceptions that are contained in the audit reports of previously completed internal audits. He said the purpose of the examination was to verify that the recommendations included in the reports issued during the calendar year had been implemented to our satisfaction as agreed upon by Agency management. He reported that on the basis of this follow-up review, the Department was able to determine that Agency management has implemented 28 of the 32 (88%) of the Department's recommendations. He said in regard to the four (4) remaining report items where recommendations had not been implemented, it has reported the initial recommendations, and where necessary, has included additional clarifying remarks.

Mr. Chopey said it was confirmed that these audits reflect the calendar year 2014 and there are four (4) areas for comment and recommendations. MBBA/TSFC Committee Chairman, Mr. Bialo inquired about the fourth item -- Internal Controls and the Information Technology Audit and the establishment of a Steering Committee; it was reported that there is no exact date set for the formation. HFA/AHC Committee Chairman, Mr. Davidson noted the second item – Salary Allocation where there appears to be a lapse in a final response. Mr. Chopey noted that discussions are ongoing but would advise the Committee regarding the outcome and resolution. MBBA/TSFC Committee Chairman, Mr. Bialo noted that he would approve the Report subject to realistic target dates being set.

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 STATE OF NEW YORK MORTGAGE AGENCY, THE NEW YORK STATE HOUSING FINANCE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION REVIEWING AND APPROVING INTERNAL AUDIT'S FOLLOW-UP OF 2014 AUDIT REPORTS**

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The next item on the agenda was a resolution recommending the acceptance of the 10th Audit Committees' Self-Evaluation. Mr. Gary Weinstock, Vice President/Comptroller explained that the Committees had been provided at the January 2016 Members' meeting with a questionnaire for use by the Members as they conduct their self-evaluations, the results of which have been summarized by staff. He said the results indicate that the Committee Members are generally satisfied with the current workings of the Committees except for some areas of concern, i.e. the relationship between the Committee Members and Independent Auditors as well as the Committee's Charter.

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 CONCERNING SELF-EVALUATION

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The next item on the agenda was a presentation on Enterprise Risk Management – Audit Committee Roles and Responsibilities. Mr. Weinstock Mr. Valella and Ms. Janet L. Oberstein, Risk Officer for the Agencies conducted the presentation.

Mr. Valella summarized the Audit Charter responsibilities focusing on four particular areas:

1. The engagement of the external auditor; the relationship between the Audit Committee and the external Auditor
2. Application of Accounting standards
3. Manage the Internal Audit process
4. Insure that a process is in place for the report of malfeasance actions by the Inspector General or other entities.

Mr. Weinstock noted another area that needed to be addressed was the monitoring of audit partner rotation. He reminded the Committee that Ernst & Young has served as the Agencies' independent auditors for the past six (6) years. He said the current contract was extended and expires in the year 2020. He explained how the partner rotation will be taking effect.

Ms. Oberstein, Internal Auditor for the Agencies, provided a review and summary of four documents of interest, dated January 28, 2016:

1. Auditor Service Agreement (also known as the Engagement Letter; not presented at this time)
2. Management Letter
3. Audit Results book (includes notes which cover areas for recommendation, improvement and results)
4. Management Representation Letter

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The next item on the agenda was a Financial Statement Update – 1st Quarter Fiscal 2016 (3rd Quarter Fiscal 2016 for AHC. It was noted that information regarding this item was contained in the materials provided to the Members in advance of the meeting, which materials are incorporated herein by reference.

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There being no unfinished business, Committee Chairman, Mr. Davidson moved to adjourn; Agency Chairman Thompson seconded the motion and the meeting was adjourned at 9:15 a.m. Mr. Schuman informed the Members that the next Committee meeting is scheduled for Thursday, June 9, 2016, at 8:00 a.m.

Adam Schuman, Secretary