MINUTES OF THE
35TH MEETING OF THE
STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY
AUDIT COMMITTEE
HELD ON DECEMBER 10, 2013 AT 9:05 A.M.
AT ITS OFFICES AT
641 LEXINGTON AVENUE
NEW YORK, NY 10022

DIRECTORS AND DESIGNEES

PRESENT:

Kenneth M. Bialo	Committee Chairman
Andrew A. SanFillippo	Director
Elaine McCann	New York State Division of the Budget, Representing Robert Megna, Director (via video conference)

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Commissioner Darryl C. Towns, Ms. Elaine McCann, Commissioner Thomas Mattox, Ms. Aida Brewer and Ms. Linda Baldwin are attending the Audit Committee meeting via video conference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany. He noted that the New York State Housing Finance Agency ("HFA") and the Affordable Housing Corporation ("AHC") Governance Committee Chairman Steven J. Weiss is attending the meeting from the Buffalo Office; a public notice was given of the time and location of both venues in accordance with the New York State Open Meetings Law.

Mr. Kim asked for motions and seconds to call the Audit Committee meetings to order of the New York State Housing Finance Agency ("HFA"), the Affordable Housing Corporation ("AHC") State of New York Mortgage Agency ("SONYMA"); the State of New York Municipal Bond Bank Agency ("MBBA") and the Tobacco Settlement Financing Corporation ("TSFC"). Ms. McCann moved to call the HFA and AHC meetings to order; Ms. Aida Brewer seconded the motion. Mr. Lebowitz moved to call the SONYMA meeting to order; Ms. McCann seconded the motion. Mr. SanFilippo moved to call the MBBA and TSFC meeting to order; Chairman Bialo seconded the motion. Mr. Kim stated that as items were presented to each Committee throughout the meetings, these motions and seconds would be used, unless specific items called for a different vote, or unless any Committee member wished to record his or her vote differently.

It was noted that in the absence of Mr. Anthony Bergamo, Mr. Lebowitz will serve as the Audit Committee Chairman for SONYMA; he will chair the Committee meeting for SONYMA. The meetings of the Audit Committees were opened in joint session for the consideration of various mattes of shared importance. For purposes of convenience and to make sure the meetings of the respective agencies go smoothly, items shared by one or more of our Agencies will be presented by Committee Chairman Bialo.

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The first item on the agenda was the adoption of the minutes of the 34th MBBA Audit Committee meeting held on September 10, 2013. Absent comments or corrections from the Directors, the minutes were deemed approved.

The next item on the agenda was a resolution approving the Audit Committee Action Plan for FY 2014. Mr. Gary Weinstock, Vice President/Comptroller asked for the Committee's consideration and adoption of the Action Plan for fiscal year 2014. He reported that over the past year, the Audit Committees approved the Internal Audit Work Plan and attended a training presentation session conducted by Ernst & Young, Independent Auditor. He noted that included in the meeting materials was a schedule proposing what would be discussed next year; Directors were asked to add to the list any items they desired. Mr. Weinstock noted that a proposed agenda with certain suggestions, i.e. accounting practices and policies, will be presented. He noted that a training session is scheduled for June 2014 but is subject to change.

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

> **A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGNECY AND TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES APPROVING AN ACTION PLAN FOR THE PERIOD FORM JANUARY 1, 2014 THROUGH DECEMBER 31, 2014**

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The next item on the agenda was a resolution approving Internal Audit staff functions. Mr. Stephen B. Chopey, Vice President, Internal Audit, asked for the Committee's consideration to review and approve the Internal Audit Staff functions. Mr. Chopey stated that the charter of each of the Audit Committees requires, among other things, that the Committees review and approve, "internal audit staff functions, including: (1) purpose and authority; (ii) annual audit plan, budget and staffing; (iii) the appointment and compensation of the Agencies' Vice President in charge of internal audit; (iv) reports

from the internal audit staff and the Agencies' Vice President in charge of internal audit directly to the Audit Committees, and (v) procedures for implementing accepted recommendations of the Independent Auditor." He also stated that the charters also make the Committees responsible for the review of the adequacy and effectiveness of the Agencies' internal control system of audit and financial controls and the results of internal audits.

Mr. Chopey explained that the internal audit group prepares an annual audit plan for the twelve-month period ending March , noting that the audit plan for the period April 1, 2013 to March 31, 2014 was approved by the Audit Committees at their respective meetings held April 9, 2013. He said that the plan was revised due to the loss of man hours resulting from delays in replacing staff that had retired, and was approved by the Committees on September 10, 2013. He provided a listing of the internal audit group which is currently staffed by four (4) persons including himself. It was noted that 2 of the 4 staff members have a tenure of 6-8 years before moving to retirement.

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

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGNECY AND TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES REVIEWING AND APPROVING INTERNAL AUDIT STAFF FUNCTIONS

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The next item on the agenda was a resolution approving Internal Audit's Account Payable Audit Report. Mr. Chopey explained that the accounts payable department conducted an examination of the accounting records and system of internal control for both HFA and SONYMA as of March 31, 2013. He further explained the function of the accounts payable department, namely the payment for contractual goods and services, supplies and payroll processing. Mr. Chopey explained that in addition to maintaining a vendor file containing the payment documents and ensuring the timely payment of vendor invoices, A/P is also responsible for the recording of accounting data and the preparation of the A/P program financial statements.

Mr. Chopey went on to explain the voucher system process and how bank statements are reconciled. He noted that the results of the audit was a finding that the accounting records and systems of internal control over the accounts payable function were maintained in a satisfactory manner.

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, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGNECY AND TOBACCO SETTLEMENT FINANCING CORPORATION REVIEWING AND APPROVING INTERNAL AUDIT'S ACCOUNTS PAYABLE AUDIT REPORT.

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It was reported that the next Audit Committee meetings are scheduled to meet on Tuesday, January 28, 2014. There being no unfinished business, Mr. SanFilippo moved to adjourn; Committee Chairman Bialo seconded the motion and the meeting was adjourned at 9:25 a.m.

C. Jason Kim, Secretary