# MINUTES OF THE
# 37TH STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY
# AUDIT COMMITTEE
# HELD ON TUESDAY APRIL 8, 2014 at 9:16 A.M.
# AT ITS OFFICES AT
# 641 LEXINGTON AVENUE
# NEW YORK, NY 10022

**MEMBERS AND DESIGNEES**

**PRESENT:**

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

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Ms. Elaine McCann and Commissioner Thomas Mattox are attending the meeting via video conference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany. A public notice was given of the time and location of the venue 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 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 Darryl C. Towns called the HFA and AHC meetings to order; Commissioner Thomas H. Mattox, seconded the motion. Commissioner Towns called the SONYMA meeting to order; Ms. McCann seconded the motion. Mr. Andrew A. SanFilippo called the MBBA and TSFC meeting 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 Commissioner Towns is the Acting Chairman for the HFA and AHC Audit Committees; Mr. Bergamo is the Audit Committee Chairman for SONYMA and in his absence Commissioner Towns will chair the Committee meeting for SONYMA.

The meetings of the Audit Committees of the affiliated agencies were opened in joint session for the consideration of various mattes of shared importance. These minutes reflect only those items being considered by the Directors of the State of New York Municipal Bond Bank Agency. A record of items considered by the Audit Committees 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 MBBA/TSFC Committee Chairman, Kenneth Bialo.

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**The first item on the agenda was the adoption of the minutes of the MBBA Audit Committee 36th meeting held on January 28, 2014.** Absent comments or corrections from the Directors, the minutes were deemed approved.

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**The next item on the agenda was a resolution approving the Agencies' Internal Audit Work Plan for Fiscal Year 2015.** Mr. Stephen B. Chopey, Vice President, Internal Audit, discussed the Internal Audit 2014-15 Work Plan which included the following schedules: a) an audit plan calendar, b) an audit calendar that included budget hours, c) audit plan objectives, and d) an audit plan summary. Mr. Chopey shared the results of last year's audit plan which was presented to the Committee for approval on April 10, 2013, and subsequently approved on September 10, 2013 due to revisions resulting from anticipated "man-hours" that did not materialize due to a delay in hiring replacements for retirees.

Mr. Chopey reported that the majority of the audit plan was completed: eight (8) internal audits were completed last year. He said that the Agency assisted the New York State Financial Services Group in their audit of SONYMA. He said that the Agency will carry over a limited number of hours for the mortgage billing system audit and the information technology audit. He thanked the staff for their effort and cooperation.

Mr. Chopey said that this year's audit plan will be just as aggressive as in previous years and will include two (2) HFA, one (1) SONYMA, three (3) servicing audits, four (4) fully integrated audits and a TSFC audit. He said a risk and vulnerability and assessment was conducted and Management was consulted.

Mr. Bialo inquired about the TSFC audit that was slated for 270 hours which greatly exceeded other individual hourly listings. Mr. Chopey stated that it is an anticipated number of hours which have to be billed within a two-year time span and noted that some hours will carry over into the new fiscal year. He said a full course of action has to be completed in order to perform the audit.

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, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGNECY, AND TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES REVIEWING AND APPROVING INTERNAL AUDIT'S WORK PLAN FOR FISCAL YEAR 2015**

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**The next item on the agenda was a resolution approving Internal Audit Follow-Up of 2012 Audit Reports, together with Management Response.** Mr. Stephen B. Chopey asked for the Committee's consideration to review and approve the Internal Audit follow-up of the 2012 Audit Reports.

Mr. Chopey reported that this Audit is a different type of audit than is normally performed. This type of audit seeks to confirm that recommendations were implemented and the exceptions corrected as agreed to by Management in the process of prior audits. He noted that during 2012, fourteen (14) Audit Reports were issued. He also noted that titles and summaries were listed for the Committee's convenience.

Mr. Chopey stated that the result of the review was that staff was able to determine that 21 of the 22 items that were reported were either corrected or implemented (96% of the total). Mr. Chopey stated that one (1) item remains outstanding and is listed in the report (residency violations). HFA/AHC Audit Committee Member, Commissioner Thomas Mattox asked for further background on why the item remains outstanding. Mr. Chopey reported that AHC and the Legal Department are still working to develop a plan, in the form of a control log, to complete the reconciliation process.

Mr. Bialo asked if there were a great number of homeowners with residency problems. Mr. Chopey noted that the list is significant but is categorized by those that require follow-up, those in foreclosure and those going through bankruptcy. It was confirmed that the control log improves the Agency's ability to follow-up.

Ms. McCann reminded the Committee that it had previously agreed to set target dates for those items that require follow-up. Mr. Chopey assured the Committee that this particular Audit is very much complete and his department will set target dates in the future for follow-up items.

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 FINANCING AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMETN FINANCING CORPORATION**

**REVIEWING AND APPROVINGINTERNAL AUDIT'S FOLLOW-UP OF 2012 AUDIT REPORTS**

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**The next item on the agenda was a resolution recommending the approval of the Eighth Audit Committees' Self-Evaluation by the Audit Committees.** This was a consent item and it was noted that there would be no discussion on this item unless the Directors so desire.

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

**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 an information item regarding the Financial Statement Update for the First Quarter Fiscal Year 2014 (Third Quarter Fiscal 2014 - AHC).** It was noted that information in connection with this item was contained in the materials provided to the Directors, which materials are incorporated herein by reference. There was no discussion on this item.

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**The next item on the agenda was a presentation on Accounting Policies and represented an information item.** It was noted that information in connection with this item was contained in the PowerPoint presentation materials provided to the Directors, which materials are incorporated herein by reference. Mr. Weinstock, Vice President and Comptroller, led a discussion that focused on several areas presented in the PowerPoint slides:

1. The Agency's Basis of Accounting.
2. Governmental Accounting Standards (GASB) vs. Financial Accounting Standards (FASB).
3. How the Agencies' financials compare with typical governmental financials.
4. Effect of the implementation of GASB State No. 65 – Items Previously Reported as Assets and Liabilities.
5. How to read the Management's Discussion and Analysis (MD&A section of financials).

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There being no unfinished business Mr. SanFilippo moved to adjourn; Ms. McCann seconded the motion and the meeting was adjourned at 10:03 a.m.

Mr. Kim announced that the next Audit Committee meeting would be held on Tuesday, June 10, 2014 at 9:00 a.m.

C. Jason Kim, Secretary