

**MINUTES OF THE
38TH MEETING OF THE
STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY
AUDIT COMMITTEE
HELD ON TUESDAY, JUNE 10, 2014 AT 9:27 A.M.
AT ITS OFFICES AT
641 LEXINGTON AVENUE
NEW YORK, NY 10022**

DIRECTORS AND DESIGNEES

PRESENT:

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

Mr. Bialo presided over the meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that HFA/AHC Governance Committee Chairman, Mr. Steven J. Weiss and Mr. Andrew A. SanFilippo, MBBA Audit Committee Director are attending the meeting from the Agencies' Buffalo Regional Office at Electric Tower, 535 Washington Street, Suite 105; he also noted that Ms. Elaine McCann is attending the meeting via videoconference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany; and that SONYMA Governance Committee Member, Ms. Marge Rogatz is attending via videoconference from the office of Expedia at 325 Duffy Avenue, Hicksville, NY. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Kim reported that Commissioner Towns is the Audit Committee Acting Chairman for the HFA and AHC Audit Committees and will chair the Committee meetings for HFA and AHC. Mr. Bergamo is the Audit Committee Chairman for SONYMA and will chair the Committee meeting for SONYMA. Mr. Bialo is the Committee Chairman for MBBA and TSFC and will chair the Committee meetings for MBBA and TSFC.

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; Ms. Elaine

McCann seconded the motion. Mr. Bergamo moved to call the SONYMA meeting to order; Commissioner Towns seconded the motion. Mr. Kenneth Bialo moved to call the MBBA and TSFC meeting to order; Mr. Andrew A. SanFilippo 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.

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 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.

The first item on the agenda was the adoption of the minutes of the MBBA Audit Committee 37th meeting held on April 8, 2014. Absent comments or corrections from the Directors, the minutes were deemed approved.

The next item on the agenda was a resolution approving the Internal Audit's Procurement Audit Report. Mr. Stephen B. Chohey, Vice President, Internal Audit, discussed the Procurement Audit Report provided by Internal Audit. He reported that an examination of the Agencies' procurement function and system of internal control was conducted effective October 31, 2013. He stated that the audit included a review of twenty-five (25) purchase orders totaling approximately \$285,000 over a 12-month period ending as of the audit date, as well as a review of twenty-six (26) personal services contracts with an aggregate total of approximately \$6.2 million.

Mr. Chohey reported that for procurements involving the procurement of goods or services up to \$1,000, a cost comparison is performed to determine the best possible price. Procurements more than \$1,000 but not greater than \$50,000 require three (3) written bids, and if applicable, statements of qualifications. In accordance with the Guidelines, procurements exceeding \$25,000 must adhere to the Minority and/or Women-owned Business Enterprise (MWBE) participation and Equal Employment Opportunity requirements.

Mr. Chohey stated that Board approval is required for (i) procurement contracts exceeding \$100,000 in amount or one year in duration and (ii) purchase orders with aggregated expenditures in the amount of \$100,000 or more to any one vendor, any in any one fiscal year period.

Mr. Chohey also stated that the consolidated Procurement and Contract Guidelines were adopted in December 2005, with the most current revision being in September 2013. He said that in February 2011, the Governor issued a mandate that every Agency and Authority of New York State meet a 20% Minority/Women Business Enterprise (MWBE) participation goal for all

procurement of services and commodities. He said that the Agencies adopted a goal of 10% Minority-Owned Business Enterprise (“MBE”) and 10% Women-Owned Business Enterprise (“WBE”).

In addition, Mr. Chohey noted that in accordance with the Agencies’ Guidelines, unless otherwise stated, contracts may be awarded by any of the following methods: competitive bid, requests for proposal (“RFP”) or request for bids (“RFB”) process, prequalified panels, state contract, preferred source providers, emergency, sole-source, and uniquely qualified source. He said that in selecting contractors and vendors through a competitive selection process, certain standards and practices are required to be considered.

MBBA/TSFC Committee Director/Member, Mr. Andrew A. SanFilippo, expressed concern about whether the audit sample was adequate based on the number of purchase orders approved on an annual basis. Mr. Chohey stated that it is an appropriate amount in terms of highlighting how policies and procedures are being adhered to. He noted that had errors been discovered when reviewing the sample, the sampling would have been expanded (on average up to 75 purchase orders are approved).

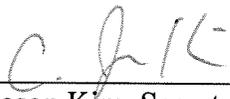
MBBA/TSFC Committee Chairman, Mr. Kenneth Bialo asked that the Facilities Management group make the appropriate updates to its recommendations, elaborate further on the purchase order rectification process and provide an overview on any outstanding matters that were given target dates of completion, i.e. software vendor.

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 PROCUREMENT AUDIT REPORT

There being no unfinished business Mr. SanFilippo moved to adjourn; Committee Chairman Mr. Bialo seconded the motion and the meeting was adjourned at 9:45 a.m.

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



C. Jason Kim, Secretary