MINUTES OF THE MEETING OF THE
STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY
31ST AUDIT COMMITTEE MEETING
HELD ON DECEMBER 11, 2012 AT 9:27 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

DIRECTORS AND DESIGNEES

PRESENT:

Kenneth M. Bialo	Committee Chairman
Elaine McCann	Division of the Budget, representing Robert L. Megna, Director (via video conference)
Andrew SanFilippo	Director (via video conference)

The meetings of the Audit Committees were opened in joint session by Kenneth M. Bialo, Audit Committee Chairman for the State of New York Municipal Bond Bank Agency (MBBA) and Tobacco Settlement Financing Corporation (TSFC).

Mr. Alejandro J. Valella, Vice President and Deputy Counsel of the Agencies, acted as Secretary and noted that Ms. Elaine McCann and Commissioner Thomas Mattox were participating in the meeting by video conference from the New York State Division of Budget conference center at the Capitol Building, Room 131 in Albany and Andrew SanFilippo was participating via video conference from the Agency's Buffalo Regional Office at Electric Tower, 535 Washington Street, Suite 105, Buffalo, New York, A public notice was given of the time and locations of both venues.

Mr. Valella asked for motions and seconds to call the meetings to order of the Audit Committees of the New York State Housing Finance Agency (HFA), the State of New York Mortgage Agency (SONYMA), the New York State Affordable Housing Corporation (AHC), the State of New York Municipal Bond Bank Agency (MBBA) and the Tobacco Settlement Financing Corporation (TSFC).

Mr. Valella stated Commissioner Darryl C. Towns is the Acting Committee Chairman for the Audit Committee for the New York State Housing Finance Agency (HFA) and the New York State Affordable Housing Corporation (AHC). In the absence of Mr. Anthony Bergamo, SONYMA Audit Committee Chairman, Mr. Don Lebowitz will be the Acting Audit Committee Chairman for the State of New York Mortgage Agency (SONYMA). Mr. Kenneth M. Bialo is the Audit Committee Chairman for the State of New York Municipal Bond Bank Agency (MBBA), and Tobacco Settlement Financing Corporation (TSFC).

HFA/AHC Acting Committee Chairman Darryl C. Towns made a motion to call the HFA and AHC Audit Committee meetings to order; Ms. Elaine McCann seconded the motion. Mr. Don Lebowitz made a motion to call the SONYMA meeting to order; Ms. Elaine McCann seconded the motion; Mr. Kenneth M. Bialo made a motion to call the MBBA meeting to order; Ms. Elaine McCann seconded the motion. Mr. Kenneth M. Bialo made a motion to call the TSFC meeting to order; Ms. Elaine McCann seconded the motion.

Mr. Valella noted 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 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 Audit Committee. A record of items considered by the other Agencies' Audit Committees is contained in the minutes of each Committee respectively.

******

The first item on the agenda was the approval of the minutes of the 30th State of New York Municipal Bond Bank Agency Audit Committee Directors' meeting held on September 11, 2012. Absent comments or corrections from the Members, the minutes were deemed approved.

******

The next item on the agenda was a resolution recommending the approval of the Audit Committee's Action Plan for 2013. Gary Weinstock, Vice President and Comptroller, informed the Directors that he will now be the liaison to the Audit Committees. He said that next month he will be sending out the annual evaluation forms to be filled out by Committee Directors and he will be presenting the Committee with a schedule of action items for 2013. Mr. Weinstock informed the Directors that the upcoming January meeting is a very important one and all board Directors will be invited to attend this meeting. He said that at the January meeting all of the Agencies' financial statements will be presented for approval with the exception of the New York State Affordable Housing Corporation. Mr. Weinstock said that there will be a management presentation at the January meeting and informed the Directors that the Agencies' external auditors, Ernst & Young will be making a presentation on their opinions of the Agencies as well as comments on management response letter.

Mr. Weinstock stated that, at the Audit Committee meeting held on September 11, 2012, it was the first time that the administrative budget was presented to Committee Directors for approval rather than to the full board and said the Agencies hope to continue this practice. Mr. Weinstock said that a scheduled educational presentation by Ernst & Young that was supposed to have been held in August of 2012 did not happen

and asked Committee Directors if they wanted to reschedule the presentation. Mr. Weinstock noted that Ernst & Young is available to make this presentation if there is interest from the Audit Committee Directors and added that this presentation could be scheduled in April or June.

Chairman Bialo stated that April seemed to be too late for the presentation. After some discussion about the scheduling of this presentation by Ernst & Young, it was decided that the presentation will be scheduled in January 2013 to coincide with the date of the Audit Committee meeting. Mr. Weinstock asked whether Committee Directors had any particular topic they would like to have discussed at the presentation. HFA/AHC Committee Member Thomas Mattox responded that one topic that would be helpful to him was emerging trends on control issues. Commissioner Mattox also wanted to know if Ernst & Young concurred with Mr. Chopey's assessment that the Agencies' staffing was minimally sufficient to meet an internal audit program that is consistent with their expectations. Commissioner Mattox along with Committee Chairman Bialo stated that they would be available to speak with Ernst & Young prior to the meeting to discuss further topics.

Committee Chairman Kenneth Bialo commented on the Audit Committee Action Plan for the period January 1 through December 31, 2013 and noted that the Report of Internal Investigations, including any whistle-blower activities, were scheduled to go to the Audit Committees once in 2013. He said that he will like to have this item on the agenda at each Audit Committee meeting. Mr. Valella stated that staff would put this item on every agenda of the Audit Committee.

Commissioner Mattox asked if there were any follow-up discussions concerning control issues regarding the incident that occurred in 2012 at HTFC, and whether any remediation was necessary to insure that such incidents do not occur at the Agencies. Gary Weinstock noted that the employee was a Housing Trust Fund employee and had nothing to do with our agencies. Mr. Weinstock stated that as soon as that incident occurred, the Agencies immediately reviewed their check receipt procedures. He said that some of the Agencies' procedures include directing all checks to a lock box and insuring that any checks that do come to the Agencies' offices are processed by more than one person and are designed to make such an incident improbable. Committee Chairman Bialo requested that a brief written summary of the Agencies' procedures be included as part of the upcoming Ernst & Young presentation.

Acting Committee Chairman Lebowitz for SONYMA inquired about staffing for the Agencies. He said that at the last Audit Committee meeting, there were discussions about staffing and was wondering if there were any updates on filling open positions at the Agencies. Commissioner Towns responded that there have been some efforts to fill these vacancies and said that Ms. Wanda Hord has recently joined the Agencies as head of the Human Resources Department. Commissioner Towns said that with this new appointment he believes the Agencies will be able to fill vacancies more quickly.

Commissioner Mattox asked if the Audit Committee could explore the possibility of perhaps having Ernst & Young or one of the other firms fill any critical internal audit needs on a short-term basis. He said that internal audit is clearly a function where the Agencies do not want to be short staffed, and perhaps relying on contractors to at least help the Agencies get key elements of the audit plan up and running is a good idea. Commissioner Mattox stated that he wanted to stress that a function like internal audit, and in particular as a result of the events that had occurred over the last year and a half, not to mention the actual audit findings, that he would like to explore the possibilities of filling some of these key open positions with contractors. He noted that this practice is seen in the private sector for periods ranging of six to twelve months. He stated that due to delays in the appointment process that he would prefer not to let that be a reason why the Agencies cannot shore-up a critical function like internal audit. He also said that he assumed the Agencies have some flexibility with respect to contracting professional services.

Committee Chairman Bialo stated that Mr. Stephen Chopey, Vice President, Internal Audit for the Agencies, is here with us and could speak to the Directors regarding this issue. Mr. Chopey stated that the Internal Audit department lost one staff member due to retirement but that he has a staff of four other individuals and that the Agencies are sufficiently and adequately staffed to perform the functions intended. Mr. Chopey further reaffirmed the committee that he was comfortable that his department can fulfill their responsibilities, but added that if he suffered other staff losses he may encounter issues. Committee Chairman Bialo asked Commissioner Mattox if he was satisfied with Mr. Chopey's response and he responded yes. Mr. Lebowitz stated that it would be helpful if the committee received a list of vacancies.

Committee Chairman Kenneth Bialo moved to adopt the resolution; Ms. Elaine McCann seconded the motion and the following resolution was adopted unanimously:

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 AGENCY, AND TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES APPROVING AN ACTION PLAN FOR THE PERIOD FROM JANUARY 1, 2013 THROUGH DECEMBER 31, 2013

******

The next item on the agenda was a resolution approving the Internal Audit Staff Functions. Mr. Steve Chopey briefly restated the information contained in the meeting materials provided to the Directors regarding the Internal Audit Staff Functions. There was no further discussion regarding this item.

Committee Chairman Kenneth Bialo moved to adopt the resolution; Ms. Elaine McCann seconded the motion and the following resolution was adopted unanimously:

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 AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES REVIEWING AND APPROVING INTERNAL AUDIT STAFF FUNCTIONS

******

The next item on the agenda was a resolution approving the Internal Audit's Purchasing Audit Report. Mr. Steve Chopey presented to Committee Directors a review of the accounting records and the system of internal controls. He stated that the purchasing function is a responsibility of the Information Technology, Telecommunications, Facilities and Administrative Services and they are responsible for purchasing certain items, such as goods and services and maintaining the records for the Agencies. He said that this particular audit reviewed a number of items to insure that purchase orders were properly approved by management, were supported by documentation, and that the invoices were paid promptly. He said that in accordance with Agencies' policy, any purchases up to $1,000 required three oral bids; under $15,000 three written bids, and over $15,000 it is generally a RFP process. He added that any services over $100,000, or services more than one year required board approval. Mr. Chopey said that the audit objectives were satisfactorily achieved.

Committee Chairman Kenneth Bialo moved to adopt the resolution; Ms. Elaine McCann seconded the motion and the following resolution was adopted unanimously:

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 AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES REVIEWING AND APPROVING THE INTERNAL AUDIT'S PURCASHING AUDIT REPORT.

******

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

Alejandro J. Valella, Acting Secretary