MINUTES OF THE
33RD MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
AUDIT COMMITTEE
HELD ON SEPTEMBER 10, 2013 AT 9:03 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NY 10022

MEMBERS AND DESIGNEES

PRESENT

Kenneth M. Bialo	Committee Chairman
Renee Nowicki	Division of the Budget, representing Robert L. Megna, Member (via video conference)

ABSENT:

Andrew SanFilippo	Member

Alejandro J. Valella, Vice President and Deputy Counsel of the Agencies, acted as Secretary. He noted that Renee Nowicki and Aida Brewer were participating in the meetings 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 this venue.

Mr. Valella, 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 Affordable Housing Corporation, The State of New York Municipal Bond Bank Agency (MBBA) and the Tobacco Settlement Financing Corporation (TSFC). Commissioner Mattox made a motion to call the HFA Audit Committee meeting to order; Commissioner Towns seconded the motion. Commissioner Mattox made a motion to call the AHC Audit Committee meeting to order; Commissioner Towns seconded the motion. Committee Chairman Bergamo made a motion to call the SONYMA Audit Committee meeting to order; Commissioner Towns seconded the motion. Committee Chairman Bialo made a motion to call the MBBA Audit Committee meeting to order; Ms. Baldwin seconded the motion. Committee Chairman Bialo made a motion to call the TSFC Audit Committee meeting to order; Ms. Baldwin second the motion.

Mr. Valella 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. Valella noted that Mr. Bialo is the Committee Chair for the Audit Committees for MBBA and TSFC and will Chair those meetings; Commissioner Darryl Towns is the Acting Committee Chair for HFA and AHC and will Chair those meetings; Mr. Bergamo is the SONYMA Committee Chair and will Chair that meeting.

The meetings of the Audit Committees were opened in joint session for the consideration of various matters of shared importance. Mr. Valella stated that items shared by one or more of our committees will be presented by MBBA/TSFC Committee Chairman Mr. Bialo.

The first item on the agenda was the adoption of the minutes of the State of New York Municipal Bond Bank Agency 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 revisions to Internal Audit Work Plan for Fiscal Year 2014. Mr. Stephen Chopey, Vice President, Internal Audit, asked for the committee's consideration and acceptance of the revisions to the Internal Audit's Work Plan for FY2014. He reminded the Committee that the audit plan was previously approved by the Audit Committee on April 9, 2013 and was prepared with the assumption that the audit group would be staffed with a total of four (4) auditors. However, he said that one of the group's staff members retired from the agency. He said that since that time, a candidate has been interviewed, selected and has subsequently accepted the position. He said that consequently, the approved work plan needed to be revised. He noted that both the Affordable Housing Corporation's Audit and the Mortgage Billing System Audit will be moved into the Internal Audit Work Plan for FY2015.

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 AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION AUDIT COMMITTEES AMENDING INTERNAL AUDUIT'S WORK PLAN FOR FISCAL YEAR 2014.**

The next item on the agenda was a resolution recommending the approval of Administrative Budget Request & Financial Plans for Fiscal Year 2014. Ms. Sheila Robinson, Chief Financial Officer of the agencies reported that the request is for review and approval of the Agencies' FY2014 Administrative Budget and the individual Financial Plans for HFA, SONYMA, MBBA, TSFC and AHC totaling $55.7 Million Dollars. She said that this is a $2,112,000 (or 3.94%) increase from the FY2012 budget. Ms. Robinson

stated that when the State Assessments/Cost Recovery actual increased costs are deducted from the increase, the budgeted amount for the Agencies' expenses increased by $1,150,000. She noted that a hard copy of this request was also filed with the Chairman of the Assembly Ways and Means Committee, Authority Budget Office, the New York State Division of the Budget, the New York State Comptroller and the Chairman of the Senate Finance Committee in accordance with applicable law. Ms. Robinson also noted that the budget process was similar to that used in the past and said that this one afforded more transparency. She said that discretionary spending has increased mainly in the area of Information Technology, Temporary/Hourly Employees and Salaries and that overtime also increased to compensate for staff vacancies. She said that the budgeted amount for travel expenses increased as a result of the larger HFA portfolio particularly due to the acquisition of the Mitchell Lama portfolio from Empire State Development.

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 ADOPTING AN ADMINISTRATIVE BUDGET FOR FISCAL YEAR NOVEMBER 1, 2013 TO OCTOBER 31, 2014 AND FINANCIAL PLANS FOR FISCAL YEARS 2014, 2015, 2016 AND 2017 WITH RESPECT TO THE NEW YORK STATE HOUSING FINANCE AGENCY STATE OF NEW YORK MORTGAGE AGENCY STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION AND THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION'S FINANCIAL PLAN FOR FISCAL YEARS 2015, 2016, 2017 AND 2018, AND PRELIMINARY CASH BUDGETS FOR THE NEW YORK STATE HOUSING FINANCE AGENCY AND THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY FOR FISCAL YEAR 2014 AND RECOMMENDING THE APPROVAL THEREOF TO THE MEMBERS AND DIRECTORS OF THE RESPECTIVE AGENCIES.

The next item on the Agenda was the Independent Auditor's (Ernst & Young) Presentation. The Ernst &Young Audit Team referred to their presentation which was previously delivered electronically. They then began to cover areas of emphasis for the 2013 Audit Plan (2014 for AHC). The unaudited Statements for all of the agencies were provided for information purposes only and in accordance with the implementation of Governmental Accounting Standards Board Statement No. 65 (Items Previously Reported as Assets and Liabilities).

The next two items on the agenda were information items regarding Financial Statement Update 3rd Quarter Fiscal 2013 and report of the administrative budgetary expenditures for the nine months ending July 31, 2013 and updated financial. It was noted that information in connection with these two items was contained in the materials provided in connection with these items, which materials are incorporated herein by reference. There were no discussions on these two items.

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

C. [illegible]
Secretary