

**MINUTES OF THE 314TH MEETING OF THE MEMBERS OF THE
HOUSING TRUST FUND CORPORATION (“HTFC”)
HELD ON APRIL 9, 2015 AT 8:30 A.M.**

Locations: 641 Lexington Avenue, New York, NY 10022 and
State Capitol Building, Room 131, Albany, NY 12207
Locations connected by video-conference

MEMBERS PRESENT:

Ted Houghton, Chief Executive Officer, designed by Darryl C. Towns, Chairman for the limited purpose of filling the third Board seat solely for this meeting

and

Marian Zucker for William C. Thompson, Member

HTFC OFFICERS PRESENT:

Gary Connor, Counsel

Mark Colon, Deputy Counsel

Ted Houghton, Chief Executive Officer

Sean Fitzgerald, Vice President, Office of Finance and Development

Stacey Mickle, Assistant Treasurer

Heather Spitzberg, SEQRA Officer, Director of Environmental Analysis Unit

Dawn Ivy Schindelman, Assistant Secretary

OTHERS PRESENT:

Michael DeMarco, Director of Internal Audit DHCR/HTFC

Greg Watson, Assistant Commissioner, Regional Office

Russell Hubley, Program Associate, HFA

Chloe Unger, Jr. Underwriter, HFA

Robert Damico, Director of Office of Housing Management, DHCR

Ravi Swami, Associate Internal Auditor, DHCR/HTFC

Sharon McLelland, Environmental Analyst, Housing Architecture and Engineering, DHCR

Kisha Santiago, Executive Chamber

Michael Kendall, Division of the Budget

There was a quorum with two Members present. Ms. Zucker made a motion to call to order the 314th Meeting of the Members of HTFC. The motion was seconded by Mr. Houghton.

The first item on the HTFC agenda was the approval of the minutes of the 313th meeting held on March 12, 2015. The minutes were deemed approved.

The next item on the HTFC agenda was a resolution authorizing reallocation of awards under the Public Housing Modernization Drug Elimination Program to the Nyack

Housing Authority. Mr. Damico presented this item and detailed the Office of Housing Management's ("OHM") efforts to revoke various unused drug elimination grant contracts within the Housing Trust Fund and reallocate these funds to housing authorities with a substantial need, such as the Nyack Housing Authority ("Nyack"). Mr. Damico stated that Nyack contains 88 units, in very good physical shape, although plagued by a high crime rate. He mentioned that Nyack's board has been very difficult, as far as making decisions, and that OHM has funded them several times. He added that there is a double playground in the center, which is basically asphalt, where older kids hang out and sometimes threaten others. He indicated that OHM gave Nyack another grant of \$50,000.00, but since Nyack's board had difficulty making a decision, OHM finally interceded and Nyack now has a consultant. Mr. Damico stated that Nyack has received bids but that approximately \$100,000 is needed to complete the project. Mr. Damico indicated that it is a good opportunity for OHM to go through HTFC and that in this case OHM went through seven housing authorities that were given old drug elimination grants. He added that all of these housing authorities were notified and that all of their work was complete and most of the contracts had expired. Therefore, it was practical for OHM to revoke unused awards previously authorized for various housing authorities and reallocate these funds. Mr. Damico noted that by doing so, OHM was able to obtain \$105,249.50. Mr. Damico further noted that in order to save OHM from going to the Board with new monies, this is a recapture. He added that OHM had to go through their present program which means that if these funds were so allocated, this project would be done by the fall. There were no questions.

Ms. Zucker moved to adopt the resolution and Mr. Houghton seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby approve the recapturing the amount of up to \$105,249.50 under the Public Housing Modernization Drug Elimination Program from the Middletown, Syracuse, Glens Falls, Oswego, Rockville Centre, Salamanca and Plattsburgh Housing Authorities and the reallocation of that amount to the Village of Nyack Housing Authority for the Waldron Terrace housing project.

Section 2. The Members hereby approve the entering into of regulatory agreements with the eligible recipients, upon their satisfactory compliance with any pre-contract conditions as required by statute or regulation and upon such terms and conditions as set forth under Public Housing Modernization Drug Elimination Program guidelines.

Section 3. The President of the Office of Housing Preservation or another authorized officer of HTFC is hereby authorized, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authorizing reallocation of awards under the Public Housing Modernization Program to the Little Falls Housing Authority. Mr. Damico presented this item and stated that in a similar effort, OHM revoked unused funds that had been languishing. He indicated that this job is the senior mid-rise in Little Town, which should be completed in about a month. He further indicated that because this is a

senior citizen development that had one elevator, every time the elevator was out of service it was a particularly bad situation. Mr. Damico noted that through the initiative of CDBG funds OHM obtained the seed money and started working with a consultant. Mr. Damico stated that the A & E Bureau reviewed the plans and specs and they went out for bid. He indicated that his office picked it up, supplementing with modernization funds, in the amount of \$640,000, due to asbestos abatement and the replacement of an emergency generator for the project. Mr. Damico added that the completed project is beautiful and that he would like to see a ribbon cutting there, as it was quite a change for that building. He explained that OHM was able to fund it, but because of the higher than expected bids, the asbestos abatement came out to approximately \$700,000 more than the authority had. He noted that Little Falls is starting to dip into their reserves, which he would like to eliminate. Mr. Damico stated that OHM went through nine housing authorities and contacted them all and thanked them for investing wisely and completing their work. This resulted in OHM finding a total of \$701,331.55 to fund the remainder of the elevator contract.

Ms. Zucker inquired if for this item and the previous item it was an active process of going in and looking for unused funds that could be reallocated.

Mr. Damico responded and noted that it was a good question. He explained that these two reallocations were able to utilize a lot of the smaller unused funds that were languishing. He noted that OHM has about \$300,000 to \$400,000 that he wants to keep as a reserve for little overages. He added that there are now only one or two items, not spread throughout the portfolio. He stated that this cleans it up and that historically OHM performs a search of unused funds every seven or eight years and that it makes their accounting much easier on all of these open contracts. Mr. Damico stated that now OHM can close that down and get their data back in line with the Housing Trust Fund.

Mr. Houghton asked Mr. Damico, referring to this item and the previous item, if OHM recaptured the unused funds for the completed contracts for the various housing authorities and reallocated these monies.

Mr. Damico responded in the affirmative.

Mr. Houghton asked Mr. Damico to confirm that he was able to come up with \$105,000 for the first project and \$701,000 for this project and still have three or four hundred thousand dollars in addition to that.

Mr. Damico responded in the affirmative.

Mr. Houghton asked if any of these housing authorities indicated that they would like to use this unused money.

Mr. Damico responded and indicated that he received two calls. He stated that one call from the Rockville Center Housing Authority ("Rockville"), that had since restructured. Mr. Damico noted that he had been kindly reminding Rockville over the last two months that they received \$450,000.00 in grants in 2011 that they had not drawn on. He reported that he

explained to them that he wanted to close this out, because other housing authorities needed it. Mr. Damico added that Rockville asked if they could lose the \$450,000. Mr. Damico stated that when he told them that they would lose it, they got together with the limited partner, who was on the site. Rockville indicated that they would call Mr. Damico in the middle of next week to confirm that they will combine it with other work and draw down on very much needed site work, including heating, sidewalks and other work. Mr. Damico stated that Rockville wanted to confirm that they are using the \$450,000.

Mr. Houghton asked for clarification that Rockville wanted to confirm that they would be using the \$450,000 and not these other unused funds.

Mr. Damico responded in the affirmative.

Ms. Zucker commented that she was pleased.

Mr. Houghton agreed.

Mr. Damico stated that Rockville also had \$213,000 left over from a successfully completed grant in 2007 and that OHM recaptured these funds and that Rockville didn't have a problem with that. Mr. Damico reported that Rockville called and requested confirmation that OHM was not seeking the \$450,000. Mr. Damico stated that he also received a call from the Plattsburg Housing Authority ("Plattsburg"). Mr. Damico indicated that OHM recaptured a very small amount, approximately \$14,000 plus from Plattsburg. Mr. Damico added that Plattsburg's CPA called him to confirm that this was not something that they were required to pay back. Mr. Damico also noted that Plattsburg's CPA indicated that their staff had changed since the job was restructured and federalized.

Ms. Zucker moved to adopt the resolution and Mr. Houghton seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby approve the recapturing the amount of up to \$701,331.55 under the Public Housing Modernization Program from the Albany, Mt. Vernon, Oswego, Rockville Centre, Plattsburgh and North Hempstead Housing Authorities and the reallocation of that amount to the Little Falls Housing Authority for the Rockton Plaza housing project.

Section 2. The Members hereby approve the entering into of regulatory agreements with the eligible recipients, upon their satisfactory compliance with any pre-contract conditions as required by statute or regulation and upon such terms and conditions as set forth under Public Housing Modernization Program guidelines.

Section 3. The President of the Office of Housing Preservation or another authorized officer of HTFC is hereby authorized, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authorizing awards under the Public Housing Modernization Program for the Fulton and North Hempstead Housing Authorities. Mr. Damico presented this item and stated that the present budget had appropriated \$6,000,000 for the Public Housing Modernization Program. He noted that there were two items that were very high priority that they had been working with their legal staff on. One is Fulton Housing Authority ("Fulton"), which was discussed in depth at the HFA meeting and is now to be called Wilbur Fay Apartments. Mr. Damico added that OHM has been in discussions with 3D Development and that they need \$2,730,000 to complete the project. Mr. Damico stated that his A&E unit reviewed the scope of work a while back. He indicated that Rich McCurnin had letters showing the development. Mr. Damico stated that this amount would be added to previous block grants of \$5,000,000. Therefore, the total amount would be \$7,793,000, which was stated at the HFA meeting and would represent OHM's contribution to the overall \$28,000,000 renovation of this project.

Ms. Zucker asked Mr. Damico to present the second project.

Mr. Damico indicated that OHM is restructuring the North Hempstead Housing Authority ("North Hempstead") and are working with Dave Gallo. He noted that OHM was entertaining 4% and 9% bonds and that they received a verbal confirmation that they are going to use a 4% bond. He stated that they indicated that they want to close in May or June. He further stated that in addition to the previous \$3,500,000, they are looking for \$1,500,000 to close it. Mr. Damico noted that there is some concern that possibly there might be a few hundred thousand dollars that they may need. He indicated that there are some inflated costs, but that it is too soon to tell, but that they could match that with unused funds, which would be a good solution. Mr. Damico stated that at this point the current estimates are going to be updated next week and that this would fulfill their need to complete that project. Mr. Damico added that both the Fulton and North Hempstead housing authorities are looking at an approximate completion date of fall, 2016. He indicated that he could go into more depth regarding the North Hempstead project, as he has a lot of information on the scope of their work. He added that this project is quite thorough and very similar to the Fulton project, an emptying out, almost a gut rehabilitation.

Mr. Houghton inquired if this was the project that was discussed earlier.

Ms. Zucker clarified that the project that was discussed earlier was Wilbur Fay.

Mr. Houghton stated that he now recalled this.

Ms. Zucker noted that the North Hempstead project had not been discussed yet, as they had not arrived at that point in the budget.

Ms. Zucker moved to adopt the resolution and Mr. Houghton seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby approve awards under the Public Housing Modernization Program in the following amounts to the following eligible recipients: Fulton Housing Authority

in the amount of up to \$2,793,000 for the Pathfinder Courts (NYS-118 & 148) housing projects and North Hempstead Housing Authority in the amount of up to \$1,500,000 for the Pond View housing project.

Section 2. The Members hereby approve the entering into of regulatory agreements with the eligible recipients, upon their satisfactory compliance with any pre-contract conditions as required by statute or regulation and upon such terms and conditions as set forth under Public Housing Modernization Program guidelines.

Section 3. The President of the Office of Housing Preservation or another authorized officer of HTFC is hereby authorized, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authorizing award under the Homes for Working Families Program for the Wilbur Fay Apartments. Mr. Hubley presented this item. Prior to Mr. Hubley's presentation Ms. Schindelman noted that the memo and corresponding resolution for this item had been revised after the Board Book was originally publicly posted. She also noted that the Board was presented with the revised version on their laptops and the publicly posted Board Book had since been updated. Mr. Hubley stated that there were some changes with the numbers before they were finalized and presented. He indicated that Homes for Working Families ("HWF") was requesting \$2,000,000 for the Wilbur Fay Apartments, known as Pathfinder Courts, which was discussed at length in the HFA meeting and again here for the Public Housing Modernization Fund request. He indicated that this project is receiving a lot of leverage from various HCR sources, including Community Investment Funds. He added that \$2,000,000 for HWF would help contribute to the extensive rehabilitation that is required for this project, at over \$195,000 per unit. Mr. Hubley asked if the Board wanted him to go into more detail on this item.

Ms. Zucker thanked Mr. Hubley and noted that further discussion was not necessary, as she heard the very detailed discussion at the HFA board meeting.

Mr. Houghton indicated that he did not have any questions.

Ms. Zucker moved to adopt the resolution and Mr. Houghton seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby authorize an award of up to \$2,000,000 under the HWF Program for the Wilbur Fay Apartments and the entering into of regulatory agreements for the project, upon such other terms and conditions as set forth under program guidelines.

Section 2. The Members hereby provide that this authorization will lapse 180 days after the effective date of this resolution if a closing on all sources of construction financing sufficient to complete the project has not occurred.

Section 3. The Members hereby authorize the President of the Office of Finance and Development or another officer, subject to the provisions of this resolution, to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution.

Section 4. This resolution shall take effect immediately.

The next item on the HTFC agenda was a resolution authorizing award under the Homes for Working Families Program for Lake Ravine Apartments. This item was tabled.

The next item on the HTFC agenda was a resolution authorizing awards under the Rural and Urban Community Investment Fund for the Jefferson Resource Center and Wilbur Fay Apartments. Mr. Fitzgerald presented this item via video-conference from Albany. Mr. Fitzgerald noted that his office is seeking a resolution authorizing the award of up to \$1,500,000 in Rural Community Investment Funds for two projects; Jefferson Resource Center, Cattaraugus County and Wilbur Fay Apartments, Oswego County. He noted that Jefferson Resource Center is a coordinated investment in the New York State Homeless Housing Assistance Corporation (“HHAC”). He indicated that the award would be used to rehabilitate and renovate approximately 22,000 square feet of programming surface space used by Cattaraugus County Action. This surface space occupies the first and second floors of a mixed use affordable housing project serving formerly homeless individuals and families. The residential component of the project has been regulated by HHAC as affordable housing since 1994. Mr. Fitzgerald added that with this award HHAC would finally be able to address a range of physical needs, including roof and window replacement.

Mr. Fitzgerald continued with his presentation and stated that the second award for the Board’s consideration is needed to assist in financing a gut rehabilitation of the Wilbur Fay Apartments in the City of Fulton, Oswego County. He noted that Mr. Hubley gave a presentation regarding Wilbur Fay earlier that morning. He indicated that this project involved the conversion of 95 units of public housing into private ownership in order to access federal law housing tax credits. Mr. Fitzgerald stated that in the interest of time, he would not repeat all of Mr. Hubley’s presentation. He noted that this project is another example of the ongoing and very successful melding of the competitive Unified Funding round, the 4% tax credit and the tax exempt bond programs. Mr. Fitzgerald further noted that this project originally sought DHCR funding as part of the 2013 Unified Funding round. He added that due to the highly competitive nature of that funding round, the Office of Finance and Development (“OFD”), under Senior Vice President, Bret Garwood’s leadership, utilized the flexibility built into the Unified Funding Request for Proposal and evaluated all of the Unified Funding applications to determine if the projects would be financed with 4% tax credits as of right, thereby relieving pressure on the state’s vastly over-subscribed 9% tax credit program. Mr. Fitzgerald stated that under this initiative OFD has transferred about a dozen 9% applications to 4% tax credits. He further stated that to date this effort has been a tremendous success and really stretched their resources considerably. He recognized that Leonard Skrill, OFD’s Upstate Director, was critical to this happening. He concluded by stating that these two applications had been evaluated for eligibility, feasibility and assignment. There were no questions.

Ms. Zucker moved to adopt the resolution and Mr. Houghton seconded the motion, and the following resolution was adopted:

Section 1. The Members hereby authorize an award under the CIF Program in an amount up to \$750,000 for the Jefferson Resource Center.

Section 2. The Members hereby authorize an award under the CIF Program in an amount up to \$750,000 for the Wilbur Fay Apartments.

Section 3. The Members hereby approve the entering into of regulatory agreements with the applicants, upon their satisfactory compliance with any pre-contract conditions as required by statute or regulation and consistent with such terms and conditions as set forth by CIF Program guidelines.

Section 4. The Members hereby authorize the President of the Office of Finance and Development or another authorized officer of HTFC to execute any documents which may be necessary and appropriate to effectuate the purposes of this resolution provided this authorization will lapse 180 days after the date on which this resolution shall have taken effect if a closing on all sources of construction financing sufficient to complete the project has not occurred.

Section 5. This resolution shall take effect immediately.

The next item on the Agenda was a review of SEQR Concur Summaries.

There was no request for a presentation on this item.

The next item on the Agenda was a review of Type II SEQR Summaries.

There was no request for a presentation on this item.

The next item on the Agenda was a review of Executed Agreements under the Community Development Block Grant Disaster Recovery Program.

There was no request for a presentation on this item.

The next item on the Agenda was a review of Appointment of Director of Internal Audit for Governor's Office of Storm Recovery.

This item was tabled.

The next item on the Agenda was an update from the New York State Housing and Community Renewal Office of Internal Audit and Quality Control. Mr. DeMarco presented this item and handed out hard copies of the update, as it was not able to be included in the Board Packet before it was publicly posted.

Mr. DeMarco indicated that he was presenting an update for the Board on his office's activities. He noted that since their last update they have been able to recruit new staff and re-establish a presence in the Beaver Street office. Mr. DeMarco stated that Mr. Ravi Swami, Associate Internal Auditor, was a new hire, who started in February. Mr. DeMarco added that he was given a budget on the Housing Trust Fund payroll to recruit another senior auditor. Mr. DeMarco indicated that he hoped to recruit a candidate for this position this year for the Beaver Street office, so that they can continue with the same momentum on their audit projects. He noted that his unit is currently working on four active projects. He stated that the first project is a review and risk assessment of their revenue receiving process. He explained that this is essentially a risk assessment to determine if they have any remaining vulnerabilities for fraud, theft, or other abuse in any offices where they are receiving revenues.

Ms. Zucker asked Mr. DeMarco if he could go into more detail about how they do that.

Mr. DeMarco responded that his office started with a 2012 review that was done by Mitchell Titus, CPAs, where they went around and identified and reviewed the procedures and practices and prepared a report identifying some areas of improvement. Mr. DeMarco added that his office is starting with that report and that they are doing some extra work in that area and testing some actual data. Mr. DeMarco noted that members of his staff are going out into the areas and asking questions regarding what procedures they are using now and if there has been any improvement since the report by Mitchell Titus. Mr. DeMarco further noted that his staff is also looking at some of their actual transactions and looking at security controls, approval, authorization and similar areas to come up with an assessment as to whether or not they think there is a high degree of risk. Mr. DeMarco added that after this investigation they will assess whether or not any of these areas should have a full audit, which would entail his staff revisiting this and testing extensive amounts of data.

Mr. DeMarco continued with his presentation and indicated that although this process was just started earlier this month, his staff was well under way in both the Hampton and Gertz Plaza offices, interviewing employees. Mr. DeMarco noted that he hoped to have at least an interim status update for the Board by the end of the month and by that time he expects to be in a better position to report how this process is developing. Mr. DeMarco added that he hoped to have finalization by next month regarding that update. He further added that he believed that it is very important that his staff go back and revisit this, just to ensure that they have some tightened controls in the areas. He noted that there have been a lot of improvements being made in HTFC Finance, in the use of bank accounts and lockboxes, but that they still have some revenue streams that potentially have some vulnerability. Mr. DeMarco stated that examples of these revenue streams include FOIL and copy fees in certain offices. He noted that these revenue streams are small and that just by their inherent nature; they tend to be more vulnerable. He added that he was not stating that there was an issue with any one office or person, but that at this point his staff is just looking at the structure and assessing from there.

Ms. Zucker asked if Mitchell Titus was returning to do a post audit review or post suggestion review and whether the Office of Internal Audit and Quality Control was going to use the Mitchell Titus report as their road map for what they are assessing.

Mr. DeMarco responded that Mitchell Titus had looked at the procedures as well and that it was something that everyone was familiar with. He indicated that his office wanted to check in with some other programs and in cases where changes had been made within the programs, ensure that they were casting a wide enough net, so that no areas were overlooked. He added that Mitchell Titus did not do this.

Mr. Connor noted that the Mitchell Titus report was a post Agnes Bernier report.

Ms. Zucker asked Mr. DeMarco if he could share the Mitchell Titus report with the Board, prior to the May HTFC Board meeting, so that the Board could use it as a road map during the review his office's final report.

Mr. Houghton added that as soon as Mr. DeMarco receives the final Mitchell Titus report, the Board would like to be presented with a copy.

Mr. DeMarco responded in the affirmative and added that Mitchell Titus issued four separate reports for different areas. Mr. DeMarco indicated that he would include a summary on that, as Mitchell Titus has executive summaries for each report. Mr. DeMarco noted that he had prepared a grid that summarizes these reports, which could be helpful to the Board, if they wanted to look more closely at some of the other text.

Mr. Houghton asked for confirmation that Mr. DeMarco had stated that in some cases not all of the Mitchell Titus recommendations had been implemented yet.

Mr. DeMarco responded in the affirmative and added that his staff is still working on finalizing that. He noted that there are probably one or two areas they could still identify as needing improvement, such as the Section 8 program. Mr. DeMarco added that he mentioned this program because that was where the issue took place, which fueled the audit. Mr. DeMarco further added that the Section 8 program no longer has its money being touched by employees in the agency. He indicated that although there might be some straggler checks that still get sent in, despite Section 8's instruction otherwise, all checks are going into a locked bank account P.O. Box. Mr. DeMarco stated that Section 8 now receives more information from their Local Administrators, which makes this area much tighter and safer.

Mr. Houghton sought confirmation that for the Section 8 program, Mr. DeMarco's office had identified and traced all but \$254,000 at this point.

Mr. DeMarco answered in the affirmative.

Mr. Houghton asked if they were still working on identifying where the \$254,000 came from and where it is going.

Mr. DeMarco responded that his staff was still working on identifying a lot of the \$254,000. He added that about four or five months ago they had a draft, as part of their quality review. Mr. DeMarco noted that when they started looking at all of the detail, he realized that a deposit log that they were working on had some columns altered, in order to clean it up and that

this was what the auditors worked with. He further noted that unbeknownst to the employees who prepared that log. There were a lot of data entry errors in that file, meaning that there was a lot of money order numbers misplaced, that could not be seen. Mr. DeMarco reported that when he obtained a raw file and examined it, he found quite a few of the missing items in it. Mr. DeMarco added that his staff reviewed this raw file and received some assistance from HTFC Finance, but that HTFC Finance wasn't able to do as much he needed. Mr. DeMarco gave thanks to Alan Smith and his Section 8 staff, which were assigned by Mr. Smith to help them with this. Mr. DeMarco added that because they are now dealing with Section 8 data, even though it's from a Finance document, his staff will confirm the validity of the work that Finance did for them. Mr. DeMarco noted that such confirmation was necessary because there was somewhat of a conflict there. He explained that in an effort to get this done and make some progress, they went ahead and did that. Mr. DeMarco added that at this point, his staff is finalizing everything. He stated that he will probably review this again to see if he can identify some more of the \$254,000. He noted that at this point his feeling is that most of that money is there, however, due to incomplete data, either from the information that was provided to his unit by the Local Administrators, or gaps in the deposit file itself, his staff is not able at this time to make a match where they feel confident to say that they have enough proof to identify it as particular payment.

Mr. Houghton asked if there were improvements made to the process, to minimize data entry errors moving forward.

Mr. DeMarco responded that in HTFC Finance they have been migrating to a brand new accounting system. He noted that they were previously operating by using a lot of spreadsheets and an accounting system with just several modules. He added that now they are now using a more functional system, so that financial data, such as this, will be entered directly and fully into the system. Mr. DeMarco noted that HTFC Finance is working on the Governor's Office of Storm Recovery first and then they will work on HTFC.

Mr. DeMarco continued with his update and noted that his office is working on two other active assignments, including an audit of inventory which has actually has three phases to it. He indicated that they are doing an audit of GOSR, IT and non-IT assets. He added that this was an audit that was requested by GOSR some time ago and that his office agreed to continue doing it. Mr. DeMarco reported that in the interim GOSR is implementing a totally new inventory system, so once they are done with that, his office will go in and complete their work. He further reported that his office is looking at their non - IT assets within DHCR and HTFC. He added that at this point, their Senior Vice President of Facilities and Administrative Services, Mr. Bonilla, had already undertaken some corrective action to essentially implement the inventory system. He indicated that Mr. Bonilla is using this corrective action here at HFA and that he is going to go around comprehensively and take care of everything and develop a unified asset classification system and make sure that they are consistent. Mr. DeMarco added that Mr. Bonilla is keeping his office updated on that and that they will apprise the Board of the status. He indicated that this is actually ideal, rather than waiting for a report. He stated that he was very pleased with this process. He further noted that his office has a couple of consulting engagements and that they are helping the Public Housing Modernization program ("PHM") migrate their warrant payment process from paper to electronic. He noted that his staff plans to offer PHM assistance

in formulating solutions for improvements in the financial reconciliation process. He added that they are dealing with a couple of databases and that they will probably have to work with their IT partners and hopefully be able to have some data feeding from one database to another, to facilitate things for their staff.

Mr. Demarco mentioned that another assignment, which they have not started yet, is along the vein of risk assessment and cash management. He noted that they were going to do the same type of risk assessment for areas of the agency where they have inspectors going out in the field. He indicated that the scope of this will involve looking at the quality control and review procedures that supervisors and managers are employing. He added that this is necessary to ensure that staff is where they should be, when they should be. He further added that they want to assess if they have any vulnerabilities to misbehavior on the part of inspectors, by examining what controls are in place there. Mr. DeMarco noted that this project will probably be started late spring or early summer.

Ms. Zucker asked Mr. DeMarco to discuss the internal control report.

Mr. DeMarco responded by reporting that the internal control report was being prepared by Mr. Battle, their Internal Control Officer. He indicated that it is an annual requirement for the Division of Budget for executive agencies and that because HTFC is very close to the agency, his office does both. Mr. DeMarco stated that Mr. Battle has been conducting some surveys of the various offices and that he is compiling the information and will prepare a report for the Division of Budget. Mr. DeMarco stated that if the Board so desired, Mr. Battle would be happy to give a presentation at the next Board meeting, but noted that at this point the project is not yet complete.

Mr. Houghton thanked Mr. DeMarco.

Mr. DeMarco continued his presentation and reported that his office has a couple of OSC audits now in process. He noted that they are conducting one audit in PHM, which has now been divided into two audits. He stated that his office has focused on NYCHA projects and that they have completed their testing there. He noted that they hope to be able to issue a draft report to the agencies within a couple of weeks. He added that the other entities that are receiving PHM funds are going to be done as a separate project and that his staff had just started on this project. He further added that so far his unit has looked at five entities, Greenburgh, Kingston, Middletown, North Hempstead and Rome. He noted that they may expand this at this very early stage. Lastly, Mr. DeMarco noted that OSC is following up on a 2012 audit they did of the agency's quality of the internal control certification. Mr. DeMarco said that they have reviewed certifications from 2011 and identified some improvements there. Mr. DeMarco further noted that they have audited 12 executive agencies in 2012 and that they are following up with all of those agencies now. He indicated that OSC will be issuing a combined report.

Mr. Houghton noted that Mr. DeMarco had stated that OSC had recommended improvements and he inquired if Mr. DeMarco's staff had implemented all of OSC's recommendations.

Mr. DeMarco responded that OSC wanted improvements regarding the amount of information presented in the report and that his office has effectuated that. He noted that OSC found that his internal control training needed improvement and his staff has made improvements. He noted that he was uncertain if OSC would conclude that this issue is now closed or suggest that his staff do more. Mr. DeMarco noted that at that time, when he was hired by Internal Audit, the Director of Internal Audit was also serving as the Internal Control Officer. He noted that at that time, since they only had a few people on staff, a decision was made to make Mr. Battle the Internal Control Officer, while not separating out of the office. Mr. DeMarco explained that this was done so that he would not continue to have both responsibilities.

Mr. Houghton thanked Mr. DeMarco for his response.

There being no unfinished business, Ms. Zucker moved to adjourn the meeting; Mr. Houghton seconded the motion, and the meeting was adjourned.



Dawn Ivy Schindelman

Dated: April 9, 2015