

## 2009-10 INTERNAL CONTROL SUMMARY & CERTIFICATION FORM

The Internal Control Summary and Certification Form provides supporting justification for an agency's or authority's level of compliance with the requirements of the Internal Control Act as outlined below.

This form requests information regarding specific actions taken, or needed to be taken, by agencies/authorities to comply with each of the Act's requirements as described in Budget Policy and Reporting Manual (BPRM) Item B-350.

A completed and signed Internal Control Summary and Certification Form should be submitted by **April 30, 2010**, via e-mail as an attached PDF file to the Division of the Budget's internal control reporting mailbox at [dob.sm.icreporting@budget.state.ny.us](mailto:dob.sm.icreporting@budget.state.ny.us).

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nyhomes - New York State Housing Finance Agency (HFA)* & State of New York Mortgage Agency (SONYMA) *(covers: Affordable Housing Corporation (AHC), Tobacco Settlement Financing Corporation (TSFC), and Municipal Bond Bank Agency (MBBA))	April 30, 2010	Gary Weinstock	(212) 872-0565
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Agency Name	Date	Completed by (Name)	Phone
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**A. Establish and maintain guidelines for a system of internal controls for the agency or authority.** Internal control guidelines communicate an organization's management and programmatic objectives to its employees and provide the methods and procedures used to assess the effectiveness of its internal controls in supporting those objectives. Internal control guidelines should:

1. State the agency head's support of internal controls to provide staff with an understanding of the benefits of effective controls;
2. Identify the agency's primary responsibilities and the objectives;
3. Explain how internal controls are organized and managed;
4. Define responsibilities of agency management and supervisors and agency staff;
5. Acknowledge that internal controls adhere to accepted standards; and,
6. Describe the organization's process for evaluating internal controls.

**For this requirement, the agency/authority is:**

Fully Compliant       Partially Compliant       Not Compliant

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

See attachment 1

**B. Establish and maintain a system of internal controls and a program of internal control review for the agency or authority.** The system of internal control should be developed using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) conceptual framework adopted in the *Standards for Internal Controls in New York State Government*, and should incorporate COSO's five basic components of internal control: control environment, risk assessment, control activities, information and communication and monitoring.

The program of internal control review shall be a structured, continuing and well documented system designed to identify internal control weaknesses, identify actions that are needed to correct these weaknesses, monitor the implementation of necessary corrective actions and periodically assess the adequacy of the agency's or authority's internal controls.

Organizations can adopt a system of internal control review tailored to their needs, size and degree of centralization. The procedures for evaluating the adequacy of that system also vary, but at a minimum should:

1. Identify and clearly document the primary operating responsibilities (functions) of the agency or authority;
2. Define the objectives of these functions so they are easily understood by staff accountable for carrying out the functions;
3. Identify/document the policies and procedures used to execute functions;
4. Identify the major functions of each of the agency's assessable units;
5. Develop a process or cycle to assess risk and test controls for major functions;
6. Assess the risks and consequences associated with controls failing to promote the objectives of major functions;
7. Test controls to ensure they are working as intended (see the "Manager's Testing Guide" which can be downloaded from BPRM Item B-350);
8. Institute a centrally monitored process to document, monitor and report deficiencies and corrective actions.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement and specifically address the following points:**

1. Describe the process used to review the agency's/authority's internal controls.
  - The four step process, which was suggested as a possible alternative by the Internal Control Unit of the Division of Budget, has been adopted by both Agencies.
  - Completed Functional Vulnerability Assessment and Internal Control Review forms are on file with the Internal Control Officer for each department within the

Agencies. Department heads are responsible for performing the testing to ensure that the controls are in place and are properly functioning.

- All completed forms are reviewed by the Agencies Internal Control Officer and Senior Management.
- In addition to management reviews, Internal Control is evaluated annually by the Agencies external auditors, Deloitte & Touche LLP as well as the Agencies' internal audit department. An additional review concentrating on SONYMA procedures, which also overlap certain HFA procedures, is performed annually by the New York State Banking Department.

2. List all high-risk activities and indicate which were reviewed during 2009-10.

All activities are rated low to moderate risk.

3. Identify the significant deficiencies revealed during the 2009-10 review process. Outline the actions taken, or planned, to eliminate deficiencies, highlighting the most important improvements made during the year. The Agencies continue to be compliant with all published applicable guidelines.

We have continued to diligently document and test controls in place.

Again, conscious of the Sarbanes Oxley Act, the Agency places great emphasis on the Internal Control Review process. Annually, each Department Head is required to perform a full review of the Internal Control Vulnerability for the unit.

Beginning in 2008, each functional unit is required to review, and summarize all changes that have occurred since the last full Internal Control Vulnerability assessment. Functions that have significantly changed or are added as new functions require a new full review.

Testing for the 2009-10 has not been concluded and final results will be forthcoming.

Testing for the 2008-09 was completed by June, 2009, and no exceptions were found.

4. Describe the monitoring system installed by the agency to verify that corrective actions are taken. Discuss the extent to which IT systems are used to track corrective actions.

Immediate action is taken to resolve any deficiency that is identified as a result of the internal control review process. Deficiencies are further noted and corrected after testing in the area. Lastly, the Agencies' Internal Audit Group

will include in their audit testing, an evaluation of the system of internal controls for all audited areas.

The agency uses a software package called LanDesk to continuously identify desktop and server vulnerabilities. The software also facilitates the patching of those systems after the vulnerability has been assessed and the appropriate patch has been verified and tested. We are then able to pull reports that display a track record of when the vulnerability was defined to when it was patched.

The agency also employs the 3rd party services of QualysGuard which performs weekly vulnerability scans of the agency's internet facing servers, routers and firewall. The QualysGuard engine reports are sent to security and IT staff. Newly identified vulnerabilities are assessed and patched appropriately. Mitigated vulnerabilities are then dropped from the report as they are not detected on subsequent scans.

5. Summarize specific actions the agency has taken to install a compliance testing program. Describe actions taken during 2009-10 to verify test results and expand the testing program.

Functions of all areas of the Agencies' internal controls were tested. Each area, after completing the tests, is required to submit the Internal Control Testing Assessment, which describes the function being tested, the methods used to test the function, attached results from the testing and a signed corrective action plan if necessary.

6. Describe measures instituted to sustain the effectiveness of the internal control program during 2009-10. Include information on reorganizations and other revisions in the program to enhance operations.

All departments continue to present quarterly internal control certifications to the President.

7. Describe efforts agency/authority management has taken to coordinate and integrate the documentation and reporting of activities the Office of the State Comptroller's *Standards for Internal Controls in New York State Government* recognize as supporting a good internal control system: evaluation, strategic planning and internal audit.

([http://www.osc.state.ny.us/agencies/ictf/docs/roadmap\\_app\\_a.pdf](http://www.osc.state.ny.us/agencies/ictf/docs/roadmap_app_a.pdf)).

See attached Compliance Roadmap for nyhomes, with applicable sections completed. (Appendix A)

8. Describe efforts agency/authority management has taken to effectively communicate information within the organization. Information should be communicated to management and other employees who need it in a form and within a time frame that helps them to carry out their responsibilities.

Communication is not an isolated internal control component. It affects every aspect of an organization's operations and helps support its system of internal control. The feedback from this communication network can help management evaluate how well the various components of the system of internal control are working.

Communication begins with a memo from upper management (as referenced in our response to part A of this questionnaire) to all employees of the Agencies, and continues throughout the year with periodic meetings between the Internal Control Officer and the individual department heads. Internal control issues are reviewed and when necessary, new policies are implemented. Information and guidelines are updated periodically and are available to all employees through postings on the agencies internal network.

**- Add Additional Pages if Needed -**

- C. Make available to each officer and employee of the agency or authority a clear and concise statement of the generally applicable management policies and standards with which the officer or employee of such agency or authority shall be expected to comply along with detailed policies and procedures the employees are expected to adhere to in completing their work.** The statement should set the tone at the top. It should be issued periodically and emphasize the importance of effective internal controls to the agency or authority and the responsibility of each officer and employee for effective internal controls.

Managerial policies and procedures for the performance of specific functions are articulated in administrative manuals, employee handbooks, job descriptions and applicable policy and procedure manuals. While it is not necessary for all employees to possess all manuals, employees should be provided with, or have access to, applicable policies and procedures for their position.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

Communication begins with a memo from upper management (attachment 1) to all employees of the Agencies. Procedures and policies are first discussed between department heads and the Internal Control Officer, and then further discussed between department heads and employees. Each department has its own written policy manuals that are available for review by each employee. The Internal Control Officer has a complete copy of all departmental control assessments, which are available for review by all employees.

**D. Designate an Internal Control Officer (ICO), who shall report to the head of the agency or authority or to their designee within the executive office, to implement and review the internal control responsibilities established pursuant to this Item. The designation of the ICO should be communicated to all employees.**

The ICO works with appropriate personnel within the agency or authority to coordinate the internal control activities and to help ensure that the internal control program meets the requirements established by BPRM Item B-350. Although the ICO evaluates the adequacy of the internal control reviews performed by agency or authority staff, program and line managers are primarily responsible for conducting reviews to assure adherence to controls and analyzing and improving control systems. The ICO should be an individual with sufficient authority to act on behalf of the agency head in implementing and reviewing the agency's internal control program. This individual should have a broad knowledge of agency operations, personnel and policy objectives.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

Gary Weinstock, Vice President/Comptroller, is the Internal Control Officer, who reports directly to senior management. Mr. Weinstock has been with the Agencies since 1981, and has served as the Agencies ICO since 1999. As a result, Mr. Weinstock possesses a broad knowledge of agency operations, personnel and policy objectives.

Part of the responsibility of the ICO includes meetings with department heads to discuss internal control matters. Responses to the annual nyhomes Managers Internal Control Self-Assessment forms are reviewed and signed off by the Internal Control Officer.

**E. Implement education and training efforts to ensure that officers and employees have achieved adequate awareness and understanding of internal control standards and, as appropriate, evaluation techniques.**

Agencies and authorities should identify staff requiring internal control training and the depth and content of that training. Such education and training should be on-going with specific courses directed at line staff, middle managers and executive management. For organizations that have established internal audit functions, training and education should be offered on the appropriate role of the internal auditor within the organization's internal control system.

**For this requirement, the agency/authority is:**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement.**

Both the Internal Control Officer and the Internal Control Coordinator have attended the NYS Internal Control Conference in 2007 as well as the downstate Internal Control Seminars Given in 2010. The ICO has also attends several Continuing Professional Education (CPE) seminars each year which address issues relating to internal controls.

Meetings and training sessions take place periodically between the ICO and department managers. Information and training are ongoing throughout the year.

Internal audit staff periodically attends courses to enhance their audit skills.

- F. Periodically evaluate the need for an internal audit (IA) function. If an IA function exists, it should be maintained in compliance with generally accepted professional auditing standards. Agencies on the Division of the Budget's list of agencies required to establish IA functions – and those choosing to have an IA function – are required to comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (see BPRM Item B-350 Section III "IA Responsibilities").**

As outlined in BPRM Item B-350, agencies and authorities are required to periodically evaluate the need to establish, maintain or modify an IA function utilizing the *Internal Audit Evaluation Criteria* (Attachment C).

Agencies concluding that an IA function is warranted should submit their evaluation to DOB as outlined in BPRM Item B-350. Periodically thereafter, agencies with IA functions should review current operations to determine whether the function should be altered or maintained.

Agencies concluding an IA function is not warranted should periodically reevaluate the need for such a function using Attachment C, especially when organizational, operating, fiscal, program, legal or personnel changes occur which affect the agency's exposure to risk or which could otherwise change the results of the initial assessment.

Pursuant to BPRM Item B-350, agencies required to have – and those entities choosing to have – an internal audit unit should comply with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Therefore, IA units should comply with the guidance outlined below regarding organizational placement, independence and reporting.

1. Directors of Internal Audit (DIA) should report functionally to the agency head or audit committee and may report administratively to the designated executive deputy (or equivalent position). If the executive deputy has line or staff duties, the DIA should report directly to the agency head.
2. A current organizational chart should be available that identifies the placement of the IA unit, the individual that has responsibility for overseeing the internal audit activity and other organizations/activities under its purview.
3. The IA function should be independent of the ICO, but should work closely with the ICO. Limitations should be established on IC activities where those duties overlap. Agencies should identify impairments to the independence of the DIA that may be created where the DIA is performing the ICO function. Furthermore, IA units should not assume operating responsibilities, perform management functions, make management decisions or assume other monitoring roles (e.g., Information Security Officer).
4. Internal audit staff should complete an annual independence statement identifying actual/potential impairments to independence and notifying the DIA whenever a new actual/potential impairment arises.

5. At a minimum, DIAs should hold quarterly meetings with agency executive management and the audit committee, where applicable, to report on audit results. Final reports should be distributed to the agency head, executive deputy, auditee, ICO and the audit committee.
6. The DIA should assure that agency audit staff have the skills, knowledge and ability to perform the audit work required and that the size of the audit staff is appropriate given the size and complexity of the organization.
7. IA units should take steps to ensure sufficient audit resources are available given the size and complexity of the organization. This can be accomplished by exploring in-sourcing, outsourcing and sharing audit services.

**For this requirement, the agency/authority is:**

**Not Applicable – This agency/authority does not have an IA function.**

**Fully Compliant**       **Partially Compliant**       **Not Compliant**

**Provide a thorough explanation of the specific actions your agency has taken, or are needed, to comply with this requirement by providing the following information:**

1. A current organizational chart identifying the placement of the IA unit, the name and title of the IA director, other organizations/activities under the IA function's purview and the name and title of the person to whom the IA director reports.

See attached organizational chart.

2. A description of how the internal audit director's credentials, education and experience meets the minimum qualifications established in BPRM Item B-350.

See attached resume.

3. A description of how continuing professional education requirements are met by the director and each staff member.

See attached training schedules.

4. A description of how quality assurance review requirements are being met.

Reviewed annually by Deloitte & Touche and NYS Banking Department.

5. A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).

6. A copy of your 2009-10 and 2010-11 internal and contract audit plans. (Please note: Dennis Whalen's memo of April 1, 2009 called on internal audit units to include the impact of Federal American Recovery and Reinvestment Act (ARRA) funding in their risk assessment and audit planning. If your agency is receiving ARRA funds, please be sure that your 2010-11 internal audit plan addresses this issue.)
7. Documentation pertaining to the risk-assessment utilized in formulating the 2010-11 audit plans.
8. An indication of which audits in the audit plan for FY 2009-10 were not conducted, and an explanation as to why they were not conducted.
9. An estimate of the cost savings to be achieved by virtue of implementing the recommendations contained in each conducted audit described in the FY 2009-10 audit plans and any audits that were conducted during that time period that were not in the audit plan. If it is not feasible to provide a cost estimate for savings, please identify process improvements, risk mitigation, fraud prevention or cost avoidance measures that result from implementation of such recommendations.
10. Identify the recommendations contained in the audits described in the FY 2009-10 audit plans that were not implemented, if any, and provide a full explanation why they were not implemented.
11. Identify the recommendations contained in final audits issued by the Office of State Comptroller between July 1, 2008 and March 31, 2010 that were not implemented, if any, and provide a full explanation why they were not implemented.

The Governor's Office of Taxpayer Accountability (OTA) and the Division of the Budget (DOB) will be conducting a review of these State agency and authority internal and contract audit plans and audit recommendations to assess (i) whether the audit plans are based on a documented risk assessment which captures areas for review that have the greatest risk exposure, (ii) the percentage of audits identified in each audit plan that were conducted, (iii) whether recommendations contained in audits were implemented, and any reasons for non-implementation, and (iv) cost savings and other benefits attributable to the audits. In addition, the OTA and DOB will assess whether recommendations contained in audits conducted by the Office of the State Comptroller were implemented, and any reasons for non-implementation.

**2009-10 INTERNAL CONTROL CERTIFICATION**

nyhomes - New York State Housing Finance Agency\* and State of New York Mortgage Agency

Agency/Authority Name

Judd S. Levy

Agency Head/Chairperson Governing Board

641 Lexington Avenue New York, NY 10022 (212) 872-0301

Agency/Authority Address Telephone Number

Gary Weinstock (212) 872-0565

Name of Internal Control Officer Telephone Number

GWeinstock@nyhomes.org

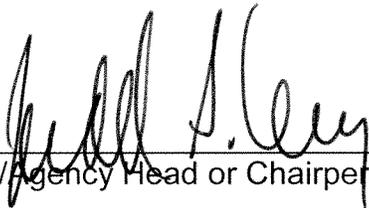
Email Address of Internal Control Officer

I hereby certify the agency or authority is:

- Fully Compliant (Full compliance with all provisions)**
- Partially Compliant (Partial compliance with some or all provisions)**
- Not Compliant (Noncompliance with all provisions)**

With the New York State Governmental Accountability, Audit and Internal Control Act.

This certification is supported with detailed justification of actions taken and/or outlines specific actions needed to address areas of partial compliance or noncompliance as described in the preceding Internal Control Summary.

 \_\_\_\_\_ 4/29/10  
Signature/Agency Head or Chairperson of Governing Board Date

\*Covers these additional affiliated agencies: New York State Affordable Housing Corporation; State of New York Municipal Bond Bank Agency; Tobacco Settlement Financing Corporation

# STAFF MEMORANDUM

## Inter-Office Correspondence

To: All Staff

From: Charles Rosenwald 

Date: April 5, 2010

Subject: Internal Controls - Management Policies and Standards

Periodically, a review of the Agencies' internal management policies and standards is needed to ensure that internal controls are being maintained and implemented, in accordance with internal control requirements established by the New York State Division of the Budget and the Public Authorities Accountability Act of 2005. This memorandum will provide all staff of the State of New York Mortgage Agency ("SONYMA") and the New York State Housing Finance Agency ("HFA") and their affiliated agencies (together, the "Agencies") with further information on the Agencies' internal control program.

Internal Control is defined as the integration of activities, plans, attitudes, policies, systems, resources and efforts of the people of an organization working together to provide reasonable assurance that the organization will achieve its objectives and mission.

As you know, part of SONYMA's mission is to provide affordable housing by issuing tax-exempt mortgage revenue bonds and applying the proceeds to originate new mortgage loans through participating financial institutions within the State. Furthermore, our Mortgage Insurance Fund Program was established to encourage the investment of mortgage capital by approved lenders in communities where mortgage capital is currently insufficient for preservation and rehabilitation. Its primary funding source is the mortgage recording surtax charges. HFA and its sister Agencies engage in a variety of activities to provide affordable housing by issuing bonds and making grants and loans.

(over)

Attachment 1

In order for the Agencies to provide their stated services, it is critical that internal controls are in place, reviewed and properly adhered to. Each employee is expected to participate in establishing and maintaining the Agencies' system of internal controls. Internal controls encompass the plan of organization and all methods and procedures adopted by management to safeguard assets, check the reliability and accuracy of all financial data, and encourage adherence to prescribed managerial policies. Effective internal control systems are designed to ensure management that resource use is consistent with laws, regulations and policies, and that resources are safeguarded against waste, loss and misuse.

Policies and procedures have been established. To ensure that tasks and responsibilities are performed in accordance with management's expectations and provide the intended results, Gary Weinstock, the Agencies' Comptroller has been appointed as Internal Control Officer and John Paluch works as the Internal Control Coordinator.

The systems of internal controls are documented in the Agencies' internal control program, departmental manuals, personnel and administrative policies and procedures. These documents provide staff with management's standards for their performance and functional objectives and are available through your supervisor. You should become familiar with the standards represented therein as well as the State's Internal Control Standards which are available for your review in the Agencies' shardata file (link "[\\Sonyma\\SYS\\Shardata\\Internal Control Forms\\intcontrol\\_stds.pdf](\\Sonyma\\SYS\\Shardata\\Internal Control Forms\\intcontrol_stds.pdf)") and discuss any questions you may have with your supervisor.

**Compliance Roadmap**

**For**

**Internal Control Officers**

**Directors of Internal Audit**

**And Other Stakeholders**

nyhomes  
INTERNAL CONTROL PROGRAM  
COORDINATION AND IMPLEMENTATION

Recommendations	Status	Required Modifications	Page
1. Each Agency/Authority Head should provide a communication to all staff in support of its internal control program, including the importance of assessing internal controls.	Complete. Annual memo distributed.		4
2. Internal control programs should include a preliminary risk self-assessment by function.	In place.		4
3. Internal control programs should include an in-depth assessment of each function and should include the identification of inherent risks and internal controls for each function.	In place.		4
4. Internal control programs should establish the frequency of reporting cycles for each risk assessment, internal control review, and other internal control reporting documents.	Completed annually.		4
5. Internal control programs should establish an approval or independent review process of the preliminary risk assessments and the more in-depth internal control reviews.	Senior VP's and Internal Control Officer signoff.		5
6. Internal control programs should establish minimum and maximum timeframes for periodically reviewing its organizational structure and its inventory of functions.	Completed annually.		5
7. Internal control programs should establish a process for identifying improvement areas, corresponding corrective actions, and implementation status of all corrective actions.	Completed annually.		5
8. Internal control programs should establish and maintain documentation standards (what needs to be kept; by whom; where; and for how long).	Documentation on file with the internal control coordinator.		5

## nyhomes

## INTERNAL CONTROL EDUCATION AND TRAINING

Recommendations	Status	Required Modifications	Page
1. Agency management should assign staff to one of three training levels: Line Staff, Middle Managers, and Executive Management.	Training is on-going.		37
2. Agency management should identify training objectives and key concepts (see Appendix), for each level.	Training is on-going.		38
3. Agency management should identify methods of delivery and frequency following the recommended framework of quick hitters, instruction-based learning, and executive meetings.	Complete		39
4. NYSICA should establish a centralized resource library.	Complete	Maintain Updates	40

**INTERNAL AUDIT ORGANIZATION AND STAFFING:  
ORGANIZATIONAL PLACEMENT AND INDEPENDENCE**

Recommendations	Status	Required Modifications	Page
<p>1. The Division of the Budget (DOB) should expand BPRM Item B-350 to:</p> <ul style="list-style-type: none"> <li>a. Require Directors of Internal Audit (DIA) to report on the <i>results</i> of the unit's work to the agency head and the audit committee.</li> <li>b. Require that DIAs report <i>administratively</i> to the agency head or the designated executive deputy (or equivalent position). If the executive deputy has line or staff duties, the DIA should report directly to the agency head.</li> <li>c. Establish a goal of quarterly meetings between the internal auditor and agency executive management/audit committee.</li> <li>d. Require the DIAs to distribute final reports to the agency head/executive deputy, audit committee, auditee and Internal Control Officer (ICO).</li> <li>e. Emphasize the relevance and importance of audit committees.</li> <li>f. Endorse the independence of the internal audit and ICO functions. Establish limitations on internal control activities where those duties overlap. Require agencies to identify any impairments to the independence of the internal auditor/ICO as part of the agency's internal control certification.</li> <li>g. Provide guidance to internal auditors/units regarding the assumption of operating responsibilities, performance of management functions or decision-making,</li> </ul>	<p>Revised B-350 to Be Released in Fall 2006</p>	<p>BPRM Item B-350</p>	<p>60-61</p>

<p>or assumption of other monitoring roles (e.g. ICO or Information Security Officer (ISO)).</p> <p>h. DOB should expand BPRM Item B-350 to require internal auditors to complete an annual independence statement that identifies actual/potential impairments to independence and requires they notify the internal audit director whenever a new actual/potential impairment arises. Similar direction should be included in any other guidance developed for internal auditing in New York State government.</p>			
<p>3. The Office of the State Comptroller (OSC) should provide guidance on the concepts in the recommendation above into its Internal Control Standards or any other publications developed for internal controls or internal auditing in New York State government.</p>		<p>OSC's IC Standards</p>	<p>60</p>
<p>4. The ICTF should work with the Department of Civil Service to review the classification of internal audit positions to ensure all internal auditors are sufficiently removed from political pressures and are under a personnel system in which compensation, training, job tenure, and advancement are based on merit.</p>			<p>61</p>

## INTERNAL AUDIT ORGANIZATION AND STAFFING:

## AUDIT DIRECTOR QUALIFICATIONS

Recommendations	Status	Required Modifications	Page
1. DOB should adopt minimum and preferred qualifications in BPRM Item B-350 for for Director of Internal Audit positions.		BPRM Item B-350	71
2. DOB should clarify its role in approving individuals as Directors of Internal Audit.			71

## INTERNAL AUDIT ORGANIZATION AND STAFFING:

## AUDIT STAFFING

Recommendations	Status	Required Modifications	Page
<p>1. The Internal Control Task Force (ICTF) should:</p> <ol style="list-style-type: none"> <li>a. Work with agencies identified in the table in this section to assess their internal audit staffing needs and identify plans to meet those needs.</li> <li>b. Publish guidance on using risk assessments to estimate total staffing needs.</li> <li>c. Identify methods for providing audit coverage at other agencies, including: <ul style="list-style-type: none"> <li>• Coordinate the efforts of internal audit units statewide;</li> <li>• Host an internal audit website; and</li> <li>• Help agencies improve staff productivity by providing assistance in the procurement, deployment and use of databased audit management tools and Computer Assisted Audit Techniques (CAATs).</li> </ul> </li> <li>d. Encourage professional certifications by: <ul style="list-style-type: none"> <li>• Working with the Department of Civil Service to recognize certifications in examination processes; and</li> <li>• Obtaining/subsidizing review materials/courses.</li> </ul> </li> <li>e. Work with the Department of Civil Service to: <ul style="list-style-type: none"> <li>• Classify internal audit as management confidential positions statewide;</li> <li>• Create a traineeship for the internal audit title series. Consider establishing an internship program for internal auditing;</li> <li>• Evaluate the potential for transferability between accounting/audit series positions and the internal audit title series.</li> <li>• Develop a compensation scheme and career ladder that is competitive with other accounting and auditing careers in New York State; and</li> <li>• Encourage internal audit units to use the internal audit title series.</li> </ul> </li> </ol>			91

<p>2. Agencies should:</p> <ul style="list-style-type: none"> <li>a. Maintain an inventory of recurring audit projects.</li> <li>b. Report on internal audit staffing as part of an annual internal audit report to agency management (discussed in the independence section of this report).</li> <li>c. Review internal audit staffing levels annually and discuss with agency management the need for any additional internal audit staff.</li> </ul>	<p>Functions completed at Audit Committee level.</p>	<p>OSC I/C Standards</p>	<p>91</p>
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**INTERNAL AUDIT ORGANIZATION AND STAFFING  
OUTSOURCING, INSOURCING AND SHARED SERVICES**

Recommendations	Status	Required Modifications	Page
1. Agency Management should consider outsourcing, insourcing, or shared services as a means of providing audit coverage or securing specialized expertise.			106
2. The ICTF should further study agency use of outsourcing to identify opportunities for improving the options currently available, minimizing contract management overhead costs, and developing multi-agency contracts for commonly needed audits.			106
3. The ICTF should further study the feasibility of establishing a collective audit approach to provide internal audit coverage for smaller agencies that do not maintain an internal audit unit.			106

## INTERNAL AUDIT PROCESS

Recommendations	Status	Required Modifications	Page
1. The Director of Internal Audit (DIA) in each State agency should periodically develop a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organization's goals.	Completed annually.	OSC I/C Standards	116
2. The internal audit activity's plan of engagements should be primarily based on a risk assessment, updated at least annually. The input of senior management and the board (if applicable) should be considered in the process.	Completed 12/31/09.	OSC I/C Standards	116
3. In developing the audit plan the DIA should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.	Completed.	OSC I/C Standards	116
4. The DIA should communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The Director should also communicate the impact of resource limitations.	Completed. Audit committee meeting held on 4/10/10.	OSC I/C Standards	116
5. The DIA should ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.	Resources are sufficient to complete audit plan.	OSC I/C Standards	116
6. The DIA should establish policies and procedures to guide the internal audit activity.	Completed internal audit policy manual.	OSC I/C Standards	116
7. The DIA should establish and maintain a system to monitor the disposition of audit recommendations communicated timely to management.	Completed. Audit tracking system in place.	OSC I/C Standards	116
8. The DIA should document the rationale used by internal audit units in deciding which audit recommendations should be followed up on and when, as opposed to recommendations where no	Annual follow up audit. All recommendations examined.	OSC I/C Standards	116

follow up will be conducted.			
9. The DIA should follow up with management to document that audit recommendations have been effectively implemented, or that senior management has accepted the risk of not implementing the recommendations.	Management responses to audit report. Annual follow up audit.	OSC I/C Standards	116
10. The DIA should monitor the disposition of recommendations of consulting engagements to the extent agreed upon with the client.	Completed. Audit tracking system in place.	OSC I/C Standards	116
11. The DIA should require each internal audit unit establish a written policy for security and control of audit work papers that, at a minimum, address the following topics: physical control, storage, retention, and release to internal and external parties.	Completed. Internal audit policy manual.	OSC I/C Standards	116
12. Internal audit units should maintain work paper documentation for each audit and follow-up.	Work papers on file.	OSC I/C Standards	117
13. Internal audit units should establish a written policy governing work paper review and approval.	Completed. Included in policy manual.	OSC I/C Standards	117
14. The ICTF should develop a mechanism for internal audit units to create and share standard work paper elements to meet minimum requirements and incorporate best practices.			118
15. The ICTF should explore licensing an electronic work paper package (such as TeamMate) on a statewide basis for use by all agencies.			118

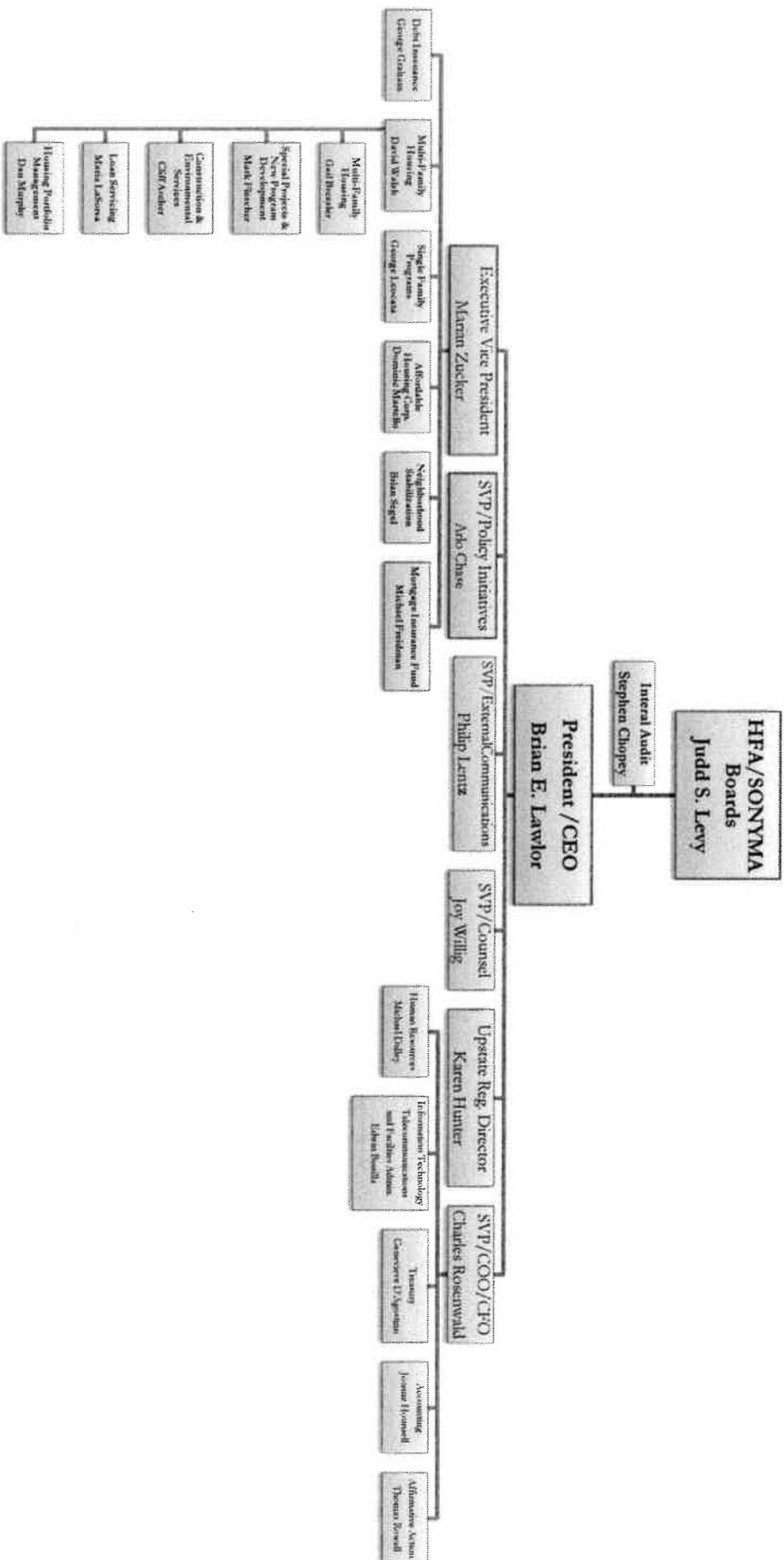
## INTERNAL AUDIT CONTINUING PROFESSIONAL EDUCATION

Recommendations	Status	Required Modifications	Page
1. Agencies should implement a continuing education program which includes all the elements of the New York State Internal Auditor Continuing Education Guidance document.	Completed. Training schedule on file.		126
2. DOB and OSC should help to facilitate continuing education and CPE tracking services for NYS Internal Audit Units.			126
3. DOB should facilitate a NYS Internal Auditor web page to share information.			126
4. Agencies should share best practices for in-house systems for tracking CPEs.			126

## INTERNAL AUDIT PEER REVIEW

Recommendations	Status	Required Modifications	Page
DOB should coordinate a cooperative, interagency external assessment approach for peer review.			148

*nyhomes* Organizational Chart



April 21, 2010

Item #1

Stephen B. Chohey

SUMMARY

Experienced executive for both major financial institution with assets in excess of \$100 billion and for governmental housing programs with assets totalling \$9 billion. Proven leadership, administrative and organizational skills with emphasis on innovation and results.

EXPERIENCE

1994 - Present            STATE OF NEW YORK MORTGAGE/HOUSING FINANCE AGENCIES, NEW YORK, NY

1988 - 1993            STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK, NY

Vice President/Internal Audit

Responsible for establishing the goals and policies for the Internal Audit Group and effectively implement such policies by developing and executing a comprehensive audit program which evaluates the financial and operational soundness of the Agencies. Reporting directly to the Board of Directors. Responsible for auditing the programs of the combined agencies including the regional offices, mortgage servicers and originators, as well as coordinating activities with external auditors. Planned total audits, determined audit scope and developed and administered audit budgets. Prepared final audit reports for discussion with senior management and for presentation to the Board of Directors.

Reorganized the audit function to comply with professional standards. Developed a mission statement, internal audit standards, policy and procedural guidelines for the direction of staff during their performance of audits. Recruited, hired and trained audit personnel.

Interfaced with external audit firms and regulatory and compliance groups.

1972 - 1987

CHASE MANHATTAN BANK, N.A., NEW YORK, NY

Vice President/Audit Manager

1982 -1987

Responsible for directing the activities of a professional staff of 28 internal auditors in the conduct of operational, financial and conventional audits for the Corporate/Consumer Banking Division with audit responsibilities of various operating departments, as well as branches and subsidiaries. Planned total audits, determined audit scope and prepared and administered audit budgets. Prepared final audit reports for senior management.

Utilized the Systems Evaluation Approach to review operating, accounting and internal control procedures. These procedures were "flow-charted" and analyzed. Developed and implemented a Zero-Based Budgeting Approach. Increased staff utilization and efficiency and decreased costs of audit expenditures.

Recruited, hired and trained audit personnel. Participated in an on-campus college recruiting program. Developed comprehensive training programs designed to teach new internal auditors accounting, statistical sampling and workpaper principles and techniques.

Interfaced with regulatory personnel and developed audit programs, operating procedures and manuals.

Audit Supervisor

1979 - 1981

EDUCATION

FAIRLEIGH DICKINSON UNIVERSITY, MBA, Accounting  
Graduate School of Business Administration (1981)

ST. LOUIS UNIVERSITY, B.S., Management Science  
School of Business Administration (1971)

HONORS/PROFESSIONAL SOCIETIES

Delta Mu Delta - National Honor Society in Business Administration  
(1981)

Academic Honor Society of Fairleigh Dickinson University (1981)

Association of Government Accountants

Government Financial Officers' Association

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Stephen Chopey

**TITLE:** Vice President

**JOB FUNCTION:** Responsible for directing the activities of professional staff of internal auditors in the conduct of financial, operational and EDP audits of the agencies. Develop goals and objectives pertaining to the agency's audit function. Create an audit plan that is based on a risk assessment of the agency's financial records. Provide direction and leadership to achieve the established goals of the audit group and maintain an effective relationship with the Board Members and agency management and staff.

<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Asset Management	01/05/01	Adrienne Driben	To give an overview of the functions of the Asset Management unit.
Tax Credits	01/19/01	Mark Flescher	To give an overview of Low Income Housing Tax Credits and how it applies to the agency.
Future of Tax Credits	07/20/01	Special Projects Unit	To give an overview of the highlights of the 2001 NCSHA Tax Credit Conference held in Seattle.
Sexual Harassment	08/08/01	Michael Hitsman, Hitsman, Hoffman & O'Reilly	Instruct managers on what constitutes sexual harassment, counseling and the laws pertaining to it.
HPD Tax Incentive Presentation	7/1/02	Lisa Yee, Director Tax Incentive Unit & Aileen Gribben, HPD Assist. Commissioner	To give an overview of the various tax abatement and tax exemption programs that encourage rehabilitation and new construction in NY City, which many of the Agency's projects benefit from.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Stephen Chohey

**TITLE:** Vice President

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
The 47 <sup>th</sup> Audit Directors and Managers Symposium <i>M/S Training Institute</i>	October 19, 2002 to October 23, 2002	Joel F. Kramer, CPA, Manager Director	The four day program offers comprehensive up-to-date information, covering both important and complex issues within today's auditing profession, as well as one's that are expected to surface in the future.
The Audit Director's Guide to Information Technology <i>M/S Training Institute</i>	June 12-13, 2003	Joel F. Kramer	Technical briefing designed to help audit management get up-to-speed on a wide range of technologies, meet the new challenges posed by technological change, and ensure IT risks are being addressed within the organization.
The 52nd Audit Directors and Managers Symposium <i>M/S Training Institute</i>	October 18, 2004 to October 20, 2004	Joel F. Kramer	The three-day program offers comprehensive, up-to-date information covering both important & complex issues within today's auditing profession. Will participate in roundtable discussions to discuss current practices, technical issues and be able to explore the internal audit strategies for compliance with the Sarbanes-Oxley Act.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Stephen Chohey

**TITLE:** Vice President

**JOB FUNCTION:** Responsible for directing the activities of professional staff of internal auditors in the conduct of financial, operational and EDP audits of the agencies. Develop goals and objectives pertaining to the agency's audit function. Create an audit plan that is based on a risk assessment of the agency's financial records. Provide direction and leadership to achieve the established goals of the audit group and maintain an effective relationship with the Board Members and agency management and staff.

**TRAINING CLASS**

**DATE**

**INSTRUCTOR**

**PURPOSE OF**

The 56<sup>th</sup> Audit Directors & Managers Symposium  
*MIS Training Institute*

October 16-18, 2006

Joel Kramer

The three-day program offers comprehensive, up-to-date information covering both important complex issues within today's auditing profession. Will participate in roundtable discussions to discuss current practices, technical issues and be able to explore the internal audit strategies for compliance with the Sarbanes-Oxley Act.

Audit Executive's Guide To IT

October 25-26, 2007

Fred Roth

Two-day seminar designed to help audit management become knowledgeable on a wide range of technologies in order to meet new challenges posed by technological changes and to ensure that IT risks are being addressed.

Employee Awareness Training

April 3, 2008

John O'Reilly  
Hitsman, Hoffman & O'Reilly

Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to it.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

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**TRAINING CLASS**

**DATE**

**INSTRUCTOR**

**PURPOSE OF CLASS**

Auditing Networked  
Computers  
*M/S Training Institute*

Sept. 14-16, 2009

Frank Lyons

Three-day seminar designed as a first look at LAN's, WAN's, workstations and servers. Focus is on understanding the technology, evaluating risks and establishing an audit approach. Will compare the leading network operating systems' control and audit features, and learn how the administrative and security features can be used to help audit the system.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Jerry Bleiweiss

**TITLE:** Audit Officer

**JOB FUNCTION:** Supervise Associate Auditors. Audit and evaluate the safeguarding of assets, accuracy and reliability of accounting data, compliance with agency policies, procedures and regulatory requirements to protect the agencies from loss through error, fraud or gross inefficiencies. Recommend improvements in internal accounting control and operating procedures. Perform special examinations at the request of management or the Audit Committee and prepare reports of such audits and reviews.

<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Asset Management	1/05/01	Adrienne Driben	To give an overview of the functions of the Asset Management unit.
Tax Credits	1/19/01	Mark Flescher	To give an overview of Low Income Housing Tax Credits and how it applies to the agency.
Future of Tax Credits	7/20/01	Special Projects Unit	To give an overview of the highlights of the 2001 NCSHA Tax Credit Conference held in Seattle.
Sexual Harassment	1/5/02	Michael Hitsman, Hitsman, Hoffman & O'Reilly	Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to
HPD Tax Incentive Presentation	7/11/02	Lisa Yee, Director Tax Incentive Unit & Aileen Gribben, HPD Assist. Commissioner	To give an overview of the various tax abatement and tax exemption programs that encourage rehabilitation and new construction in NY City, which many of the Agency's projects benefit from.

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Project Management For Auditors <i>MIS Training Institute</i>	June 12-13, 2003	Len Vona	To provide proven techniques in how to achieve improved cost control, resource utilization and timely audit conclusions with project management techniques.
Audit Director's Guide To Information Technology <i>MIS Training Institute</i>	April 1-2, 2004	Stan Fromhold	To provide a comfortable working knowledge of IT terms and concepts; update on new and emerging technologies affecting the business; and help establish a strategic response to IT challenges that will favorably position audit in your organization.
Building & Managing A Small Audit Department <i>MIS Training Institute</i>	August 15-16, 2005	Richard Tarr	Two-day seminar designed as a step-by-step guide to planning, organizing and directing a small internal audit shop. Will gain skills needed to identify the basic components that are necessary for successful IA activities, cover how to demonstrate compliance with professional standards, and learn how to improve communication with the board and senior management.

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>
Sarbanes-Oxley After Phase One: Capitalizing On Your Compliance Efforts <i>MIS Training Institute</i>	June 15-16, 2006	William Nealon

**PURPOSE OF CLASS**  
Two-day seminar to explore how to develop a compliance strategy to capitalize on the benefits of phase one of S-OX and review the key components of the Act that are needed to focus on 2006 compliance and beyond. Topics to be covered include the need for an efficient and effective compliance infrastructure that enables repeatable, reliable actions, the objectives of COSO ERM and how they apply to S-OX compliance, how to deal with fraud detection from a S-OX perspective and a review of the 5/16/05 SEC statement.

Understanding and Auditing Derivatives	June 6-8, 2007	Robert McDonough
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Understanding derivative strategies to effectively reduce or transfer risk in your organization. Examine general risk categories associated with derivatives and the controls necessary to mitigate those risks.

Employee Awareness Training	April 10, 2008	John O'Reilly Hitsman, Hoffman & O'Reilly
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Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to it.

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EMPLOYEE TRAINING RECORD**

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Uncovering Fraud In Core Business Functions <i>MIS Training Institute</i>	Sept. 8 to 10, 2008	Leonard Vona	Three 3 day seminar to show how to pinpoint the areas most prone to internal fraud and identify key indicators of potential crime. Focus will be on the expenditure, revenue/cash receipts, treasury, contract, inventory, travel expense, payroll and HR, computer, marketing, and out-sourced functions as targets for fraud... and high payback audits.
Advanced Auditing for In-Charge Auditors <i>MIS Training Institute</i>	June 8-10, 2009	Joel Kramer	Three-day seminar to learn all the elements involved in traditional and operational auditing from the unique perspective of the in-charge position. Will review such concepts as audit program flexibility, risk assessment, priority setting during fieldwork, and effective oral and written communication of the audit findings. Will cover preliminary fieldwork, audit program development, self-assessment and auditing the control environment in the era of Sarbanes-Oxley.

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**TITLE:** Audit Officer

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>
Auditing Treasury Activities* <i>MIS Training Institute</i>	Nov. 8-9, 2010	To Be Determined

**PURPOSE OF CLASS**  
Two day seminar to learn the basics of traditional markets as stocks and bonds and cover specific responsibilities of the front office, back office and middle office of a treasury function. Explore issuing debt in both short-term and capital markets and find out about hedging foreign currency risk by employing derivative hedging strategies.

\*Note: Course not available until beginning of 3<sup>rd</sup> quarter of FY 2010

Updated 4/2010

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Barbara Maillard

**TITLE:** Associate Auditor

**JOB FUNCTION:** Audit and evaluate the safeguarding of assets, accuracy and reliability of accounting data, compliance with agency policies, procedures and regulatory requirements to protect the agencies from loss through error, fraud or gross inefficiencies. Recommend improvements in internal accounting control and operating procedures. Perform special examinations at the request of management or the Audit Committee and prepare reports of such audits and reviews.

<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Asset Management	1/05/01	Adrienne Driben	To give an overview of the functions of the Asset Management unit.
Tax Credits	1/19/01	Mark Flescher	To give an overview of Low Income Housing Tax Credits and how it applies to the agency.
Future of Tax Credits	7/20/01	Special Projects Unit	To give an overview of the highlights of the 2001 NCSHA Tax Credit Conference held in Seattle.
Audit College <i>MIS Training Institute</i>	10/9-10/12/01	Gregory Clark	Four day seminar covering the scope, process and steps underlying all operational audits. (Management, Purchasing, Marketing, Human Resources, Finance & Accounting)
Sexual Harassment	1/10/02	Michael Hitsman, Hitsman, Hoffman & O'Reilly	Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to it.
IT Auditing & Controls <i>MIS Training Institute</i>	4/22-4/24/02	Richard Tarr	Three day seminar regarding Information Technology & Auditing Controls. Outlines the concepts of information technology all auditors should know in order to understand the audit concerns in the IT environment.

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**NAME:** Barbara Maillard

**TITLE:** Associate Auditor

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
HPD Tax Incentive Presentation <i>M/S Training Institute</i>	7/11/02	Lisa Yee, Director Tax Incentive Unit & Aileen Gribben, HPD Assist. Commissioner	To give an overview of the various tax abatement and tax exemption programs that encourage rehabilitation and new construction in NY City, which many of the Agency's projects benefit from.
Fundamentals of Internal Auditing <i>M/S Training Institute</i>	June 2003	On-line Seminar	On-line seminar regarding the Fundamentals of Internal Auditing. Learn the concepts of traditional and operational auditing and gain proven tools and techniques for performing effective audits. Examine critical elements of internal auditing, i.e., assessing risk, flow-charting, designing flexibility into audit program, performing the audit, and applying results to solve business problems.
Using Risk Assessment To Help Build Individual Audit Programs <i>M/S Training Institute</i>	June 14-16, 2004	Gary Duckert	Learn how to use risk assessment to help build individual audit programs that will uncover critical business issues and boost auditor productivity. Explore the differences between traditional, control-based risk assessment and a business, risk-based approach that addresses management's concerns at the individual audit

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

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**TITLE:** Associate Auditor

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>
Advanced Auditing for In-Charge Auditors <i>MIS Training Institute</i>	June 13-15, 2005	Joel Kramer

Fundamentals of Auditing Financial Statements & Processes <i>MIS Training Institute</i>	June 12-14, 2006	Doug Brown
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**PURPOSE OF CLASS**  
Three-day seminar to learn all the elements involved in traditional and operational auditing from the unique perspective of the in-charge position. Will review such concepts as audit program flexibility, risk assessment, priority setting during fieldwork, and effective oral and written communication of the audit findings. Will cover preliminary fieldwork, audit program development, self-assessment and auditing the control environment in the era of Sarbanes-Oxley.

Three-day seminar to learn general concepts and techniques for planning and conducting financial audits and how to apply these basic skills to audits of specific business cycles and functions. Fraud risk and how to work effectively with external auditors will also be covered.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Employee Awareness Training <i>MIS Training Institute</i>	May 1, 2008	John O'Reilly Hitsman, Hoffman & O'Reilly	Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to it.
Auditing Treasury Activities <i>MIS Training Institute</i>	June 2, 3, 2008	Rob O'Donough	Two day seminar to learn the basics of traditional markets as stocks and bonds and cover specific responsibilities of the front office, back office and middle office of a treasury function. Explore issuing debt in both short-term and capital markets and find out about hedging foreign currency risk by employing derivative hedging strategies.
How To Perform An IT General Controls Review <i>MIS Training Institute</i>	June 8-10, 2009	Chris Daugherty	Three day seminar examines IT general control areas such as the confidentiality, integrity and availability of a company's information assets. Explore critical aspects of the IT environment, including IT governance, IT infrastructure controls, information security, disaster recovery, change management and network perimeter security. Learn how to develop strategies for assessing the key controls in your information systems infrastructure.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Barbara Maillard

**TITLE:** Associate Auditor

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>
Financial Analysis for Auditors* <i>MIS Training Institute</i>	Sept. 13-15, 2010	To Be Determined

**PURPOSE OF CLASS**  
Three day seminar explores financial statements as they relate to financial audits. Review of accounting basics and examine cash flow statements to see how they can provide indicators of where the money is and what it does. Ratio analysis tools will be covered for analyzing the balance sheet to pinpoint areas of high risk, and discover the critical relationship between the income statement and the organization's operations. Investigate ways to uncover improper accounting practices that signal potential fraudulent transactions.

\*Note: Course not available until beginning of 3<sup>rd</sup> quarter of FY2010

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Howard Wasserman

**TITLE:** Associate Auditor

**JOB FUNCTION:** Audit and evaluate the safeguarding of assets, accuracy and reliability of accounting data, compliance with agency policies, procedures and regulatory requirements to protect the agencies from loss through error, fraud or gross inefficiencies. Recommend improvements in internal accounting control and operating procedures. Perform special examinations at the request of management or the Audit Committee and prepare reports of such audits and reviews.

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Asset Management	1/05/01	Adrienne Driben	To give an overview of the functions of the Asset Management unit.
Tax Credits	1/19/01	Mark Flescher	To give an overview of Low Income Housing Tax Credits and how it applies to the agency.
Future of Tax Credits	7/20/01	Special Projects Unit	To give an overview of the highlights of the 2001 NCSHA Tax Credit Conference held in Seattle.
Sexual Harassment	1/10/02	Michael Hitsman, Hitsman, Hoffman & O'Reilly	Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to it.
HPD Tax Incentive Presentation	7/11/02	Lisa Yee, Director Tax Incentive Unit & Aileen Gribben, HPD Assist. Commissioner	To give an overview of the various tax abatement and tax exemption programs that encourage rehabilitation and new construction in NY City, which many of the Agency's projects benefit from.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Howard Wasserman

**TITLE:** Associate Auditor

**JOB FUNCTION:** Audit and evaluate the safeguarding of assets, accuracy and reliability of accounting data, compliance with agency policies, procedures and regulatory requirements to protect the agencies from loss through error, fraud or gross inefficiencies. Recommend improvements in internal accounting control and operating procedures. Perform special examinations at the request of management or the Audit Committee and prepare reports of such audits and reviews.

<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Fraud In The Changing Regulatory Environment <i>Foundation for Accounting Education Group</i>	July 10, 2003	David Belsky	Designed to provide insight pertaining to current issues in fraud, cyber-intrusions and forensic accounting investigations.
IT Auditing & Controls <i>MIS Training Institute</i>	June 14-15, 2004	Stuart Holoman	To provide a comfortable working knowledge of IT terms and concepts; update on new emerging technologies affecting the business; and help establish a strategic response to IT challenges that will favorably position audit in your organization.
Project Management For Auditors	June 16, 17, 2005	Bryan Wood	Learn the basics of project management, including how you can achieve improved cost control, resource utilization, and more timely audit conclusions. You will then apply these techniques to improving productivity in the internal audit process.

**INTERNAL AUDIT GROUP  
EMPLOYEE TRAINING RECORD**

**NAME:** Howard Wasserman

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<u>TRAINING CLASS</u>	<u>DATE</u>	<u>INSTRUCTOR</u>	<u>PURPOSE OF CLASS</u>
Writing Audit Reports that Get Results <i>MIS Training Institute</i>	June 6-7, 2006	Joel Kramer	To give an overview of the logic, format, crafting and streamlining of report writing. Analyze writing samples and discuss strengths and weaknesses.
Employee Awareness Training <i>MIS Training Institute</i>	April 10, 2008	John O'Reilly Hitsman, Hoffman & O'Reilly	Instruct employees on what constitutes sexual harassment, counseling and the laws pertaining to it.
Financial Analysis for Auditors <i>MIS Training Institute</i>	Sept. 8 to 10, 2008	Byron Wood	Three day seminar where all aspects of company financial statements will be analyzed. Will learn old as well as new financial analysis techniques that will help to improve the quality and efficiency of audits and focus on uncovering key risk areas in all aspects of the audit process.

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EMPLOYEE TRAINING RECORD**

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**TRAINING CLASS**

**DATE**

**INSTRUCTOR**

**PURPOSE OF CLASS**

Communication, Influencing & Change Implementation Skills for Auditors  
*MIS Training Institute*

June 8-10, 2009

Marilyn Stanton

Three day seminar will teach targeted communication strategies, effective influencing tactics and proven change implementation skills that use a tested equation designed to raise your professional profile while increasing Audit's value to the organization. Will master tools and techniques that can be used to enhance your communication, interview and implementation skills, and to work with global audit teams and auditees.

Uncovering Fraud in Core\*  
Business Functions  
*MIS Training Institute*

June 14-16, 2010

To Be Determined

Three day seminar will pinpoint areas most prone to internal fraud and identify key indicators of potential crime. Focus will be on expenditure, revenue/cash receipts, treasury, contract, inventory, travel expense, payroll and HR, computer, marketing and outsourced functions as targets for fraud...and high payback audits.

\*Note: Course not available until end of 2<sup>nd</sup> quarter of FY 2010

**2009-10 INTERNAL CONTROL SUMMARY & CERTIFICATION FORM**

**SECTION F**  
**PAGE #8 & #9**

**Item #4**

**A description of how quality assurance review requirements are being met.**

Deloitte & Touche, LLP - Annually - 10/31/09  
NYS Banking Department - Annually - 10/31/09

**Item #5**

**A description of how the IA function ensures that it does not compromise its independence if it is also responsible for other functions (i.e., internal control, information security or other duties).**

The Internal Audit Group is limited to performing only audit related functions within the Agencies.

**Item #8**

**An indication of which audits in the audit plan for FY 2009-10 were not conducted, and explanation as to why they were not conducted.**

The audit plan was completed in its entirety.

**Item #9**

**An estimate of the cost savings to be achieved by virtue of implementing the recommendations contained in each conducted audit described in the FY 2009-10 audit plans and any audits that were conducted during that time period that were not in the audit plan. If it is not feasible to provide a cost estimate savings, please identify process improvements, risk mitigation, fraud prevention or cost avoidance measures that result from implementation of such recommendations.**

The Internal Audit Group does not track the cost savings factor for implemented recommendations or corrected exceptions. As a result of the audits, twenty recommendations for

## 2009-10 INTERNAL CONTROL SUMMARY

Page #2

### Item #9 Continued:

improvement were included in the audit reports. The majority of the recommendations were related to the Agencies' operations, however other types of recommendations included the administration of impaired mortgage loans by servicing banks, automation of manual processes, insurance protection and regulatory compliance.

### Item #10

**Identify the recommendations contained in the audits described in the FY 2009-10 audit plan that were not implemented, if any, and provide a full explanation why they were not implemented.**

Each recommendation must be addressed in management's response to the audit report. Target dates are established and Internal Audit monitors the process throughout the year. For FY 2009-10, all recommendations were implemented by Agency management.

### Item #11

**Identify the recommendations contained in final audits issued by the Office of State Comptroller between July 1, 2008 and March 31, 2010 that were not implemented, if any, and provide a full explanation why they were not implemented.**

During this time period, the office of the State Comptroller issued three audit reports; 1) Report 2008-S-52 entitled "Eligibility For Health Insurance Coverage" dated July 31, 2008, 2) Report 2008-S-56 entitled "Accuracy Of Employee Retirement Reporting" dated September 11, 2008 and 3) Report 2008-S-100 entitled "New York State Affordable Housing Corporation - Homebuyer Selection and Approval dated September 29, 2009. To date, all recommendations included in these reports have been implemented.

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- A. AUDIT PLAN CALENDAR**
- B. AUDIT CALENDAR/BUDGET HOURS**
- C. AUDIT PLAN OBJECTIVES**
- D. AUDIT PLAN SUMMARY**

*Item # 6*

**INTERNAL AUDIT GROUP  
AUDIT PLAN  
FISCAL YEAR 2011**

APRIL, 2010	MAY, 2010	JUNE, 2010
ACCOUNTS PAYABLE AUDIT* TREASURY AUDIT SERVICER AUDIT (JPMORGAN/CHASE)	ACCOUNTS PAYABLE AUDIT TREASURY AUDIT SERVICER AUDIT	ACCOUNTS PAYABLE AUDIT TREASURY AUDIT SERVICER AUDIT PROCUREMENT AUDIT SERVICER AUDIT (RBS CITIZENS, N.A.) STATE BANK EXAMINER'S AUDIT
JULY, 2010	AUGUST, 2010	SEPTEMBER, 2010
PROCUREMENT AUDIT SERVICER AUDIT STATE BANK EXAMINER'S AUDIT	PROCUREMENT AUDIT SERVICER AUDIT TAX CREDIT ASSISTANCE PROGRAM (TCAP) AUDIT	SERVICER AUDIT TAX CREDIT ASSISTANCE PROGRAM AUDIT SERVICER AUDIT (CITI MORTGAGE, INC.)
OCTOBER, 2010	NOVEMBER, 2010	DECEMBER, 2010
TAX CREDIT ASSISTANCE PROGRAM AUDIT SERVICER AUDIT FOLLOW-UP AUDIT MUNICIPAL BOND BANK AGENCY (MBBA) AUDIT	MUNICIPAL BOND BANK AGENCY AUDIT SERVICER AUDIT FOLLOW-UP AUDIT	MUNICIPAL BOND BANK AGENCY AUDIT FOLLOW-UP AUDIT NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AUDIT EXTERNAL AUDITOR ASSISTANCE
JANUARY, 2011	FEBRUARY, 2011	MARCH, 2011
EXTERNAL AUDITOR ASSISTANCE NEIGHBORHOOD STABILIZATION PROGRAM AUDIT AFFORDABLE HOUSING CORPORATION (AHC) AUDIT STUDENT LOAN AUDIT	NEIGHBORHOOD STABILIZATION PROGRAM AUDIT AFFORDABLE HOUSING CORPORATION AUDIT STUDENT LOAN AUDIT	AFFORDABLE HOUSING CORPORATION AUDIT STUDENT LOAN AUDIT IT AUDIT**

\*AUDIT BEGAN IN FISCAL YEAR 2010

\*\*SCHEDULED TO BE COMPLETED IN FISCAL YEAR 2012

**INTERNAL AUDIT GROUP  
AUDIT PLAN  
FISCAL YEAR 2011**

APRIL, 2010		MAY, 2010		JUNE, 2010	
ACCOUNTS PAYABLE AUDIT*	90	ACCOUNTS PAYABLE AUDIT	120	ACCOUNTS PAYABLE AUDIT	65
TREASURY AUDIT	180	TREASURY AUDIT	180	TREASURY AUDIT	60
SERVICER AUDIT (JPMORGAN/CHASE)	150	SERVICER AUDIT	120	SERVICER AUDIT	105
				PROCUREMENT AUDIT	70
				SERVICER AUDIT (RBS CITIZENS, N.A.)	30
				STATE BANK EXAMINER'S AUDIT	90
JULY, 2010		AUGUST, 2010		SEPTEMBER, 2010	
PROCUREMENT AUDIT	165	PROCUREMENT AUDIT	185	SERVICER AUDIT	45
SERVICER AUDIT	135	SERVICER AUDIT	165	TAX CREDIT ASSISTANCE PROGRAM AUDIT	210
STATE BANK EXAMINER'S AUDIT	120	TAX CREDIT ASSISTANCE PROGRAM (TCAP) AUDIT	70	SERVICER AUDIT (CITI MORTGAGE, INC.)	165
OCTOBER, 2010		NOVEMBER, 2010		DECEMBER, 2010	
TAX CREDIT ASSISTANCE PROGRAM AUDIT	70	MUNICIPAL BOND BANK AGENCY AUDIT	200	MUNICIPAL BOND BANK AGENCY AUDIT	115
SERVICER AUDIT	130	SERVICER AUDIT	80	FOLLOW-UP AUDIT	95
FOLLOW-UP AUDIT	115	FOLLOW-UP AUDIT	140	NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AUDIT	140
MUNICIPAL BOND BANK AGENCY (MBBA) AUDIT	105			EXTERNAL AUDITOR ASSISTANCE	70
JANUARY, 2011		FEBRUARY, 2011		MARCH, 2011	
EXTERNAL AUDITOR ASSISTANCE	140	NEIGHBORHOOD STABILIZATION PROGRAM AUDIT	70	AFFORDABLE HOUSING CORPORATION AUDIT	175
NEIGHBORHOOD STABILIZATION PROGRAM AUDIT	140	AFFORDABLE HOUSING CORPORATION AUDIT	140	STUDENT LOAN AUDIT	175
AFFORDABLE HOUSING CORPORATION (AHC) AUDIT	105	STUDENT LOAN AUDIT	210	IT AUDIT**	70
STUDENT LOAN AUDIT	35				

\*AUDIT BEGAN IN FISCAL YEAR 2010

\*\*SCHEDULED TO BE COMPLETED IN FISCAL YEAR 2012

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2011**

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**ACCOUNTS PAYABLE AUDIT**

- ▶ Review internal controls
- ▶ Analytical review of expense accounts
- ▶ Perform transactional testing of invoices, credit card and employee expenses
- ▶ Reconcile Expenditure Control System (ECS) to the general ledger
- ▶ Review operational functions
- ▶ Investigate any discrepancies

**TREASURY AUDIT**

- ▶ Review internal controls
- ▶ Confirm investments with trustee
- ▶ Verify total investments to the general ledger and investigate any discrepancies
- ▶ Review investments as per Agency guidelines
- ▶ Perform transactional testing - investments, interest, maturities, amortization schedules, etc.
- ▶ Review of arbitrage calculations and SWAP agreements
- ▶ Test any pending transactions and follow through to disposition
- ▶ Investigate any discrepancies

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2011**

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**PROCUREMENT AUDIT**

- ▶ Review internal controls
- ▶ Analytical review of expense items
- ▶ Perform transaction and documentation review
- ▶ Test for compliance to Agencies' policies, procedures and operating guidelines
- ▶ Investigate any discrepancies

**TAX CREDIT ASSISTANCE PROGRAM (TCAP) AUDIT**

- ▶ Review internal controls
- ▶ Review compliance with governmental and program policies
- ▶ Analyze project selection criteria
- ▶ Perform transaction testing - funding, disbursements, etc.
- ▶ Analyze reporting process
- ▶ Review accounting system
- ▶ Investigate any discrepancies

**FOLLOW-UP AUDIT**

- ▶ Review exceptions and recommendations reported in prior audits
- ▶ Investigate any exception items

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2011**

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**MUNICIPAL BOND BANK AGENCY (MBBA) AUDIT**

- ▶ Review internal controls
- ▶ Review Recovery Act Bond Financing Program
- ▶ Review for compliance with governmental and program policies
- ▶ Review investments and debt service
- ▶ Review of underwriting and approval process
- ▶ Review accounting system
- ▶ Investigate any discrepancies

**NEIGHBORHOOD STABILIZATION PROGRAM (NSP) AUDIT**

- ▶ Review of internal controls
- ▶ Review compliance with governmental and program policies
- ▶ Review program rehabilitation standards compliance
- ▶ Review the disbursement process
- ▶ Documentation review
- ▶ Review accounting system
- ▶ Analyze reporting process
- ▶ Investigate any discrepancies

**AFFORDABLE HOUSING CORPORATION (AHC) AUDIT**

- ▶ Review internal controls
- ▶ Review for compliance with governmental and program policies

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2011**

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- ▶ Documentation review for the grantee awarded funds
- ▶ Review of grant underwriting and approval process
- ▶ Review the grant programs accounting system
- ▶ Investigate any discrepancies

**STUDENT LOAN AUDIT**

- ▶ Review internal controls
- ▶ Review underwriting process
- ▶ Reconcile outstanding loans to Agency general ledger
- ▶ Review loan servicing
- ▶ Review delinquent/collection process
- ▶ Analyze accounting system
- ▶ Investigate any discrepancies

**SERVICER AUDIT**

- ▶ Review documentation for Agency mortgage loans
- ▶ Review servicing and cash issues
- ▶ Review delinquent loans, loans in a foreclosure status and REO's
- ▶ Analysis of escrow accounts for evidence of payment of taxes, primary mortgage and hazard insurance
- ▶ Investigate any discrepancies

**INTERNAL AUDIT GROUP  
AUDIT PLAN SUMMARY  
FISCAL YEAR 2011**

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<u>AUDIT</u>	<u>FREQUENCY</u>	<u>HOURS</u>	<u>DATES TENTATIVE</u>
<b><u>Accounts Payable Audit</u></b>			
*Substantive Testing	1	135	04/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Treasury Audit</u></b>			
*Substantive Testing	1	280	04/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Procurement Audit</u></b>			
*Substantive Testing	1	280	06/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Tax Credit Assistance Program (TCAP) Audit</u></b>			
*Substantive Testing	1	210	08/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Municipal Bond Bank Agency (MBBA) Audit</u></b>			
*Substantive Testing	1	280	10/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	

**INTERNAL AUDIT GROUP  
AUDIT PLAN SUMMARY  
FISCAL YEAR 2011**

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<u>AUDIT</u>	<u>FREQUENCY</u>	<u>HOURS</u>	<u>DATES TENTATIVE</u>
<b><u>Follow-Up Audit</u></b>			
*Substantive Testing	1	350	10/10
<b><u>Neighborhood Stabilization Program (NSP) Audit</u></b>			
*Substantive Testing	1	210	12/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Affordable Housing Corporation (AHC) Audit</u></b>			
*Substantive Testing	1	280	01/11
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Student Loan Audit</u></b>			
*Substantive Testing	1	280	01/11
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Servicer Audit</u></b>			<b>Various</b>
*Substantive Testing	3	340	
*Administration	3	35	
<b><u>SPECIAL PROJECTS</u></b>			
Assisting Deloitte & Touche, LLP Annual Audit	N/A	210	
Assisting State Banking/Examiner's Annual Audit	N/A	210	

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**INTERNAL AUDIT GROUP  
AUDIT PLAN  
FISCAL YEAR 2010**

<b>APRIL, 2009</b>	<b>MAY, 2009</b>	<b>JUNE, 2009</b>
TSFC AUDIT* PAYROLL AUDIT SERVICER AUDIT (FIRST NIAGARA BANK)	PAYROLL AUDIT SERVICER AUDIT	PAYROLL AUDIT SERVICER AUDIT SUBSIDY FUND AUDIT SERVICER AUDIT (BANK OF AMERICA) STATE BANK EXAMINER'S AUDIT
<b>JULY, 2009</b>	<b>AUGUST, 2009</b>	<b>SEPTEMBER, 2009</b>
SUBSIDY FUND AUDIT SERVICER AUDIT STATE BANK EXAMINER'S AUDIT	SUBSIDY FUND AUDIT SERVICER AUDIT	SERVICER AUDIT DEBT ISSUANCE AUDIT SERVICER AUDIT (JP MORGAN CHASE)
<b>OCTOBER, 2009</b>	<b>NOVEMBER, 2009</b>	<b>DECEMBER, 2009</b>
DEBT ISSUANCE AUDIT SERVICER AUDIT DISASTER RECOVERY AUDIT	DEBT ISSUANCE AUDIT SERVICER AUDIT DISASTER RECOVERY AUDIT	DISASTER RECOVERY AUDIT FOLLOW-UP AUDIT DELOITTE & TOUCHE, LLP ASSISTANCE
<b>JANUARY, 2010</b>	<b>FEBRUARY, 2010</b>	<b>MARCH, 2010</b>
DELOITTE & TOUCHE, LLP ASSISTANCE MIF - S/F POOL & PRIMARY INSURANCE AUDIT FOLLOW-UP AUDIT	FOLLOW-UP AUDIT MIF - S/F POOL & PRIMARY INSURANCE AUDIT	MIF - S/F POOL & PRIMARY INSURANCE AUDIT ACCOUNTS PAYABLE AUDIT**

\*AUDIT BEGAN IN FISCAL YEAR 2009

\*\*SCHEDULED TO BE COMPLETED IN FISCAL YEAR 2011

**INTERNAL AUDIT GROUP  
AUDIT PLAN  
FISCAL YEAR 2010**

APRIL, 2009		MAY, 2009		JUNE, 2009	
TSFC AUDIT*	120	PAYROLL AUDIT	210	PAYROLL AUDIT	90
PAYROLL AUDIT	120	SERVICER AUDIT	165	SERVICER AUDIT	75
SERVICER AUDIT (FIRST NIAGARA BANK)	135			SUBSIDY FUND AUDIT	90
				SERVICER AUDIT (BANK OF AMERICA)	30
				STATE BANK EXAMINER'S AUDIT	90
JULY, 2009		AUGUST, 2009		SEPTEMBER, 2009	
SUBSIDY FUND AUDIT	120	SUBSIDY FUND AUDIT	210	SERVICER AUDIT	45
SERVICER AUDIT	135	SERVICER AUDIT	165	DEBT ISSUANCE AUDIT	210
STATE BANK EXAMINER'S AUDIT	120			SERVICER AUDIT (JP MORGAN CHASE)	120
OCTOBER, 2009		NOVEMBER, 2009		DECEMBER, 2009	
DEBT ISSUANCE AUDIT	120	DEBT ISSUANCE AUDIT	90	DISASTER RECOVERY AUDIT	65
SERVICER AUDIT	175	SERVICER AUDIT	80	FOLLOW-UP AUDIT	40
DISASTER RECOVERY AUDIT	80	DISASTER RECOVERY AUDIT	205	DELOITTE & TOUCHE, LLP ASSISTANCE	270
JANUARY, 2010		FEBRUARY, 2010		MARCH, 2010	
DELOITTE & TOUCHE, LLP ASSISTANCE	230	FOLLOW-UP AUDIT	205	MIF -S/F POOL & PRIMARY INSURANCE AUDIT	210
MIF - S/F POOL & PRIMARY INSURANCE AUDIT	40	MIF - S/F POOL & PRIMARY INSURANCE AUDIT	170	ACCOUNTS PAYABLE AUDIT**	165
FOLLOW-UP AUDIT	105				

\*AUDIT BEGAN IN FISCAL YEAR 2009

\*\*SCHEDULED TO BE COMPLETED IN FISCAL YEAR 2011

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2010**

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**TOBACCO SETTLEMENT FINANCE PROGRAM AUDIT**

- ▶ Review internal controls
- ▶ Review compliance with governmental and program policies
- ▶ Review underwriting and approval process
- ▶ Review accounting system
- ▶ Investigate any discrepancies

**PAYROLL AUDIT**

- ▶ Review internal controls
- ▶ Arrange to obtain payroll checks and earning statements from the bank for distribution
- ▶ Upon receipt, agree the employee name and social security number to the payroll files/listing
- ▶ Upon distribution, verify individuals signatures to Agency ID/Personnel file
- ▶ Retain unclaimed checks/earning statements in a seal envelope in the vault. Release to employee upon the individual's return to the Agency.
- ▶ If unclaimed after a reasonable amount of time, verify the payee's bona fide employee status through alternative substantive audit procedures
- ▶ Reconcile totals to the general ledger and bank records
- ▶ Test supporting documentation to personnel files
- ▶ Investigate any discrepancies

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2010**

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**SUBSIDY FUND AUDIT**

- ▶ Review internal controls
- ▶ Analytical review of program funding
- ▶ Review underwriting and approval process for a select number of projects funded
- ▶ Test for compliance to federal regulations, refunding agreements executed with HUD and to Agency policies and procedures
- ▶ Verify that transactions are properly recorded and executed in accordance with management's authorization
- ▶ Review program accounting system
- ▶ Investigate any discrepancies

**DEBT ISSUANCE AUDIT**

- ▶ Review internal controls
- ▶ Review of cash flow analysis
- ▶ Review of operations, including bond pricing and sales
- ▶ Review compliance with regulatory policies
- ▶ Review accounting system
- ▶ Investigate any discrepancies

**DISASTER RECOVERY AUDIT**

- ▶ Review internal controls
- ▶ Analyze IT's disaster recovery strategic plan

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2010**

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- ▶ Review service contracts
- ▶ Monitor disaster recovery operations
- ▶ Review telephonic transactions processed by Agency staff
- ▶ Analyze operational results
- ▶ Investigate any discrepancies

**FOLLOW-UP AUDIT**

- ▶ Review exceptions and recommendations reported in prior audits
- ▶ Investigate any exception items

**MIF - S/F POOL AND PRIMARY INSURANCE AUDIT**

- ▶ Review internal controls
- ▶ Analytical review of revenues and expenses
- ▶ Review underwriting and approval process for a select number of mortgages
- ▶ Review pool and primary insurance accounting system
- ▶ Investigate any discrepancies

**ACCOUNTS PAYABLE AUDIT**

- ▶ Review of internal controls
- ▶ Analytical review of expense accounts

**INTERNAL AUDIT GROUP  
AUDIT PLAN OBJECTIVES  
FISCAL YEAR 2010**

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- ▶ Perform transactional testing of invoices, credit card and employee expenses.
- ▶ Reconcile Expenditure Control System (ECS) to the general ledger
- ▶ Review operational functions
- ▶ Investigate any discrepancies

**SERVICER AUDIT**

- ▶ Review documentation for Agency mortgage loans
- ▶ Review servicing and cash issues
- ▶ Review delinquent loans, loans in a foreclosure status and REO's
- ▶ Analysis of escrow accounts for evidence of payment of taxes, primary mortgage and hazard insurance
- ▶ Investigate any discrepancies

**INTERNAL AUDIT GROUP  
AUDIT PLAN SUMMARY  
FISCAL YEAR 2010**

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<u>AUDIT</u>	<u>FREQUENCY</u>	<u>HOURS</u>	<u>DATES TENTATIVE</u>
<b><u>Payroll Audit</u></b>			
*Substantive Testing	1	280	04/09
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Subsidy Fund Audit</u></b>			
*Substantive Testing	1	280	06/09
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Debt Issuance Audit</u></b>			
*Substantive Testing	1	280	09/09
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Disaster Recovery Audit</u></b>			
*Substantive Testing	1	210	10/09
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Follow-Up Audit</u></b>			
*Substantive Testing	1	350	12/09

**INTERNAL AUDIT GROUP  
AUDIT PLAN SUMMARY  
FISCAL YEAR 2010**

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<u>AUDIT</u>	<u>FREQUENCY</u>	<u>HOURS</u>	<u>DATES TENTATIVE</u>
<b><u>MIF - S/F Pool &amp; Primary Insurance Audit</u></b>			
*Substantive Testing	1	280	01/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Accounts Payable Audit</u></b>			
*Substantive Testing	1	280	03/10
*Internal Controls	1	56	
*Analytical Review	1	49	
*Administration	1	35	
<b><u>Servicer Audit</u></b>			<b><i>Various</i></b>
*Substantive Testing	3	340	
*Administration	3	35	
<b><u>SPECIAL PROJECTS</u></b>			
Assisting Deloitte & Touche, LLP Annual Audit	N/A	500	
Assisting State Banking/Examiner's Annual Audit	N/A	210	

NY HOMES  
RISK ASSESSMENT SUMMARY  
DECEMBER, 2009

Organizational Unit	Sensitivity & Complexity of Operations	Personnel	Policies & Procedures	Financial Assets	Authorizations	Influence	Stability of Operations	Organizational Structure	Frequency of Reviews	Impact of Failure	Physical Assets	Reliance on Information Systems	Interest Rate Risk	Political Risk	Financial Risk	Total Avg. Rating Score	Avg. Vulnerability Ranking
Student Loan	5.0	3.1	3.1	2.1	3.3	3.1	3.0	3.0	3.0	4.9	3.7	5.0	0	5.0	5.0	52.3	Moderate/High
Information Technology	4.3	2.3	2.3	4.0	2.6	2.2	2.3	2.1	2.9	3.8	1.6	4.4	5.0	3.0	5.0	48.0	Moderate/High
Treasury	3.2	2.2	2.0	1.5	2.5	1.8	2.0	2.0	2.2	2.2	0.9	2.9	3.0	5.0	3.0	36.2	Moderate
Single Family Program	4.2	2.3	2.0	1.9	3.0	2.3	2.0	1.9	2.4	2.7	1.7	2.9	2.5	5.0	3.0	39.8	Moderate
SONY/MAMF	5.0	3.0	3.0	2.0	3.0	2.5	2.5	2.3	3.0	2.8	2.5	3.3	0	3.0	2.0	39.9	Moderate
Human Resources	3.3	2.0	2.3	4.3	3.0	1.3	2.0	2.7	2.0	4.0	1.7	4.7	0	1.0	4.0	38.3	Moderate
Accounting	3.2	2.0	2.0	3.8	2.5	1.2	2.2	2.0	2.5	3.0	1.0	3.0	3.0	5.0	3.0	39.4	Moderate
Multi-Family Finance	4.0	2.0	2.0	3.0	3.0	2.0	2.0	2.0	2.0	3.0	1.0	4.0	0	5.0	3.0	38.0	Moderate
AHC	4.0	2.0	2.0	1.0	2.0	2.0	3.0	3.0	2.0	4.0	1.0	4.0	0	2.0	2.0	33.0	Moderate
Housing Portfolio	4.6	2.2	2.0	1.6	2.2	1.4	1.6	1.8	1.4	3.4	1.2	3.0	5.0	3.0	3.0	37.4	Moderate
Debt Issuance	2.8	2.0	2.0	1.0	1.8	1.6	1.8	1.8	1.8	2.0	1.0	2.4	0	2.0	1.0	25.0	Low
External Communications	3.1	1.7	1.9	1.6	2.3	1.7	2.0	1.7	1.4	2.4	2.4	2.6	0	2.0	2.0	28.8	Low
Facilities Admin. Services	3.4	1.8	1.6	1.4	2.0	1.8	1.8	1.6	1.4	2.2	1.2	1.0	0	5.0	2.0	28.0	Low
Legal Dept.	2.0	2.0	2.0	3.0	3.0	2.0	2.0	1.0	2.0	1.0	1.0	3.0	0	2.0	0	26.0	Low
Special Projects	5.0	2.2	2.2	1.2	2.5	2.8	1.8	1.0	2.0	2.8	1.2	2.8	0	0	0	27.5	Low
CS	3.0	2.0	1.0	3.0	3.0	2.0	1.0	1.0	1.0	2.0	0	2.0	2.0	3.0	3.0	29.0	Low
MBBA	3.0	2.0	1.0	5.0	3.0	1.0	1.0	1.0	1.0	3.0	0	2.0	3.0	0	3.0	29.0	Low
TSFC	3.0	2.0	1.0	5.0	3.0	1.0	1.0	1.0	1.0	3.0	0	2.0	3.0	0	3.0	29.0	Low

Legend:  
61 and above High  
46 to 60 Moderate/High  
31 to 45 Moderate  
0 to 30 Low

Item #1

Thomas P. DiNapoli  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 22, 2010

Mr. Judd Levy  
Chairman  
Acting President and Chief Executive Officer  
NYS Housing Finance Agency  
641 Lexington Avenue  
New York, NY 10022

Re: Report 2010-F-4

Dear Mr. Levy:

Pursuant to the State Comptroller's authority as set forth in Article X, Section V of the State Constitution, and Section 2803 of the Public Authorities Law, we have followed up on the actions taken by officials of the New York State Housing Finance Agency and the State of New York Mortgage Agency, to implement the recommendations contained in our audit report, *Eligibility for Health Insurance Coverage* (Report 2008-S-52).

**Background, Scope and Objectives**

The New York State Housing Finance Agency (HFA) and the State of New York Mortgage Agency (SONYMA) are public benefit corporations created to support housing and homeownership programs in New York State. HFA and SONYMA participate in the New York State Health Insurance Program (NYSHIP), which provides health insurance coverage to active and retired State and local government employees and their dependents.

Our initial audit report, which was issued on July 31, 2008, examined HFA's and SONYMA's practices for enrolling individuals and their dependents in NYSHIP. We reported that during 2007, HFA and SONYMA provided health insurance coverage through NYSHIP for 237 employees, 76 retirees, 7 surviving dependents, and 339 dependents, a total of 659 individuals. We found that HFA and SONYMA were only enrolling people who met the eligibility requirements. However, we determined that HFA and SONYMA did not always obtain sufficient documentation from their employees to demonstrate that individuals enrolled as dependents qualified for this coverage in accordance with NYSHIP guidelines.

Item # 11

The objective of our follow-up was to assess the extent of implementation, as of February 11, 2010, of the two recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that HFA and SONYMA officials have made significant progress in correcting the problems we identified in the initial report. Both prior audit recommendations have been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Require employees to provide appropriate proof when enrolling dependents, in accordance with NYSHIP guidelines.*

Status - Implemented

Agency Action - To implement this recommendation, HFA and SONYMA established a policy requiring employees to provide proof of the relationship prior to enrolling in NYSHIP, and requiring the employee and the health benefits administrator to sign a form identifying the type of documentation provided and certifying its legitimacy. These officials had been advised by NYSHIP administrators that this practice was acceptable, instead of maintaining a copy of the appropriate proof in their files. However, we subsequently received clarification from NYSHIP administrators that agencies are, in fact, required to keep a copy of the documentation provided by the employee in the employee's file. HFA and SONYMA officials need to amend their practice, based on this corrective guidance.

#### **Recommendation 2**

*Review the documentation for dependents coded as "other" and correct any that are miscoded, including those identified in this report.*

Status - Implemented

Agency Action - HFA and SONYMA officials stated that they reviewed a New York State Department of Civil Service NYSHIP listing, as of May 31, 2008, and identified seven individuals coded as "other." Officials determined that four of these individuals were correctly coded. The remaining three were stepchildren, and should have been coded as son or daughter, respectively. They provided documentation indicating that they had asked NYSHIP to re-enroll the dependents as a son or daughter, whichever was applicable. Officials also provided documentation that two of the three dependents identified in the original report are no longer covered, and the third is coded correctly.

Major contributors to this report were Myron Goldmeer, Daniel Raczynski, and Nick Angel.

We thank the management and staff of the New York State Housing Finance Agency and State of New York Mortgage Agency for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Cindi Frieder  
Audit Manager

cc: Stephen Chohey, VP of Internal Audit  
Tom Lukacs, Division of the Budget

Thomas P. DiNapoli  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

March 22, 2010

Mr. Judd S. Levy  
Chairman & Acting President and Chief Executive Officer  
Housing Finance Agency & SONYMA  
641 Lexington Avenue  
New York, NY 10022

Re: Report 2010-F-5

Dear Mr. Levy:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution and Section 2803 of the Public Authorities Law, we have followed up on the actions taken by officials of the New York State Housing Finance Authority and the State of New York Mortgage Agency, to implement the recommendations contained in our audit report, *Accuracy of Employee Retirement Reporting* (Report 2008-S-56).

**Background, Scope and Objectives**

The State of New York Housing Finance Agency (HFA) and the State of New York Mortgage Agency (SONYMA) are public benefit corporations created to support housing and home ownership programs in New York State. As participating employers in the New York State Employees' Retirement System (ERS), HFA and SONYMA must enroll all full-time, permanent employees in the ERS; and notify all part-time, temporary, and provisional employees in writing of their right to membership in the ERS and enroll them if they elect to participate.

Our initial audit report, which was issued on September 11, 2008, examined HFA's and SONYMA's enrollment practices and found that they complied, for the most part, with ERS requirements. However, we found that none of the four interns employed by HFA and SONYMA were offered the opportunity to enroll in the ERS. In addition, HFA and SONYMA are required to report certain information to the ERS about the enrolled employees' earnings and number of days worked. We examined these reporting practices and found that the information reported by HFA and SONYMA was, for the most part, accurate. However, to comply with ERS requirements, they needed to improve their reporting of the number of days worked by newly-hired employees. We noted that some of the newly-hired employees had been reported to the ERS as working fewer days than they had actually worked during their first pay period. We recommended that HFA and SONYMA make certain improvements in their enrollment and reporting practices.

Item #11

The objective of our follow-up was to assess the extent of implementation, as of February 11, 2010, of the three recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that HFA and SONYMA (Agency) officials have implemented the three recommendations in our initial audit report.

### **Follow-up Observations**

#### **Recommendation 1**

*Notify interns of their right to membership in the ERS, and obtain a signed acknowledgment from them that they were so notified. Retain these signed acknowledgments.*

Status - Implemented

Agency Action - Agency officials created a notification form that advises interns of their right to membership in the ERS. Interns are required to sign these forms, either requesting membership or declining membership in the ERS. We reviewed the personnel files for the four interns hired since the prior audit was issued and found that each contained the signed acknowledgement form.

#### **Recommendation 2**

*Report to the ERS the days new, full-time permanent employees worked during their initial pay periods, from the date of their appointment in the position.*

Status - Implemented

Agency Action - We found the Agency is correctly reporting to the ERS the number of days employees worked during their initial pay periods. We reviewed the initial pay period for six employees hired between September 2008 and December 2009 and verified that the correct number of days was reported for each employee.

#### **Recommendation 3**

*Determine the time that was under-reported for the identified employees and work with the ERS to ensure such information is reported accurately and retroactively, if necessary.*

Status - Implemented

Agency Action - Agency officials showed us documentation that they have determined the amount of time that had been under-reported for the two identified workers, and have made the appropriate adjustments to ERS records.

Major contributors to this report were Myron Goldmeer, Daniel Raczynski, and Nick Angel.

We wish to thank the management and staff of the New York State Housing Finance Agency and State of New York Mortgage Agency for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Cindi Frieder  
Audit Manager

cc.: Stephen Chohey, VP of Internal Audit  
Tom Lukacs, Division of the Budget