

**MINUTES OF THE
STATE OF NEW YORK MORTGAGE AGENCY
AUDIT COMMITTEE
HELD ON JUNE 14, 2011 AT 1:08 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

DIRECTORS AND DESIGNEES

PRESENT:

Karen A. Phillips	Vice Chairperson
Don Lebowitz	Director
Elaine McCann	Division of the Budget, representing Robert Megna, Director /Member, via video conference

Karen A. Phillips, Vice Chairperson of State of New York Mortgage Agency (“SONYMA”), attended and chaired the meeting; Joy F. Willig, the Agencies’ Senior Vice President and Counsel, acted as Secretary. The meetings of the Audit Committees were opened in joint session for the consideration of various matters of shared importance. These minutes reflect only those items being considered by the Members of the State of Affordable Housing Corporation. A record of items considered by the other Agencies’ Audit Committees is contained in the minutes of each Committee respectively.

Vice Chairperson Phillips noted that noted that Elaine McCann was participating in the meeting video conference from the New York State Division of Budget conference center at the Capital Building, Room 143, in Albany. A public notice was given of the time and locations of both venues.

Aida Brewer, Deputy Commissioner and Treasurer, Department of Taxation and Finance; Marge Rogatz, Director of SONYMA; David J. Sweet, Director of SONYMA; Darryl C. Towns, Commissioner of Division of Housing and Community Renewal (“DHCR”) and Director of SONYMA; and Steven J. Weiss, Member of New York State Housing Finance Agency (“HFA”) and New York State Affordable Housing Corporation (“AHC”), attended the meeting as guests.

The first item on the agenda was the adoption of the minutes of the State of New York (“SONYMA”) Audit Committee held on April 27, 2011. Absent comments or corrections from the Directors, the minutes were deemed approved.

The next item on the agenda was a resolution recommending approval of the Independent Auditor’s Report relating to the audit of the Schedule of Expenditures and

Federal Awards (“Single Audit Report”). Gary Weinstock, Vice President/Comptroller, introduced Joanne Hounsell, Senior Vice Present and Interim Chief Financial Officer, and David Milkosky and Louis Roberts from Ernst & Young, the Agencies’ auditors. Mr. Weinstock highlighted certain information contained in the materials provided in connection with this item, which materials are incorporated herein by reference. He stated that Single Audit Reports, also known as A-133 reports, are required to be performed when any entity expends more than \$500,000 of Federal funds during a fiscal year, and that both HFA and SONYMA met that threshold this year. He stated that the compliance audits, performed by Ernst & Young, are required to be filed with the Federal Audit Clearinghouse by the end of July. Mr. Weinstock reported that \$1,149,817 of Federal funds received through NeighborWorks America were expended under the National Foreclosure Mitigation Counseling Grant program (“NFMC”). He stated that the Single Audit reports for HFA and SONYMA will include each agency’s audited financial statements, which were previously approved by the respective Boards at their January 27, 2011 meeting, in addition to certain required schedules and the Independent Auditor’s Opinion Letters related to compliance issues. He stated that the SONYMA report had one finding by the Auditors of non-compliance with sub-recipient monitoring requirements concerning Federal expenditures under the NFMC grant program, in that two sub-recipients had not properly reported their Federal funding under the NFMC program that passed through SONYMA within their own individual Single Audit Reports. Mr. Weinstock stated that, at the time of the audit, SONYMA had not yet followed-up with these sub-recipients to inform them of the discrepancy. He stated that SONYMA had informed all sub-recipients of the requirements to include said funds in their Single Audit Reports, and that SONYMA had implemented a corrective action to monitor procedures.

In response to Mr. Lebowitz’s concerns that SONYMA was not in compliance with reporting requirements concerning NFMC in 2008 and 2009, Ms. Hounsell responded that the Agency had undergone a learning curve and was now up-to-speed with the process of sub-recipient monitoring requirements. Mr. Weinstock stated that its new auditors, Ernst & Young, had instructed SONYMA that it was required to follow-up with sub-recipients to ensure that the correct reports were included in their Single Audit Reports.

Mr. Mattox asked when remediation of the situation had begun, and when tested controls would indicate that remediation was finalized. Ms. Hounsell responded that a corrective action plan was in process, and that SONYMA would follow-up with grantees to request that they comply and respond in order to ensure that there would be no adverse finding in the future. Joy F. Willig, Senior Vice President and Counsel, stated that it was not the Agency’s money that was being audited, and that although the Agency could follow-up, it did not actually have the control to require sub-recipient compliance. Mr. Mattox asked if SONYMA’s relationship with sub-recipients enabled the agency to enforce compliance with all regulations and procedures. Ms. Willig responded that there was an enforcement mechanism in place, and should the NFMC program continue, then that issue would be evaluated in moving forward with making new grants.

In response to a question from Ms. Phillips, Ms. Willig responded that SONYMA could not guarantee that entities will do what they are supposed to do, and does not have independent power to enforce compliance, but rather the purpose of remediation is to inform

and advise entities and to keep track of their responses. Ms. Phillips requested that SONYMA provide the Committee with a future status report regarding this issue.

Vice Chairperson Phillips moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY AND STATE OF NEW YORK MORTGAGE AGENCY AUDIT COMMITTEES REVIEWING AND APPROVING AUDITED SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS – SINGLE AUDIT REPORT FOR FISCAL YEAR ENDED OCTOBER 31, 2010

The next item on the agenda was an information item concerning the Administrative Budget Report for the period November 1, 2010 to April 30, 2011. The Members had received information about this item in the materials given to them in advance of the meeting. Mr. Lebowitz asked if the “\$18.2 million deficit” of SONYMA’s Mortgage Insurance Fund, noted in the meeting materials as resulting from NYHELPS unused bond proceeds call of \$75 million, represented an actual cash loss. Ms. Hounsell explained that this notation was due to a timing difference and was money recognized in a prior period, and that no cash had been lost.

The next item on the Agenda was an information item regarding the Financial Statement Update for the Second Quarter Fiscal 2011. The Members had received information about this item in the materials given to them in advance of the meeting. There were no questions from the Members.

Ms. Willig noted for the record the 1:25 P.M. arrival of Royce A. Mulholland, Member of HFA and AHC.

There being no unfinished business, Vice Chairperson Phillips moved to adjourn; Mr. Mattox seconded the motion, and the meeting was adjourned at 1:35 P.M.



Secretary