



NEW YORK STATE
DIVISION OF HOUSING
& COMMUNITY
RENEWAL

HOUSING
TRUST FUND
CORPORATION

STATE OF
NEW YORK MORTGAGE
AGENCY

NEW YORK STATE
HOUSING FINANCE
AGENCY

NEW YORK STATE
AFFORDABLE HOUSING
CORPORATION

STATE OF
NEW YORK MUNICIPAL
BOND BANK AGENCY

TOBACCO SETTLEMENT
FINANCING
CORPORATION

ANDREW M. CUOMO
GOVERNOR

DARRYL C. TOWNS
COMMISSIONER/CEO

January 29, 2013

The Honorable Andrew M. Cuomo
Governor of the State of New York
The Capitol
Executive Chamber
Albany, New York 12224

Re: Response to Audit Report 2012-S-31

Dear Governor Cuomo:

Pursuant to Section 170 of the Executive Law, I write this letter in response to the Office of the State Comptroller's Report 2012-S-31, *Quality of Internal Control Certification*, issued on October 29, 2012.

Homes and Community Renewal (HCR) agreed to take specific corrective action to address the issues and concerns identified in the audit report. Below are the actions taken in response to the recommendations in the report.

Recommendation #1:

Provide more detailed responses to questions when required in the annual Internal Control Certification.

HCR Response:

For future Internal Control Certifications we will document all steps related to being in compliance with the Certification program. These steps include, but are not limited to, meetings with program managers; identifying control activities; testing of controls; documenting control weaknesses; and monitoring corrective action plans. These steps are included as part of our annual Internal Control Certification process.

Recommendation #2:

Ensure that compliance testing and monitoring systems are in place. When necessary, ensure corrective action is taken and monitored.

HCR Response:

The DOB Managers' Guide for Testing Compliance with Internal Control Requirements; The Internal Control Review Form for DHCR Managers; and The Internal Control Review Corrective Action form are methods used to ensure compliance testing and monitoring systems are in place.

DHCR program managers identify the procedures or functions to test controls. The methods used to conduct testing and the outcome of the testing is documented. When outcomes determine that control weaknesses exist, a plan for corrective action will be developed by program managers. Corrective Action plans will be monitored to determine if changes have been implemented to satisfy control weaknesses. A time table to follow-up on implementation status of corrective action plans will be established.

Recommendation #3:

Establish a more formal internal control training program covering all staff.

HCR Response:

Several methods will be discussed with the newly appointed Training Director, on how we can ensure that all HCR staff is updated on the importance of Internal Controls. An online Internal Controls training course, required to be completed by all DHCR staff will be proposed. This type of training has been used in the past at DHCR. Another method will be to establish an online newsletter with Internal Control related topics that will be updated periodically on the HCR Intranet site. Other methods will be discussed with our Training and Professional Development Unit on how we can best establish an Internal Control training program that will be compliant with the certification process.

Recommendation #4:

Separate the duties associated with the internal control and internal audit functions.

HCR Response:

We agree with the recommendation, however, separating the two functions at this time would unduly stress ongoing Internal Audit activities; and possibly reduce the Internal Audit Unit by one full-time employee. In the past, the duties associated with completing the DOB Internal Control Certification was split amongst the Internal Audit Director and the Audit Supervisor.

In September 2012, the Board of Directors of the Housing Trust Fund Corporation empowered the Office of Internal Audit to provide internal audit coverage for HTFC, which is a substantial increase in its responsibilities. Currently, Executive Management is considering several options to resolve this matter and a decision should be made in the near future.

Sincerely,

A handwritten signature in dark ink, appearing to read 'D. Towns', with a stylized flourish at the end.

Darryl C. Towns
Commissioner/CEO

cc: Honorable Thomas P. DiNapoli, State Comptroller
Honorable Dean G. Skelos, NYS Senate Majority Leader
Honorable Andrea Stewart-Cousins, NYS Senate Minority Leader
Honorable John A. DeFrancisco, NYS Senate Chair, Finance Committee
Honorable Liz Krueger, NYS Senate Ranking Minority Member of Finance Committee
Honorable Sheldon Silver, NYS Assembly Speaker
Honorable Joseph Morelle, NYS Majority Leader
Honorable Brian M. Kolb, NYS Minority Leader
Honorable Herman Farrell Jr, NYS Assembly Chair. Ways and Means Committee