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Mr. Frank Patone
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street
New York, New York 10038-3804

Re: **Audit Report 2013-S-31**

Dear Mr. Patone:

This letter will serve as the response of the New York State Affordable Housing Corporation ("AHC") to the final Audit Report 2013-S-31 (the "Audit") of October, 2014, with respect to the Affordable Home Ownership Development Program (the "Program").

Background

The audit focused on grants made by AHC to eight metropolitan area-based development Projects covering the period between February 2012 through October 2013.

Management Responses

We have reviewed the Audit report and, with regard to the recommendations that were made, management submits the following responses:

1. Provide training to grant managers on assessing applicant eligibility, particularly related to liquid asset and annual income limits.

The Program is predominantly Grantee driven. As such, when a Project application is submitted to AHC for review, the Applicant/Grantee proposes the methods by which it will achieve its goals. However, all Grantees must abide by certain limitations, *e.g.*, income limits which are published on the Agency website as well as by asset caps which are set, unless otherwise proposed and approved by AHC, in the application phase. AHC then tries

to ensure that the methods proposed are followed, based upon documentation submitted by the Grantees. To further assist Grantees in understanding AHC policies, AHC management and staff held open training sessions to grant managers at the rural preservation coalition's housing conference in October 2014.

To emphasize the importance of the asset limitations, there are also new forms that need to be submitted with the requisition documents whereby the grant managers must certify the respective homebuyer/homeowner's asset amount.

2. Continue to periodically review grant managers' award files to verify applicants' compliance with Program eligibility requirements.

A sample of 5 or 6 AHC Projects is selected annually for compliance audits by independent CPA firms. Based upon the audit reports, AHC follows up on any issues found to be of interest or in violation of applicable AHC statutes, regulations, or policies. At the time of this response, the CPA firms have been chosen and are currently conducting the audits.

3. As warranted, take actions with grant managers that do not ensure full compliance with prescribed program requirements.

When grant managers do not comply with Program requirements during the active life of a Project, AHC has several courses of action. If the award for the Project has not been disbursed or has not been fully disbursed, the remaining funds will be held until the Grantee is in full compliance. If a non-compliant Project is past the disbursement stage, then, in AHC's discretion, based on the circumstances and the nature of the violation, such non-compliance may result in processing of other applications of the Grantee being held up, or in other Projects of the Grantee being subjected to special scrutinized, unless and until the non-compliance has been corrected; if AHC deems such measures appropriate, other Projects of the Grantee may be terminated because of non-compliance. AHC, in its discretion based on its evaluation of the circumstances, may also pursue legal remedies to seek the recapture or repayment of grant funds from a Grantee or homebuyer/homeowner in violation of program requirements and contractual obligations.

4. Clarify requirements for determinations of applicants' annual incomes, including reasonable estimates of variable income, such as bonuses.

AHC has reviewed and revised the RFP sections that refer to homebuyer/homeowner incomes to further assist Applicants/Grantees in proper wording of their Project proposals. However, as previously stated, AHC is open to Applicant proposals in determining/calculating income, so long as the Applicant does not violate any AHC statutes or regulations.

On behalf of our management team at AHC, we thank the staff of OSC for the professional manner in which they have conducted their examination of the Program.

If you have any questions, please feel free to call Dominic A. Martello, Vice President, at 212 872-0553, in our offices at 641 Lexington Avenue, New York, New York 10022.

Sincerely,



Darryl C. Towns
Commissioner/CEO

cc: Chris Leo
Steve Chohey
Jay Ticker