

# NEW YORK CITY HOUSING AUTHORITY

## Minutes of Audit Committee Meeting Wednesday, November 16, 2016

### **Board and Audit Committee Members:**

Derrick Cephas, Chair  
Victor A. Gonzalez, Co-Chair  
Mark N. Kaplan, Independent Member  
Richard Kuo, Independent Member

### **NYCHA Staff Members- Present**

Karen Caldwell, Executive Vice President and CFO  
Karina Totah, Vice President for Strategic Initiatives  
Tricia L. Roberts, Director, Department of Internal Audit & Assessment  
Jeffrey A. Pagelson, Controller, Accounting & Fiscal Services  
Daniel Frydberg, Deputy Director, General Ledger Division, Accounting & Fiscal Services  
Winston McCormack, Deputy Director, Department of Internal Audit & Assessment  
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment  
Hyacinth Jeffers, Assistant Director, Department of Internal Audit & Assessment  
Svetlana Cibic, Assistant Director, Treasury Department

### **Deloitte & Touche LLP - Present**

Michael Fritz, Lead Client Service Partner  
Darshan Patel, Audit Senior Manager  
Bogdan Geambasu, Audit Manager

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on November 16, 2016 at 2:00 pm in the Board Room of the Authority at 250 Broadway, New York, New York 10007. The Audit Committee meeting commenced at 2:10 PM.

### **I. Approval of Minutes:**

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the October 6, 2016 Audit Committee meeting.

### **II. Discussion of Impact of New Accounting Pronouncements on 2016 Financial Statements**

Jeffrey Pagelson, Controller presented an analysis of the accounting pronouncements (“Statements”) issued recently by the Government Accounting Standards Board (“GASB”) and an update of their impact on 2016 financial statements. Mr. Cephas inquired about the effective date for such pronouncements. Mr. Mike Fritz, Lead Client Service Partner responded that it depends on adoption of the pronouncement by The City of New York – if the City adopts, NYCHA also has to adopt as a component unit. Jeffrey Pagelson added that there is no deviation from what the City is doing regarding adoption of GASB statements, and he commenced the presentation.

**GASB Statement No. 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Government:** Both The City of New York and NYCHA have adopted this statement. NYCHA historically has been consistently applying GASB Statements, Technical Bulletins and GASB Implementation Guides in accordance with the prescribed hierarchy. Therefore, we do not anticipate any significant impact to the financial statements.

**GASB Statement No. 77 - Tax Abatement Disclosures:** NYCHA is not subject to taxation, and does not provide tax abatements, as it is not a taxing authority. NYCHA has received and discloses forgiveness of Payment in Lieu of Taxes (PILOT) beginning in 2014. However, it is not technically considered to be a tax abatement. Accordingly, we do not anticipate any significant impact to the financial statements.

Mr. Gonzalez inquired whether the tax abatements issue related to amounts forgiven for the police department. Mr. Pagelson explained that these amounts are not related to the disclosure requirements under this GASB Statement, although we will need to mention forgiveness of the police costs as a Related Party footnote in the 2016 financial statements.

**GASB Statement No. 79 - Certain External Investment Pools and Pool Participants:** Jeffrey Pagelson explained that we are technically adopting this Statement, but it is not applicable to NYCHA, since it does not participate in any investment pools. Mr. Fritz added that the scenario is similar to mutual funds. If New York State had such a pool, disclosure requirements would apply.

**GASB Statement No. 80 - Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14:** NYCHA is not the sole corporate member in any of its component units or any associated not-for-profit entities and accordingly, we do not anticipate GASB 80 having a significant impact on its financial statements or the financial statements of its component units. The only non-profit organization that NYCHA is associated with is Funds for Public Housing; however, the disclosure requirements under this GASB Statement are not applicable since NYCHA does not have corporate membership. Mr. Kaplan asked about the amount in the Funds for Public Housing; the CFO responded that the fund has less than \$1 million.

**GASB Statement No. 81- Irrevocable Split-Interest Agreements:** NYCHA does not anticipate being affected by this Statement since it does not have any charitable remainder trust. Mr. Fritz added that this pronouncement will typically apply to a university.

**GASB Statement No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans:**

**GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:**

Both of these GASB Statements were not adopted for 2016, since the City's Office of Actuary (OA) is still working on the implementation. The most significant effect will be an increase in the OPEB (other postemployment benefits) liability. Since the Actuary has not completed calculations, we don't know how much our liability is. Implementation of GASBs 74 and 75 will also result in significantly more financial statement disclosures.

**GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68:**

**GASB Statement No. 78 - Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan:**

**GASB Statement No. 82 - Pension Issue:**

All of the above three GASB Statements (# 73, 78 and 82) relate to pension.

GASB Statement 73 establishes a single framework to make reporting consistent. According to the Office of the Actuary, this Statement has no impact on NYCHA, essentially because the provisions of the Statement are not applicable to NYCERS.

Per the Office of the Actuary, since NYCERS is a local governmental pension plan, it believes that GASB 78 is not applicable.

NYCHA has not adopted the GASB Statement 82 for 2016. It will require the presentation of payroll-related measures in required supplementary information. According to the Office of the Actuary, the main issue that could affect NYCERS (and NYCHA) is the classification of payments made by employers to satisfy plan member contribution requirements. This issue mainly pertains to active Tier 1 and Tier 2 members of NYCERS (and NYCHA). Since there were only 36 Tier 1 and Tier 2 active members of NYCHA as of July 1, 2015, the effect would be very minimal.

Mr. Fritz added that all pension-related GASB Statements are technically corrections from previous guidance. They should really have no impact.

Mr. Kuo inquired why we need to adopt a Standard if it is not applicable to NYCHA. Mr. Pagelson responded that we would not be compliant with GASB requirements if we don't. Mr. Fritz stated that if NYCHA does not adopt, it can result in a qualified opinion.

**III. Currently on Radar:**

Mr. Fritz briefly discussed a GASB Statement in the pipeline, which relates to lease expenditures. Currently, there is an "exposure draft" in process, which would require that the expenditures related to leases over 12 months would need to be capitalized. However, it would take at least 2 to 3 years before it is finalized.

Mr. Gonzalez inquired whether there is any change in process in terms of how we reported in the past in comparison with now. Mr. Fritz stated that Karen Caldwell, CFO's team is doing more controls. He further elaborated that a lot of positive changes are taking place in both Accounting and Auditing. Deloitte was in sync with what was presented in the financial statements.

**IV. Audit Committee Resources:**

Mr. Fritz shared with the Audit Committee members a copy of the Deloitte's newsletter entitled "Audit Committee Brief" for the month of November 2016. He explained that Deloitte's website has a lot of resources available for Audit Committee members. A lot of Audit Committee members are using this free service, which also offers training webcasts.

## **V. Single Audit Overview:**

Darshan Patel, Audit Senior Manager from Deloitte provided an overview of the Single Audit. OMB Circular A-133 is now called Uniform Guidance. Based on NYCHA's total fund of \$2.4 billion, Deloitte's audit team calculated a threshold of \$7 million for the last year and selected four programs for audit. The selection of programs to be audited may change every year based on the Uniform Guidance. The audit team performs testing on the major programs selected and provides an opinion on the major programs. At the end of the audit, the financial data was electronically submitted to HUD's Real Estate Assessment Center (REAC), and the Single Audit Report was issued. Mr. Cephas asked whether the report is issued to HUD or only NYCHA. Darshan Patel explained that if the auditor discovers fraud, the report has to be issued to HUD. Otherwise, normally it is issued to NYCHA. Last year, there were no significant or material findings, and there were no questioned costs.

## **Adjournment**

The meeting was adjourned at about 3:45 PM.