



**New York City Housing Authority
Department of Internal Audit & Assessment (IA&A)**

**Minutes of Audit Committee Meeting
April 19, 2018**

Board and Audit Committee Members:

Derrick Cephas, Chair
Victor A. Gonzalez, Co-Chair
Mark Kaplan, Independent Member (*Absent*)
Richard Kuo, Independent Member

NYCHA Staff Members- Present:

Karina Total, Vice-President for Strategic Initiatives
Tricia L. Roberts, Vice-President for Finance, Office of the CFO
Edna Wells Handy, Acting EVP and Chief Compliance Officer
Jackie Primeau, Chief of Staff, Office of the Chair
Klara Shoumackher, Director, Department of Internal Audit & Assessment
Hyacinth Jeffers, Assistant Director, Department of Internal Audit & Assessment
Dan Frydberg, Deputy Director, Financial Accounting & Reporting Services
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment
Jacqueline Palmer, Assistant Director, Department of Internal Audit & Assessment

Deloitte & Touché LLP – Present:

Michael Fritz, Lead Client Service Partner
Jill Strohmeyer, Managing Director
Darshan Patel, Audit Specialist Leader
Megan Martin, Audit Senior Manager

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on April 19, 2018 at 10:10 AM in the Board Room of the Authority at 250 Broadway, New York, New York 10007.

Klara Shoumackher introduced herself as the new Director of the Department of Internal Audit & Assessment. Hyacinth Jeffers, Assistant Director of Internal Audit & Assessment (IA&A) commenced the meeting by referring to the minutes of the March 15th meeting.

I. Approval of Minutes:

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the March 15, 2018 Audit Committee meeting.

II. Deloitte's Status Update on 2017 Single Audit – Financial Component:

Ms. Jeffers stated that tab 3 of the Audit Committee package contained a status update on the financial component of the 2017 Single Audit.

Jill Strohmeyer, Managing Director from Deloitte provided a status update on the progress made in performing the Financial Statements audit of the NYCHA's Operations, including two LLC's for the year ending December 31, 2017.

Ms. Strohmeyer explained that the Deloitte audit team has been in the field since March 2018, and has tested key areas such as cash, investments, inventory, capital assets, pension and other postemployment benefits (OPEB), tenant revenue, etc. They have also tested key internal controls and have not found any audit adjustments or control deficiencies so far. In the area of Pension and OPEB, the Deloitte's specialist team is working with the City of New York's Office of the Actuary, since NYCHA is adopting Government Accounting Standards Board ("GASB") Statement number 75 ("GASB 75"). The Deloitte audit team is testing data and making sure provisions are implemented, including footnotes. In addition, for the claims liability, the Deloitte audit team is waiting for certain information from external actuary.

Ms. Strohmeyer further explained that they have started testing of revenues and expenditures. They have requested supporting documents for the revenue testing from the field offices, which internal audit group is coordinating. In addition, the Deloitte's IT Audit team has started reviewing major IT systems and there are no findings so far. The Deloitte audit team has also received first drafts of financial statements for NYCHA as well as both LLC's, which they are reviewing and providing initial comments to the Finance team.

Mr. Gonzalez inquired about the effect of the additional fund being received from the State of New York. Ms. Tricia Roberts, VP for Finance explained that it has no impact on the 2017 financial statements. The related entries will be made when the fund is received in 2018. Mr. Fritz, Lead Client Service Partner from Deloitte added that the Deloitte auditors do look at "going concern" of the entity if there are operating losses, and in that regard, they do review influx of funds as a positive outlook.

Mr. Cephas asked whether there was any material difference in scope between 2017 and 2016 financial statements. Ms. Strohmeyer responded that the main difference is adoption of GASB 75. Mr. Dan Frydberg, Deputy Director of Financial Accounting & Reporting Services added that this adoption required adjustments of the opening balances as of January 1, 2017. Mr. Fritz, Lead Client Service Partner from Deloitte further added that adjustments are made for incremental changes resulting from adoption of the new standard.

Mr. Kuo inquired how OPEB liability affects NYCHA and whether the City of New York's liability has any effect on NYCHA. Mr. Frydberg explained that NYCHA receives a separate report from its own Actuary and is considered a separate entity. However, its OPEB liability is also unfunded.

Ms. Strohmeyer explained that the audit was progressing smoothly, and the audit team was receiving full cooperation from NYCHA's management. The Deloitte audit team expects to complete all the testing by April 30, 2018, and the audit findings and the 2017 financial statements are expected to be presented to the Audit Committee in the May 17th meeting.

III. Deloitte's Status Update on 2017 Single Audit – Compliance Component:

Darshan Patel, Audit Specialist Leader from Deloitte provided the status of Single Audit - compliance part of the audit. Mr. Patel stated that there is a change of scope in terms of which programs to review. NYCHA has six major programs based on the Federal guidelines, which exceed the threshold of \$6 million. However, according to Federal guidelines, if there were no findings in the major program tested in a previous year, the auditors have to select a different major program. As a result, the Deloitte audit team is reviewing two major programs for 2017, namely Capital Funds Program and Section 8 Program.

The Section 8 Program is a new program being tested for 2017. However, the Capital Funds Program is tested every year due to contract close-out process which involves capital expenditures consisting of multiple years.

Mr. Patel explained that Single Audit has many compliance requirements, and currently, they are performing tests on Procurement, Cash Management, Personnel Services, Allowable Costs and Special Test requirements as required by the Uniform Guidance. About 80% of the work is completed for both programs, except for tenant files, which is expected to be completed by April 30th. He further noted that there were no findings so far based on the initial testing.

Mr. Fritz elaborated that of the six major programs for NYCHA, each program has to be audited at least once every 3 years. In addition, the audit team may select a non-major program if it is a high-risk program.

Mr. Cephas inquired who decides on the programs to be audited. Mr. Fritz explained that the auditors make the decision based on risk assessment, which includes assessment of findings reported by external audit agencies such as Federal Inspector General as well as internal audit reports.

Ms. Roberts thanked Deloitte and NYCHA teams for developing mutual partnership in completing the audit, especially by holding weekly status meetings and utilizing the Deloitte Connect system to share all data files, which allows both components of the audit to run concurrently and smoothly, with features of due dates and e-mail reminders. It also allows for upload of large files. Mr. Fritz added that the Deloitte Connect is encrypted to avoid cyber security issues and allows for secure exchange of financial information. No financial information is exchanged through e-mails.

IV. Audit Committee Discussion:

Mr. Cephas thanked the Audit Committee members for their involvement in the NYCHA's financial statement audits, and expressed that the Audit Committee needs to consider extending their involvement to areas other than financial audits by engaging in discussion with internal audit staff as well as operating units. Such internal meetings can be held with internal audit and/or management. Further discussions need to take place to define the process. The Audit Committee also needs to work on discussing how the audit findings get translated into action items. Mr. Kuo also expressed concerns regarding discussing internal audit reports. In addition, Mr. Gonzalez expressed concerns regarding new programs being implemented.

Adjournment

The Audit Committee meeting was adjourned at about 10:45 AM.