



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

**Minutes of Audit Committee Meeting**  
**September 20, 2018**

**Board and Audit Committee Members:**

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

**NYCHA Staff Members- Present:**

Tricia L. Roberts, VP for Finance  
PV Anantharam, Executive Vice President and CFO  
Vilma Huertas, Chief Compliance Officer  
Edna Wells-Handy, Senior Advisor to the Chair  
Georgiana Okoroji, Director, Financial Planning & Analysis  
Daniel Frydberg, Acting Controller, Financial Reporting & Accounting Services  
Hyacinth Jeffers, Acting Director, Department of Internal Audit & Assessment  
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment  
Jacqueline Palmer, Assistant Director, Department of Internal Audit & Assessment

**Deloitte & Touche LLP – Present:**

Michael Fritz, Lead Client Service Partner  
Darshan Patel, Audit Specialist Leader

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on September 20, 2018 at 10:00 AM in the Board Room of the Authority at 250 Broadway, New York, New York 10007.

**I. Approval of Minutes:**

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the June 14, 2018 Audit Committee meeting.

**II. 2017 Single Audit Report Presentation:**

Michael Fritz, Lead Client Service Partner from Deloitte stated that this was the final presentation of the Single Audit. They have now completed all procedures for the filing to occur. Major programs audited this year were the Public Housing Capital Fund and the Section 8 Housing Choice Voucher Cluster. At the request of the New York City Housing Authority, additional testing was done on the Community Development Block Grants program.

The Schedule of Findings and Questioned Costs provides summary results of the audit. It is an unmodified opinion, and the auditors did not identify any material weaknesses, significant deficiencies or noncompliance in internal control over financial reporting. Similarly, the auditors did not find any material weaknesses or significant deficiencies in internal controls over major programs. The report contains no findings or questioned costs.

NYCHA qualified as a Low Risk Auditee; therefore, only 20% of federal expenditure was subjected to audit procedures. If NYCHA was High Risk, it would be subject to 40%. In response to Mr. Cephas' question about how you determine a Low Risk Auditee, Mr. Fritz said that if you have not had any material weaknesses or significant findings or if you have filed the financial statements in a timely manner, you qualify as a Low Risk Auditee.

Mr. Fritz said that all procedures were done earlier but preparation of REAC schedules takes some time. Now that those are in sync we can go ahead with the process. In response to Mr. Cephas' question about whether it is an interactive process, Mr. Frydberg said that we have to prepare statements in a very detailed process. Mr. Gonzalez inquired whether everything that is going on affected the audit and was told that the procedures resulted in no findings.

Mr. Kaplan asked if the depreciation over the last 40 years is not affected by the buildings not being maintained. Mr. Fritz said that Deloitte is not aware of any impairment under accounting guidelines. Mr. Frydberg said that additional information in the footnote was added although not required. Ms. Roberts said that a Physical Needs Assessment is done by Capital Budget group every five years which can be shared with Deloitte.

Mr. Kaplan expressed concern that someone reading the report may get the wrong idea about condition of buildings. He said the City has a footnote; they have the same problem. Mr. Fritz stated that Deloitte can review the matter; however, such information should be part of Management Discussion & Analysis (MD&A), not Financial Statements. Mr. Kuo asked whether the Physical Needs Assessment includes a 10-year or 15-year plan. Ms. Roberts said that we will look into this matter. Mr. Fritz said that since the financial statements were approved and issued already, any points should be considered for 2018. A restatement of Financial Statements is not needed.

Mr. Gonzalez asked if the Consent Decree was going to address the issue. Mr. Cephas said that the Consent Decree does not mention the financial statements. Mr. Fritz said that if the Consent Decree is signed prior to the issuance of the Single Audit, we can mention it as "Subsequent Event".

The Audit Committee unanimously agreed to recommend approval of issuance of the Single Audit Report by the Board.

### **III. Status of 2018 Internal Audit Plan:**

Hyacinth Jeffers, the Acting Audit Director presented the Status Report on 2018 Internal Audit Plan. Mr. Cephas asked what the term "Phase" meant. Ms. Jeffers explained four different phases of the audit process. She also explained that approximately 25 reports are on hold due to the lack of a firm reporting structure for Internal Audit. In response to Mr. Cephas' query, Ms. Jeffers explained that the positions of Director, Deputy Director and Management Auditor are currently vacant. Mr. Anantharam stated that there is an ongoing discussion about the reporting structure.

Mr. Kaplan suggested that Audit should be looking at lead and maintenance issues. Ms. Jeffers said that these audits will be dependent on the Consent Decree. Mr. Kaplan said that Internal Audit should put a note in the plan to indicate why the audits are on hold.

Mr. Kuo asked how does Internal Audit position relate to federal consent decree, external audits, compliance, etc. Mr. Anantharam stated that we will come up with a plan by the next Audit Committee meeting.

Ms. Jeffers indicated that Internal Audit is currently part of a workgroup which also includes the Compliance Department, which is coordinating responses to the Office of Inspector General recommendations. These responses will be posted on the DOI website; therefore, we are working with Business Owners to review and provide updated response and justification. In addition, Internal Audit has issued an RFP for a firm to do IT assessments. Ms. Roberts added that it will provide an opportunity for an independent risk assessment of IT areas such as identifying gaps in access security, segregation of duties, cybersecurity, etc., which requires special skills.

#### **IV. Presentation by the Compliance Department:**

Vilma Huertas introduced herself as the newly appointed Chief Compliance Officer. She stated that in late 2017, Edna Wells-Handy was appointed by the Mayor as the first head of the new Compliance Department. Guidehouse, formerly PWC, was engaged in April 2018 to design and set up the Compliance Department. They will adapt to changes based on the Consent Decree for which a hearing is scheduled for September 26. They are working with stakeholders and owners of different businesses to determine gaps in their business processes, and holding additional meetings to ensure that GAP analysis is identifying issues.

Second phase is designing and building the organization. Moving forward with issuing job openings. Looking at monitoring to ensure that departments are taking corrective actions. Compliance is looking forward to working closely with Audit since their function goes beyond the regulatory piece. As PV stated earlier as we move forward with understanding the Consent Decree we will get a better picture of what goes under Internal Audit and what goes under Compliance.

A governance model was set up as well a steering committee of all the EVPs was formed to represent their various units. A working group was set up. This included staff across the board to get buy in about what Compliance should look like. Compliance is working in the spirit of moving forward and not just waiting for the Consent Decree and the Monitor. It is also working with IT to explore what technology can be used.

Mr. Cephas asked if there was a proposed organization chart for the Compliance Department. Ms. Huertas responded that they are trying to finalize one. Mr. Cephas asked to see a copy of the buckets. Ms. Huertas said that they are working with Guidehouse to see how best to plan out the organization because NYCHA is bound by many regulations. There will be a Compliance and Monitoring Division. Compliance absorbed the existing Procedures Department. There will be an Issues and Complaint Management Division and Compliance Liaisons, in addition to Training and Communication Division. When asked about the timetable by Mr. Cephas, Ms. Huertas said it should be in the next few weeks. The number has

not been finalized. One position they are looking to fill is an Attorney position that can start looking at the plan.

Mr. Kaplan asked if Compliance was going to create a charter defining responsibilities and whether there is a budget. Ms. Huertas responded that they do anticipate having a charter and are working with PV in his CFO hat and overseeing Internal Audit determining what the department will look like. That will drive the budget.

Mr. Kuo clarified the difference between Compliance and Internal Audit. Compliance Department looks at ongoing processes while Internal Audit looks at things retroactively. Some things might feed the other. Ms. Huertas agreed that the idea is to avoid overlap.

Mr. Gonzalez said that his biggest concern is uniformity. If you ask five developments about a repair, you may get five different opinions. Ms. Huertas responded that that is why the Procedure Department was moved to the Compliance Department. Mr. Gonzalez said that there will be a buy-in if the residents start seeing positive results. Ms. Huertas said that we are looking at internal buy-in also. Mr. Cephas asked if there was resistance, to which Ms. Huertas responded that there are challenges, but some field people have come up with good ideas.

**Executive Session:**

The Audit Committee met in an executive session at 11:10 AM.

**Adjournment:**

The Audit Committee meeting was adjourned at about 11:20 AM.