



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

**Minutes of Audit & Finance Committee Meeting  
September 12, 2023**

**Board and Audit & Finance Committee Members:**

Victor A. Gonzalez, Chair of Audit & Finance Committee (Vice Chair of NYCHA)  
Mark N. Kaplan, Independent Member  
Richard P. Kuo, Independent Member

**NYCHA Staff Members - Present:**

Jeffrey Lesnoy, Vice President & Controller, Financial Accounting & Reporting Services  
Georgiana Okoroji, Senior Vice President for Financial Planning & Analysis  
Arlene Nieves, Senior Advisor to the Chief Financial Officer, Office of the Chief Financial Officer  
Ah-Yat Lee, Director, General Ledger, Financial Accounting & Reporting Services  
Amita Patel, Deputy Controller, Financial Accounting & Reporting Services  
David Sunshine, Accountant, Financial Accounting & Reporting Services  
Jason E. Goldberg, Director & Chief of Corporate Affairs, Legal Affairs  
Roger Shields, Chief Information Security Officer, Cybersecurity & IT Risk Management  
Brad Greenberg, Chief Compliance Officer  
Wilma Huertas, Special Advisor to the CEO, Office of the Chief Executive Officer  
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment  
Avik Das, Administrative Auditor, Department of Internal Audit & Assessment

**Deloitte & Touche LLP – Present:**

Jill Strohmeyer, Lead Engagement Managing Director  
Emilia Maguire, Managing Director, Enterprise Risk Services  
Darshan Patel, Senior Manager

**Technical Support Team:**

Humberto Rosero, Andy Nagy, Luis Gomez

A meeting of the Audit & Finance Committee (“AFC”) of the New York City Housing Authority (“NYCHA” or the “Authority”) was held on September 12, 2023, at approximately 10:05 AM.

Anil Agrawal, Assistant Director of the Department of Internal Audit & Assessment, commenced the meeting by welcoming the AFC members and the attendees. Avik Das, Administrative Auditor of the Department of Internal Audit & Assessment, conducted the roll call of the attendees of the meeting. The meeting had the required quorum.

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

Upon motion duly made and seconded, the AFC members unanimously approved the minutes of the June 13, 2023 AFC meeting subject to minor edits.

## **II. Single Audit Report for Fiscal Year 2022:**

Jill Strohmeier, Lead Engagement Managing Director from Deloitte & Touche (“Deloitte”), discussed the status of the Fiscal Year 2022 Single Audit, including findings. The Single Audit for Fiscal Year 2022 is expected to conclude before the end of September 2023. NYCHA is required to submit the Fiscal Year 2022 Single Audit Report package to the Federal Audit Clearinghouse by September 30, 2023.

Ms. Strohmeier discussed the four reports that are part of the Fiscal Year 2022 Single Audit Report package. Each of the reports contains Deloitte’s opinions on the areas audited: financial statements, Internal Controls Over Financial Reporting, and compliance with Uniform Guidance requirements for each major program including Schedule of Expenditures of Federal Awards (“SEFA”).

The **first report** is the Independent Auditor’s Opinion based on the audit of NYCHA’s financial statements. This report is an earlier draft reviewed and approved by the AFC in June 2023 but now includes references to Generally Accepted Government Auditing Standards (“GAGAS”). The report contains a clean or unmodified opinion based on the audit of NYCHA’s financial statements.

The **second report** pertains to Internal Controls Over Financial Reporting and on Compliance and Other Matters. This report is based on review of the internal control processes (operational and automated) that impact any activity affecting the financial statements and review of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. This report did not identify any significant deficiencies or material weaknesses in internal controls over financial reporting nor any instances of noncompliance or other matters required to be reported under GAGAS.

Ms. Strohmeier mentioned that NYCHA had total of \$3.6 billion in federal expenditures. Some of those were pass-through awards received from other agencies or governmental authorities but much of it was direct awards received by NYCHA from various federal awarding agencies. The two largest programs had to do with Public and Indian Housing as well as the Housing Choice Voucher cluster. There were several programs listed, and Deloitte used a risk assessment process to determine which of these grants or programs were selected for testing in the Fiscal Year 2022. To do that, Deloitte set up certain thresholds called a **Type A** threshold and a **Type B** threshold. **Type A** threshold was almost \$11 million, and **Type B** was \$2.7 million for fiscal year 2022.

Deloitte considered all grant programs above these two thresholds for possible selection for testing for Fiscal Year 2022. Deloitte did select the following three programs for testing based on the risk assessment process:

- Public and Indian Housing - Operating Grants – ALN<sup>1</sup> number 14.850
- Public Housing Capital Fund - ALN number 14.872
- Disaster Grants from FEMA<sup>2</sup> - ALN number 97.036

Based on testing of these three programs, Deloitte tested about 57% of the total expenditures incurred by NYCHA.

Ms. Strohmeier confirmed again that in the first report, Deloitte will issue an unmodified opinion, which is a clean opinion. For the second report relating to internal control and noncompliance matters, Deloitte had a clean report: with no material weaknesses, no significant deficiencies, and no noncompliance matters to report.

AFC Member Mark Kaplan questioned how the above-mentioned report has nothing significant to report about internal controls when Deloitte found so many faults with the access to various systems. Mr. Kaplan went on to say that while they may not be accounting issues, it seems that NYCHA users have free access to the critical systems without adequate controls, which is inconsistent with Deloitte’s clean report on internal controls over financial reporting.

Ms. Strohmeier responded that the Auditors are not required to report low-level deficiencies. All those Information Technology (“IT”) deficiencies mentioned were determined to be low-level deficiencies by the audit team. Had they risen to a significant deficiency or material weakness, Deloitte would have reported these deficiencies.

In response to Mr. Kuo’s inquiry concerning why the Authority has not elected to use the de minimis 10 percent indirect cost rate, Ms. Strohmeier indicated that it is not uncommon for many governments organizations to use their “own indirect cost rate”. Mr. Kuo also inquired that if they do not have an indirect cost rate then how are they are getting reimbursed for indirect costs. Ms. Strohmeier replied that they have their own calculated rate.

The **third report** is related to Uniform Grant Guidance and the testing of the major programs that are in the scope of the audit. Three major programs are in scope and Deloitte has one material finding related to program 14.850- the Public and Indian Housing grant program. This is the same material finding that Deloitte had last year related to compliance requirements of Special Tests and Provisions and specifically related to Environmental Contaminants Testing and Remediation. This is still a requirement that independent auditors are required to test. The compliance requirement is worded such that all remediation needs to be performed within the current year. This has not happened at NYCHA, as full abatement is

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<sup>1</sup> The Assistance Listing Number (“ALN”), formerly known as the Catalog of Federal Domestic Assistance (“CFDA”) Number, is a five-digit number assigned in the awarding document for all federal assistance award mechanisms, including federal grants and cooperative agreements. The first two digits of the Assistance Listing Number reflect the major federal agency. The final three digits (following a decimal) indicate the federal program funding the project or the program.

<sup>2</sup> FEMA – Federal Emergency Management Agency

targeted over a twenty-year period per the 2019 agreement with the U.S. Department of Housing and Urban Development (“HUD”). The wording of the finding is the same as last year with a very minor edit – including changing the year from 2021 to 2022. Management’s response to the finding is also consistent with what was presented last year.

AFC Member Richard Kuo asked why Deloitte reviews non-financial information. Ms. Strohmeyer responded that this is required by the U.S. Office of Management and Budget (“OMB”). The purpose of the review of non-financial items is also to make sure that NYCHA is in compliance with the grant agreements. Mr. Kuo also asked if there are any findings related to the Section 8 Program and Ms. Strohmeyer responded that the Section 8 Program was out of scope in Fiscal Year 2022 since this program was tested last year.

The **fourth and last report** relates to HUD’s Real Estate Assessment Center (“REAC”). This is not an audit report but is an agreed-upon procedures report. This goes to HUD<sup>3</sup>. This is the same report that Deloitte has issued in prior years.

Ms. Strohmeyer mentioned that there were some pending items that Deloitte was still working on. Related to the first two items for the 14.850 Public and Indian Housing program, Deloitte was conducting a special test related to insurance proceeds and eligibility. Deloitte was working through some final audit evidence review as well as overall work paper review so that the final conclusions had not been made related to these two testing items. However, it was likely that there will be an internal control finding related to the insurance proceeds item and there will be a compliance finding related to the eligibility item. The eligibility item related to just the applications and other source documents that Deloitte was required to obtain and review and some of those could not be located by the management; so it will result in the finding. Once finalized, Deloitte can share the wording of those two findings with the AFC<sup>4</sup>.

### **III. Report to Management for Fiscal Year 2022**

Mr. Agrawal invited Jill Strohmeyer, and Emilia Maguire, Managing Director for Enterprise Risk Services from Deloitte, to present their Fiscal Year 2022 Report to Management.

Ms. Strohmeyer commenced her presentation and stated that there are five total deficiencies, and all have been categorized as low-level deficiencies. She indicated that there are no material weaknesses and no significant deficiencies. The first deficiency relates to the Fiscal Year 2022 audited financial statements related to the classification of net position. Management identified an error related to the calculation of net

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<sup>3</sup> NYCHA’s financial data is electronically uploaded to HUD’s REAC. REAC’s mission is to provide and promote the effective use of accurate, timely and reliable information assessing the condition of HUD's portfolio; to provide information to help ensure safe, decent and affordable housing; and to restore the public trust by identifying fraud, abuse and waste of HUD resources. REAC's "product" is information -- To deliver a quality product, REAC depends on the successful partnership of people and technology. At the heart of this technology is an internet-worked data base of comprehensive and objective information drawn from existing government systems and from an on-going program of property inspections, analysis of financial and management reports, and resident surveys.

<sup>4</sup> The final Single Audit Report for Fiscal Year 2022 was issued on September 28, 2023, with three findings, including the two pending items referenced above.

investment in capital assets and as a result, made a change to the 2022 presentation, correcting the error at the bottom of the 2022 Statement of Net Position. Deloitte’s recommendation for management is to ensure that all elements are to be included in the calculation of net investment in capital assets as outlined by Governmental Accounting Standards Board (“GASB”)<sup>5</sup> Statement Number 63. The last four deficiencies in this report are all related to IT.

Ms. Maguire walked through the remaining four deficiencies related to IT.

Ms. Maguire advised the AFC that during the 2022 audit, Deloitte identified a total of four IT deficiencies. They were related to access security and management segregation of duties. More specifically, they included passwords within the Oracle databases that were not in compliance with the Authority’s policy. Deloitte found an excessive number of users with privileged access within the system, and there was a terminated user who retained access after her job had changed. Deloitte also noted that there were privileged user rights within the system that allowed them access to production environments.

Ms. Maguire stated that these issues were discussed with management. In addition, responses were received from the management and corrective action plans have been drafted by the management. Management’s remediation actions are currently underway, and some will occur during September of 2023 and into March of 2024. She mentioned that some of these remediation items include the implementation of new tools, new upgrades to the system platforms, and the inclusion of new policies.

Ms. Strohmeyer added that the four deficiencies individually, and in the aggregate, were noted to be deficient, but Deloitte did not come across any instances where any of the access rights had been infiltrated into the system and did not find any instances where there was inappropriate activity.

In response to Mr. Kuo’s question regarding what privileged access means, Ms. Maguire said that these were just users across the different groups and some IT individuals may have had special access. Roger Shields, NYCHA’s Chief Information Security Officer, stated that NYCHA agrees with the findings and is looking at resetting how the permissions are initially rolled out when the users are granted access to the system.

AFC Chair Victor Gonzalez asked if the IT department needs more funding to fix the problem and Mr. Shields responded that there might be a funding request to the NYCHA Board as IT has plans and projects to upgrade the decades-old applications such as the AS400 system, and move to a new platform.

Mr. Kuo asked why the name of the person is mentioned in the finding document and Ms. Strohmeyer concurred with Mr. Kuo and stated that individual names will be deleted from the document.

Mr. Gonzalez also inquired about the corrected Appendix A of the Report to Management. Ms. Strohmeyer

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<sup>5</sup> GASB is a private non-governmental organization that creates accounting reporting standards, or generally accepted accounting principles (“GAAP”) for state and local governments in the United States.

said that the audited financial statements for the year ending December 31, 2022 were issued in June 2023, and the December 31, 2022 amount in the net investment in capital assets was reflected properly within such financial statements. Jeffrey Lesnoy, NYCHA's Vice President & Controller, also clarified and explained that the financial statements were corrected and rectified even though it was immaterial, but it was still the right thing to do to publish the correct numbers from 2022 going forward.

#### **IV. Approval of Fiscal Year 2022 Single Audit Report**

Since there were no other questions on the Fiscal Year 2022 Single Audit Report, Mr. Agrawal requested a motion to recommend approval of the issuance of the Authority's Fiscal Year 2022 Single Audit Report to the NYCHA Board.

A motion was made to recommend approval of the issuance of the Fiscal Year 2022 Single Audit Report by the NYCHA Board, and the motion was unanimously approved by the AFC.

Mr. Kuo asked if this is going to be followed up with a recommendation from this AFC to the NYCHA Board. Mr. Agrawal indicated that at the September 28, 2023 NYCHA Board Meeting, there will be a Board Resolution regarding the issuance of the Authority's Fiscal Year 2022 Single Audit Report. Vilma Huertas, Special Advisor to the CEO, Office of the Chief Executive Officer, confirmed that it will be a resolution that needs to be presented at the Board Meeting, which is basically the same as every year.

#### **Adjournment:**

Mr. Kaplan, Mr. Kuo, and Mr. Gonzalez showed interest in arranging a separate meeting of the AFC to go over other issues and any other questions, which were not part of annual agenda. Ms. Huertas indicated that NYCHA will take the AFC members' recommendation under advisement.

Mr. Agrawal thanked everyone for their participation in the meeting. Upon motion made and duly seconded, the meeting was adjourned at 11:22 AM.

The next meeting is scheduled for December 12, 2023, at 10:00 AM.