



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

Minutes of Audit & Finance Committee Meeting
February 8, 2022

Board and Audit & Finance Committee Members:

Victor A. Gonzalez, Chair of Audit & Finance Committee
Emma Wolfe, Board Member
Mark N. Kaplan, Independent Member
Richard P. Kuo, Independent Member

NYCHA Staff Members - Present:

Vilma Huertas, Special Advisor to the Chair
Annika Lescott, Executive Vice-President & Chief Financial Officer
Jeffrey Lesnoy, Controller, Financial Accounting & Reporting Services
Terrence Clarke, Acting Director, Department of Internal Audit & Assessment
Ah-Yat Lee, Deputy Director, General Ledger, Financial Accounting & Reporting Services
Jorge Llano, Chief Information Security Officer, Information Technology
Jason Goldberg, Chief of Corporate Affairs, Legal Affairs
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment

Deloitte & Touche LLP – Present:

Jill Strohmeyer, Lead Engagement Managing Director
Darshan Patel, Senior Manager

Technical Support Team:

Euripides DeLosSantos, Ramon Lugo, Frank Cavaleri, Frank Iannone, Ray Zamaria, Dominick Carollo,
Humberto Rosero, Andy Nagy

A meeting of the Audit & Finance Committee (AFC) members of the New York City Housing Authority (“NYCHA” or the “Authority”) was held remotely¹ on February 8, 2022, at approximately 10:00 AM.

Terrence Clarke, Acting Director of Department of Internal Audit & Assessment, commenced the meeting by welcoming the Audit & Finance Committee members and the attendees.

I. Approval of Minutes:

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the June 17, 2021, Audit Committee meeting.

II. 2020 Single Audit Report Presentation:

Jill Strohmeyer, Managing Director from Deloitte, made the opening remarks that, because the New York City

¹ Because of the ongoing COVID-19 health crisis and in relation to Chapter 1 of the Laws of 2022, the Audit & Finance Committee Meeting of the New York City Housing Authority, held on Tuesday, February 8, 2022, at 10:00 A.M., was limited to viewing the live-stream or listening via phone instead of attendance in person.

Housing Authority received significant federal funding and expended more than \$750,000 in federal funds, it is required to have a “Single Audit” performed for the year ended December 31, 2020.

Ms. Strohmeier informed that the results of the Single Audit will be submitted to the Federal Audit Clearinghouse and will be reviewed by the Office of Management and Budget and the awarding agencies.

The Single Audit Report contains various reports:

1. Independent Auditors’ Opinion on Financial Statements, which was already discussed with the Audit Committee in the June 2021 meeting. It was issued in accordance with both AICPA auditing standards as well as Government Auditing Standards.
2. Report on Internal Control over financial reporting, which really hinges on the work done in the springtime.
3. Report on Compliance for each Major Federal Program, and Report on Internal Controls over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

Upon issuance of the Single Audit Report, Deloitte will perform agreed upon procedures and upload financial data to Housing and Urban Development’s (HUD’s) Real Estate Assessment Center (REAC)².

Ms. Strohmeier briefly discussed the Schedule of Expenditures of Federal Awards (SEFA). She stated that NYCHA spent a total of 3.4 billion dollars in 2020. HUD and Federal Emergency Management Agency (FEMA) are two of the largest awarding agencies for which NYCHA receives federal funding.

The threshold for selection of major programs (i.e., Type A programs) was \$10 million, which means every Federal program receiving more than \$10 million was subject to audit based on the risk assessment.

The threshold for Type B program was calculated at \$2.5 million for 2020, which means any program that was below \$2.5 million was not subject to audit in the current year.

There were seven Type A programs, two of which were considered high risk, and there were no Type B programs for 2020.

In 2020, Deloitte tested three programs as major programs:

- 14.218 which is Community Development Block Grant and Entitlement Grant program which had a total of \$51 million of expenditures
- 14.872 which is the Public Housing Capital Fund, and it had a total expenditure of \$519 million, and
- Section 8 Housing Choice Voucher Cluster which is a combination of three awarding numbers and the total for that program was approximately \$1.3 billion.

Deloitte tested a total of \$1.8 billion of federal expenditures in the year, which is about 55 percent of the total SEFA expenditure subject to testing as a result of auditing these three major programs.

² NYCHA’s financial data is electronically uploaded to HUD’s REAC (Real Estate Assessment Center). 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.

The auditors did not find any material weaknesses or significant deficiencies in internal controls over major programs. In addition, there were no instances of non-compliance based on the auditors' testing of the compliance requirements.

Ms. Strohmeier reminded the Committee that because of COVID-19, the Office of Management and Budget did allow an additional six months for all 2020 calendar year filers to submit their Single Audit Report to the Federal Audit Clearinghouse. The normal timeline for NYCHA submission would be September 2021; however, NYCHA has until next month (March 2022) to file this report in the clearinghouse website.

Ms. Strohmeier concluded her presentation on the 2020 Single Audit Report and invited the Committee Members for any questions.

Mr. Gonzalez inquired about the Other Matters paragraph included in the Independent Auditors' Report, which states that the Required Supplementary Information is not part of the basic financial statements. He asked why it is part of the audit if it is not part of the basic financial statements.

Ms. Strohmeier explained that the Governmental Accounting Standards Board (GASB) requires that certain information (for example, information related to pensions) be included in a complete set of financial statements. However, those sections are not subject to audit. The Deloitte auditors looked at those areas of the financial statements to make certain nothing within those schedules contradicts information elsewhere within the report. However, as Independent Auditors, they don't give an opinion on those sections of the statements.

GASB requires that the Required Supplementary Information be included in the financial statements because they believe that it is important for the reader and gives context to other areas of the financial statements. However, based on the auditing standards issued by the AICPA, the auditors are not required to give an opinion on those sections containing additional information.

In response to Mr. Kuo's inquiry regarding high-risk programs, Ms. Strohmeier stated that the following two programs out of the seven Type A programs were considered high risks:

- (1) Community Development Block Grant, 14.218 and
- (2) Section 8 Housing Choice Voucher Program, which is a cluster of three different program numbers.

They were considered high risk for 2020 because of the last time when they were audited. Government Auditing Standards state that all Type A program must be audited once every three years. If the audit team has not audited Type A program in the last two years, it must be in the rotation in the current year for testing and automatically marks it as high risk. However, the definition of the high-risk program is changing – OMB has actually said that certain programs are automatically to be considered high risk for the purposes of auditing, which can impact NYCHA going forward depending on the awarding agency and whether or not the OMB Circular has automatically tagged that program number as high risk.

In addition, if there was a material weakness finding or a significant non-compliance finding for a program audited in the previous year, then the program would automatically be considered high risk in the next year.

NYCHA did not have any programs in 2020 that were automatically deemed high risk by the OMB Circular. NYCHA's high-risk determination was really because the above programs were not audited in the last two years, and the audit team had to cover those programs in the current year.

Mr. Kuo inquired whether Hurricane Sandy funds are still being spent. Ms. Strohmeier responded that it was not

part of the three programs the Deloitte audit team selected as major programs in 2020. So, they did not test that grant. Annika Lescott, NYCHA's Executive Vice-President and Chief Financial Officer, advised that "We're still spending down. The work is ongoing. We can provide a 'one-pager' regarding the status of funds remaining."³

Mr. Kaplan inquired regarding how NYCHA determined a cost reduction representing a decrease of future expected costs to be incurred on lead paint remediation and abatement efforts.

Jeffrey Lesnoy, Controller explained that GASB 49⁴ clearly states that costs should be estimated where practical and reasonably estimable. So, in most cases, for example apartment units, common areas of the inside of the buildings, playgrounds, etc., NYCHA has gone through a lengthy process in order to provide for estimates and provide for liability and appropriate expenses, which is adjusted on an annual basis based on the best information available. The reason why future expected costs decreased in 2020 was due to a reduction of the estimated positive lead findings from 32% in 2019 to 27% in 2020. There are some areas of the properties for which NYCHA does not have any statistics or has insufficient statistics to estimate expected costs. For example, the soil of the property, the exterior of the buildings, etc., for which the estimates for the expected costs were based on the guidance.

Ms. Strohmeier reminded the Committee that the Single Audit package pages 5 through 82 are the same set of financial statements that this Committee had reviewed back in June 2021, which were then issued in June 2021. The Single Audit Report is required to include that set of financial statements, along with the schedule of federal awards and additional reports.

Mr. Kaplan commented that something which is not estimable with the precision can turn out to be a big number, and it should be noted in some way.

Ms. Lescott added that NYCHA has been forthcoming about our capital needs, which was estimated to be \$40 billion based on physical needs assessment. It is an old number now and we are in the process of updating it. In addition, there are costs to comply with the HUD and SDNY agreement. Outside of the financial statements, where we do have these very strict rules around how and when it is appropriate to quantify, NYCHA as an agency has been very forthcoming about its needs.

Ms. Strohmeier added another point that there is no guidance in current GASB and accounting literature on the topic of deferred maintenance; however, she has actually taken part in some roundtable discussions with other accounting firms on the topic. We don't know what the outcome will be from an accounting perspective.

Mr. Kaplan remarked that it is interesting to see what has happened with OPEB (Other Post-Employment Benefits), which never used to be on the balance sheet and now that number is big.

Ms. Strohmeier agreed that it can also happen with deferred maintenance.

Mr. Gonzalez asked to provide an example of GASB accounting standard that is there but has not been adopted. Ms. Strohmeier responded that there is a new GASB statement related to leases, which is going to significantly change the presentation of how leases are reported on Balance Sheet and Profit & Loss Statement. That is an example of an accounting pronouncement that has been issued by the GASB, but most governments have not yet

³ Subsequently, on May 5, 2022, the document entitled "Attachment 1 - NYCHA Resiliency and Recovery - Q4 2021" was provided to the Audit & Finance Committee (AFC) Members. It provided an update on NYCHA's Resiliency and Recovery efforts as of December 31, 2021, including Funding Information and Program-wide Milestones.

⁴ Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. These obligations relate to addressing the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

adopted. This standard essentially is going to bring operating leases to the Balance Sheet, where currently they are reported on Profit & Loss Statement only.

Mr. Gonzalez inquired about the catalyst for issuance of certain GASB statement. Ms. Strohmeier responded that it is usually “consistency”. When GASB gets questions from different governments or different audit teams regarding differences in how governments are reporting certain items and debts, GASB either takes on a project or doesn't depending on need and resources. Then, it develops guidance so that all governments are accounting for transactions in the same way. Sometimes GASB may follows the FASB (Financial Accounting Standards Board). FASB governs financial statements issued by non-governments, i.e., public companies or private manufacturing companies. Oftentimes FASB issues an accounting pronouncement for public companies and GASB follows by issuing something comparable.

Referring to the statements in the reports regarding “not expressing an opinion” or “not providing assurances”, Mr. Gonzalez inquired what would have to be provided in order for the audit team to express an opinion or provide assurances.

Ms. Strohmeier stated that in reference to internal controls, the Deloitte audit team designs and implements testing around internal controls for the purposes of risk assessment and determine amount of substantive testing. They review the internal controls but don't issue a report or an opinion on internal controls. If NYCHA wants an opinion on internal controls, it would be a different scope and a different price point, since a lot more goes into testing and issuing an opinion on controls.

Mr. Kaplan mentioned that he has minor editorial comments and will be happy to share his marked copy. Mr. Lesnoy requested to send him questions and marked up items. Since the reports were already issued as of June 30, 2021, subsequent to approvals by the Audit Committee and the Board, NYCHA cannot modify them. However, appropriate edits can be built into the next year's report.

Mr. Kuo made a suggestion to include the approved financial statements as an attachment or an appendix for the next Single Audit Report, so that confusion or misinterpretation can be avoided.

Ms. Strohmeier agreed. She added that she has seen some audit committees where financial statements are actually left out completely for the purposes of the Single Audit meeting.

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Since there were no further questions, Terrence Clarke, Acting Director of Department of Internal Audit & Assessment, requested a motion to recommend approval of the 2020 Single Audit Report to the NYCHA Board. A motion was made to recommend approval of issuance of the 2020 Single Audit Report by the Board, and the motion was unanimously approved by the Audit & Finance Committee.

III. Report to Management:

Jill Strohmeier, Managing Director of Deloitte, discussed Report to Management (also known as Management Letter Comments) for the year ended December 31, 2020. This report provides deficiencies and other matters that the Deloitte auditors noted during the audit of 2020 financial statements.

Ms. Strohmeier provided an overview of one control deficiency found during the 2020 audit. The comment relates to Access Security – Application and Database Password Configuration. Deloitte's observation noted during the audit was that Passwords to the Oracle databases supporting the Oracle Financials and Siebel

applications are not in compliance with the Authority's Baseline Policy. Within the comment, Deloitte auditors have laid out what the policy actually is regarding password complexity, length of password, and account lockout provisions.

In addition, the auditors also noted one user with administrative access to the Oracle Financials application where their password was never set to expire, which was against NYCHA's policy.

Deloitte's recommendation related to this observation was for the account settings for the identified parameters to be changed to reflect policy, ensuring that all users follow NYCHA's baseline IT policy related to security and password configuration. The user should be reminded of the importance to comply with the Authority's IT policy. Management's response is also laid out in the letter, which Deloitte team found acceptable.

Mr. Kaplan inquired whether there was any evidence people had managed to get through the system in an unauthorized way.

Ms. Strohmeier responded that the comment is not saying that anyone gained unauthorized access. Rather, it was noted that there were instances where passwords did not conform to the policy.

Mr. Kaplan stated that he was just wondering whether NYCHA has been attacked and knows about it for anything to do with cyber security.

Annika Lescott, NYCHA's Executive Vice-President and Chief Financial Officer invited Jorge Llano, NYCHA's Chief Information Security Officer to respond to this inquiry.

Mr. Llano explained that they make every effort to implement a lot of tools that allow us to detect and prevent any kind of suspicious activity from threat actors outside of NYCHA. NYCHA has various systems that can provide alerts when there is inappropriate activity. NYCHA also collaborates with New York City Cyber Command who also monitors for this activity. We have not seen any activity within the last 18 months that would be indicative of a targeted attack.

Mr. Llano further added that NYCHA has invested funds to make sure that our systems are protected. We also educate all our employees on good cyber hygiene, and we have a great cyber security program.

In response to Mr. Gonzalez's inquiry regarding systems communication, Mr. Llano noted that NYCHA makes sure that all of our systems have a standard configuration and that all the systems are able to communicate with the applications and other systems that are needed. When there are any issues, the employees are encouraged to call the Service Desk or use Service Now system and a service technician is immediately dispatched to resolve the issues.

Regarding a prior year comment related to succession planning, Mr. Kuo inquired whether there was any document on succession planning from NYCHA, which satisfied Deloitte that it was corrected or not recurring.

Ms. Strohmeier responded that the Deloitte audit team had conversations with the Finance management team regarding bench strength, succession plan, hiring plans and internal promotion, and determined that this comment was not necessary for the current year. Related to timeliness of providing tenant revenue documents, the audit team tests tenant revenue every year as part of the audit and the documentation requested during 2020 was provided timely. So, the Deloitte team was satisfied that the comment regarding tenant revenue documents did not need to recur the current year.

Mr. Kuo suggested that it would be helpful to have a succession planning document particularly as it relates to the financial sections of NYCHA, in the next year.

Ms. Lescott welcomed Mr. Kuo's suggestion and offered it as a follow-up item⁵.

Mr. Kaplan remarked that it was very interesting because he had not seen such comment from other firms.

Ms. Strohmeyer further stated that the language came from AICPA Government Audit Quality Center website, where they had a comment posted for the general public to see related to succession planning.

Ms. Strohmeyer concluded her presentation on Report to Management.

IV. Deloitte's Audit Service Plan for 2021:

Jill Strohmeyer, Managing Director from Deloitte presented the 2021 Audit Plan for an independent audit of the New York City Housing Authority, along with its two component units: NYCHA Public Housing Preservation I, LLC (LLC I) and NYCHA Public Housing Preservation II, LLC (LLC II), as well as the Single Audit in accordance with Uniform Grant Guidance for the year ended December 31, 2021.

Deloitte team has started the planning for the 2021 audit. Ms. Strohmeyer stated that the current year's team looks very similar to last year. Despite "Great Resignation"⁶, she has managed to keep the same team together.

The engagement team will consist of the following members:

- Jill Strohmeyer, Lead Engagement Managing Director, is responsible for all services provided to the Authority, including signing the financial statements.
- Darshan Patel, Senior Manager, who is the Single Audit expert will be the main support for both financial audit as well as the single audit.
- Greg Koslow, Engagement Quality Control Reviewer, will be responsible for evaluating and concurring with the significant judgments made by the team and the overall conclusion of the audit. Greg will be our first point of contact on any accounting matters that need further discussion or consultation.
- Santiago Jaramillo is the Senior Auditor on the account who runs the day-to-day efforts of our audits. He has been serving NYCHA for about four years.
- Clinton Lee, who has been on the NYCHA engagement for the last two years.
- John Potts is one of the key specialists who is an actuary in our Deloitte's Human Capital group and is instrumental in reviewing large estimates and liabilities on the Balance Sheet for NYCHA. He helps review the actuarial work performed by the city.
- Dan Leff is another specialist serving NYCHA for a number of years. He reviews NYCHA's claims liability and helps support the audit team reviewing the actuarial reports done by NYCHA's third-party specialists.
- Emilia Maguire is the IT Director and the specialist who will review controls around Information Technology (IT) security.

⁵ Subsequently, on May 5, 2022, the document entitled "Attachment 2 - Succession Planning Progress as of April 2022" was provided to the AFC Members. It provided an update on the progress and improvements that NYCHA's Financial Accounting & Reporting Team has made in its staffing, training and succession planning since Deloitte's initial recommendation in its 2018 Report to Management.

⁶ The term "Great Resignation" describes the elevated rate at which U.S. workers have quit their jobs starting in the spring of 2021, amid strong labor demand and low unemployment as vaccinations eased the severity of the COVID-19 pandemic.

Ms. Strohmeier discussed Deloitte's audit approach and risk assessment process. Deloitte's audit approach is a risk-based audit approach. The team designs the audit to identify and address significant audit risks in order to determine whether the financial statements are presented fairly in accordance with the generally accepted accounting principles. They focus on items that matter for the financial statements.

Deloitte team spends a lot of time in the planning stage of the audit: refreshing understanding of NYCHA and its business, understanding changes that may have occurred during the year such as business changes, process changes, accounting policy changes, etc.

The Deloitte team looks at dollar amounts, so they generally audit all large dollar amount accounts. However, they also review other account balances that may not be so large but have risks from a qualitative perspective. For example, it may have more estimates involved on the part of management.

Ms. Strohmeier further elaborated that the Deloitte's audit plan is a fluid document. The audit plan constantly changes or could constantly change depending on facts and circumstances.

For the 2021 audit, Deloitte has identified once again "Management override of controls" as a significant risk which is pervasive for all the clients. Because of its unpredictable nature, this risk can result in a material misstatement resulting from fraud and is thus an area of audit focus.

In addition, the Deloitte team looks at journal entries posted throughout the year to understand if there is a business purpose for the journal entry. They focus on journal entries posted on weekends, unusual large amounts, rounded numbers, same journal entry four or five times throughout the year in that same amount or entries posted to the general ledger by higher level management, etc. The team performs detailed work on such entries. The team also reviews key estimates made by management throughout the year to determine whether or not they are appropriate. They also bring in a number of specialists to help us do the analytical work.

There are additional areas of focus for 2021, which are not considered significant risk but significant to the financial statements, as follows:

- Capital assets, including construction work-in-progress
- Cash, Investments, and Debt
- Pension and Other Post Employment Liabilities
- Claims Liability
- Tenant revenues and receivables, which are reviewed every year due to the related large number on the financial statements
- Subsidies and grants revenue – the team reviews these items not only as part of the capital but also as part of the single audit compliance work
- Environmental pollution and remediation liabilities (GASB49 liabilities)
- New real estate transactions that NYCHA entered into during 2021.
- Last but not least, COVID-19 considerations, such as funding cash flows and going concern as it relates to COVID-19 and any additional COVID-19 funding coming from the federal government.

The Deloitte team does not plan to use the work of the internal audit function, i.e., they don't use the internal audit group in a direct assistance capacity. They do have conversations with NYCHA's internal audit team, and they do review internal audit reports as part of the risk assessment procedures, but internal audit team will not perform any direct assistance and testing account balances during the year, which is consistent with the prior year.

Ms. Strohmeier pointed out that page 12 of the document has a list of the reports that Deloitte will issue as a result of these audits, which is consistent with prior year. They will issue a report on the financial statements of NYCHA along with an independent auditor's report on both of the component units related to the Public Housing Preservation LLC's.

In addition, Deloitte will issue the required communication letter to the Audit Committee describing the results of the audits and later in the year, they will issue the 2021 Single Audit Report, including reports on internal controls and compliance, and the reports on the major programs.

In discussing the timeline of the audit, Ms. Strohmeier stated that the Deloitte team started the planning procedures back in the fall of 2021. During March through June 2022, they expect to have a full complement of team members working on the 2021 audit. There is now a normal timeline for submission of single audits, which means NYCHA's 2021 Single Audit will need to be submitted by September 30, 2022. At the conclusion of the audit, the Deloitte will also issue the agreed upon procedures on REAC submission to HUD.

Because of a very virtual work environment, the Deloitte team pays close attention to internal controls making certain that controls are not being circumvented or bypassed. Deloitte also uses a lot of technology and tools to conduct the audit. Deloitte has an audit platform where the audit files are allowed to be accessed by all the team members from Deloitte to manage the audit efficiently. Deloitte also uses a secure application called Deloitte Connect to exchange information with the NYCHA management team. It was used in the past and Deloitte will continue to use it for the 2021 audits. In addition, Deloitte will continue to use Zoom or Microsoft Teams to conduct meetings with management.

Ms. Strohmeier briefly discussed the Peer Review Report⁷ completed by Grant Thornton LLP. The most recent report was issued in November 2020, and Deloitte received the highest possible rating of "Pass". They have provided a copy of the report in the document submitted to the committee.

Towards the end of the Deloitte's 2021 Client Service Plan, there is a list of the GASB pronouncements that have been issued but have not yet been implemented by NYCHA. Ms. Strohmeier explained that GASB issued a Statement Number 95 in 2020, which delayed implementation of GASB statements by one year to 18 months due to COVID⁸. It gives all government clients a little more time to deal with COVID and the virtual environment, not having to worry about accounting pronouncements. As a result, there is no significant implementation of any new accounting standards in the current year.

Ms. Strohmeier also mentioned GASB 98⁹ which was recently issued, and it is effective immediately. NYCHA

⁷ Every three years, independent auditing firms are required to go through a Peer Review, in which the Peer Review firm reviews the firm's system of processes and controls as well as select engagements.

⁸ The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. It postpones the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in some pronouncements are postponed by one year, and the effective dates of the Statement No. 87, Leases and Implementation Guide No. 2019-3, Leases are postponed by 18 months.

⁹ Governmental Accounting Standards Board (GASB) Statement No. 98, The Annual Comprehensive Financial Report, establishes the term Annual Comprehensive Financial Report and its acronym ACFR. That new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness.

is required to change how they describe their financial statements. In the past, NYCHA described the financial statements as a Comprehensive Annual Financial Report or CAFR; they now have to change the term to Annual Comprehensive Financial Report or ACFR.

Ms. Strohmeier concluded her remarks on Deloitte's 2021 Audit Plan and invited the Committee for any questions that they may have.

In response to Mr. Kaplan's inquiry regarding "REAC submission", Ms. Strohmeier stated that REAC is an acronym for Real Estate Assessment Center. Since NYCHA receives HUD funding, it is required to upload certain information into the REAC portal and Deloitte issues a report associated with the upload.

V. Internal Audit Reports Issued in 2021:

Terrence Clarke, Acting Director of Department of Internal Audit & Assessment provided an overview of the Internal Audit Reports issued in 2021.

Although the Department of Internal Audit & Assessments (IA&A) commenced the Risk Assessment process in early 2020, the 2020 Internal Audit Plan approval process was delayed due to onset of COVID-19. In March 2020, all staff from internal audit started working remotely. The audit plan was presented to the Audit Committee in July 2020. Subsequent to the Board approval, the execution of the audit plan really commenced in August 2020.

In July 2020 meeting, the Audit Committee approved 40 audits to be executed, which consisted of 17 (or 43%) operational audits, 13 (or 32%) compliance audits and the remaining 10 (or 25%) financial audits.

Due to a late start of the audit plan execution, IA&A has 13 audits for which the final audit reports have been completed. In addition, there was one audit report carried forward from 2019. So, in total we have provided 14 audit reports to the Committee.

IA&A has combined six of the audit reports into one major audit report. In addition, presently there are eight reports in the reporting stage and three IT audits are now in the planning stage to be executed. The remaining 10 audits have been deferred. So that comprises of the 40 audits.

Mr. Clarke briefly discussed the following audit reports for the associated *business areas*:

1. Audit of Temporary Employees Payment Processing – *Administration*
2. Assessment of NYCHA's Performance on Capital Projects under the New York Mayor's Initiatives – *Capital Projects*
3. Review of Additional City funding - Discretionary Spending (City Council Members, Borough Presidents) – *Capital Projects*
4. Assessment of Compliance to the Federal Housing & Urban Development (HUD) Lead-Based Paint Requirements – *Compliance*
5. Assessment of Reporting on Issues Related to the Public Housing Assessment System – *Compliance*
6. Self-Insurance Assessment – *Finance*
7. Assessment of NYCHA's Treasury Department's Cash Management and Investment Policy & Procedure – *Finance*
8. Audit of Cybersecurity – Email – *Information Technology*
9. Audit of Leased Housing Department Income Discrepancies – *Leased Housing*
10. Audit of Leased Housing Department - Error Resolution - Form 50058 – *Leased Housing*
11. Assessment of Commercial Litigation Process – *Legal Affairs*

12. Audit of Monitoring of Workplace Incidents – *Public Safety & Security*
13. Review of Tenant Selection and Admission Procedures (TSAP) – *Tenancy Administration*
14. Assessment of Pesticide Control - Qualified Staff - *Waste Management & Pest Control*

The following paragraphs provide synopsis of discussion based on the Committee Members' questions:

In reference to the report on Assessment of NYCHA's Treasury Department's Cash Management and Investment Policy & Procedure, Mr. Kaplan inquired whether all bank accounts with large balances are collateralized. Annika Lescott, Executive Vice-President & Chief Financial Officer stated that Treasury team does reconcile bank accounts consistently. Ms. Lescott also checked with Treasury Department and confirmed that all NYCHA bank accounts deposits in excess of the FDIC coverage of \$250,000 per bank are fully collateralized. Vilma Huertas, Special Advisor to the Chair added that NYCHA Board votes quarterly on all investment transactions.

In relation to the report on Assessment of Reporting on Issues Related to the Public Housing Assessment System (PHAS), Mr. Gonzalez inquired: Have PHAS inspections resumed? Has the PHAS Dashboard been implemented? Mr. Kuo also asked why there were no inspections since October 2019. Ms. Huertas stated that PHAS inspections had stopped due to COVID, and staff could not go into the units. She believed that they have resumed the inspections, but Terrence will double check¹⁰.

Executive Session:

Upon motion made and duly seconded, the Audit & Finance Committee met in an executive session at about 12:04 PM to discuss non-public financial matters of the Authority with the Independent Auditors Deloitte and Touche.

Adjournment:

The Audit & Finance Committee meeting resumed at 12:17 PM. Mr. Clarke thanked everyone for their participation in the meeting. Upon motion made and duly seconded, the meeting was adjourned at 12:24 PM.

¹⁰ Subsequently, on May 5, 2022, additional information was provided to the AFC Members. PHAS inspections for NYCHA developments resumed on January 14, 2022. In addition, the Dashboard has still not been implemented due to staff shortages. However, the delay in implementing the Dashboard has not really had an impact on Compliance Department's ability to review work orders and determine whether this work impacts the integrity of the PHAS inspections that have taken place so far this year.