

**JOINT AUDIT COMMITTEE OF  
THE NEW YORK CITY MUNICIPAL WATER FINANCE AUTHORITY  
AND  
NEW YORK CITY WATER BOARD**

A meeting of the Joint Audit Committee (the “Committee”) of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”) was held at via teleconference on May 19, 2020 at 9:05 a.m. The following members of the Committee were present:

Max Von Hollweg

Alfonso Carney, Jr;

Selvin Southwell (by designation of Authority Director Basil Seggos);

Marc Shaw;

Jonathan Goldin; and

Adam Freed

constituting a quorum of the Committee. Mr. Von Hollweg served as Chair of the meeting, and Deborah Cohen served as Secretary of the meeting.

**Approval of Minutes of Previous Committee Meeting**

The first item on the agenda was approval of the minutes of the meeting of October 11, 2019. There being no discussion, the following resolution was unanimously adopted by Committee vote:

**WHEREAS**, The Audit Committee has reviewed the minutes of its meeting held on October 11, 2019; it is therefore

**RESOLVED**, that the minutes of the meeting of October 11, 2019 be, and they hereby are, approved.

**Approval of Independent Auditor Contract**

The next item on the Committee's agenda was a resolution recommending the Board of Directors of the Authority and the Water Board approve entering into a contract with Grant Thornton, LLP ("Grant Thornton") to provide independent auditor services to the New York City Water & Sewer System (the "System"). Mr. Von Hollweg noted that representatives of the System had participated in the City's competitive request for proposal process seeking independent auditor services, and that Grant Thornton was recommended as a result of that process. He explained that Grant Thornton had served as auditor to the System in prior years, and that the proposed resolution would recommend entering into a contract with Grant Thornton for the System's financial statements for Fiscal Years 2020, 2021, 2022 and 2023. Mr. Carney Jr. made an inquiry regarding the lead partner on the contract, noting the retirement of Cosmo Saginario. The Authority's Comptroller, Robert Balducci, explained that Nicholas Lazzaruolo would be the lead partner on the contract, and that Marla Hummel, who previously worked on the System's financial statements, would also be working on the contract. Then, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, the Joint Audit Committee of the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board") is authorized, under the Audit Committee Charter, to recommend to the Board of Directors of the Authority and the Water Board the appointment and retention of independent auditors for the water and sewer system of the City of New York (the "System"); and

**WHEREAS**, the Authority, in conjunction with the City of New York (the "City"), issued a competitive Request for Proposals for independent auditor services; and

**WHEREAS**, Grant Thornton LLP ("Grant Thornton") was selected based on their proven record of quality of service, as well as compatibility in the coordination of the audit of the System with the City's audit; and

**WHEREAS**, pursuant to the Audit Committee Charter, the Audit Committee has evaluated the recommended selection of Grant Thornton as independent auditor and finds it reasonable and prudent; it is hereby

**RESOLVED**, that the Audit Committee recommends that the Board of the Authority and the Water Board authorize the management of the Authority and the Water Board to

sign engagement letters with Grant Thornton to serve as the independent auditors for the System’s financial statements for the fiscal years ending June 30, 2020, 2021, 2022, and 2023 for the fees listed in Schedule I, as well as any other documents necessary to effectuate the retention of the independent auditors.

**Schedule I**

**Fees (by Fiscal Year)**

Fiscal 2020	\$168,000
Fiscal 2021	\$180,000
Fiscal 2022	\$187,000
Fiscal 2023	\$197,000

**Hourly Rates for Special Projects**

Proposed Special Projects Hourly Rates by Title

Hourly Rate for Special Projects	FY 2020		FY 2021		FY 2022		FY 2023	
	Smaller Projects	Major Projects						
Partners	\$450	\$360	\$465	\$370	\$480	\$385	\$495	\$400
Directors	\$415	\$340	\$430	\$350	\$445	\$360	\$460	\$370
Managers	\$390	\$320	\$400	\$330	\$415	\$340	\$430	\$350
Seniors	\$265	\$215	\$275	\$220	\$285	\$225	\$295	\$230
Semi-Seniors	\$235	\$185	\$240	\$190	\$250	\$195	\$260	\$200
Staff	\$160	\$140	\$165	\$145	\$170	\$150	\$175	\$155

**Self-Evaluation and Report of Committee’s Actions**

The next item on the agenda was the review and approval of the Audit Committee’s annual report and self-evaluation. Mr. Von Hollweg explained that this review is a requirement of the Audit Committee’s charter, and that the proposed resolution would authorize the findings of the self-evaluation to be presented to the respective Boards of the Authority and Water Board. Then, upon unanimous vote, the following resolution was approved:

**WHEREAS**, Section III(k) of the Audit Committee Charter and Section 6.3 of Directive 22 of the City of New York Office of the Comptroller require the Audit

Committee to issue an annual report, which details the activities and decisions of the Committee for the prior calendar year;

**WHEREAS**, the Audit Committee has reviewed the Annual Report of the Audit Committee, as attached hereto, and finds it to be reasonable; and

**WHEREAS**, Section III(j) of the Audit Committee Charter requires the Audit Committee to conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Audit Committee Charter; and

**WHEREAS**, the Audit Committee finds its performance to be satisfactory, effective, and in compliance with the Audit Committee Charter; it is therefore

**RESOLVED**, that the Annual Report of the Audit Committee is hereby approved and shall be presented to the Board of Directors of the New York City Municipal Water Finance Authority and the New York City Water Board, copies of which shall be sent to the Bureau of Accountancy of the City of New York Office of the Comptroller and filed with the minutes of the Audit Committee.

### **Review of Internal Controls Policies**

The next item on the agenda was the review of the Authority and Water Board's respective Internal Controls Policies. Mr. Von Howleg explained that the Audit Committee is required to review these policies annually, and that the most recently updated drafts of the Policies had been provided to the Committee. Upon noting that there were no comments or questions from the Committee members, he moved on to the next item on the agenda.

### **Review and Acceptance of Annual Agency Financial Integrity Compliance Statements**

Mr. Von Hollweg noted that the next on the agenda was the acceptance of the respective annual financial integrity compliance statements of the Authority and the Water Board. Mr. Von Howleg explained that these are required pursuant to the City's Comptroller's Directive, and that the majority of elements are not applicable to the Authority or the Water Board. He also noted that the Authority's Comptroller, Robert Balducci, and the Water Board's

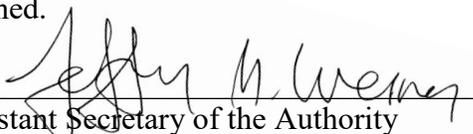
Treasurer, Omar Nazem, were available to answer any questions. The Committee had no questions regarding the Financial Integrity Compliance Statements.

**Presentation by Management and Independent Auditors Regarding the Planned Fiscal Year 2020 Audit**

The next item on the agenda was a presentation by the Authority's management and presumptive independent auditors relating to the New York City Water and Sewer System's (the "System") audit for the fiscal year ended June 30, 2020 and June 30, 2019. Mr. Balducci introduced representatives from Grant Thornton to the Committee, noting that their appointment was contingent upon Authority Board of Directors and the Water Board's approval. Mr. Lazzaruolo described the four phases of the Audit: planning, development, performance and conclusion. Mr. Lazzaruolo also touched on new Government Accounting Standards Board rules and standards, and explained how they would impact the System's audit. Discussion ensued regarding Grant Thornton's materiality benchmark and the timing and scope of the audit. Mr. Carney Jr. inquired after Grant Thornton's review of the System's cyber security. Mr. Lazzaruolo explained that Grant Thornton would not be performing a cyber security audit, but that they would be evaluating controls in place in regards to the System's cyber security and if any weaknesses were to be identified those would be reported to the Committee. Further discussion ensued regarding the evaluation of any risks associated with teleworking of staff of the System, and further quarantine related issues. Mr. Lazzaruolo noted that an evaluation of segregation of duties and internal controls is a significant part of their audit.

**Adjournment**

There being no further business to come before the Committee, upon motion duly made and seconded, the meeting was duly adjourned.

  
Assistant Secretary of the Authority

*Albert Rodriguez*  
Secretary of the Water Board