

NEW YORK CITY HOUSING AUTHORITY

Minutes of Audit Committee Meeting September 14, 2017

Board and Audit Committee Members:

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

NYCHA Staff Members- Present:

Tricia L. Roberts, Director, Department of Internal Audit & Assessment
Karen Caldwell, Executive Vice President and CFO
Karina Totah, Vice President for Strategic Initiatives
Jeffrey A. Pagelson, Controller, Financial Reporting & Accounting Services
Georgiana Okoroji, Director, Financial Planning & Analysis
Daniel Frydberg, Deputy Director, General Ledger, Financial Reporting & Accounting Services
Luis Ponce, Senior Vice President, Operations Support Services
Brian Clarke, Senior Vice President, Operations
Xiomara Carcamo, Senior Advisor, Office of SVP of Operations Support Services
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment
Hyacinth Jeffers, Assistant Director, Department of Internal Audit & Assessment
Jacqueline Palmer, Auditor, Department of Internal Audit & Assessment
Avik Das, Auditor, Department of Internal Audit & Assessment
Eric Pottinger, Auditor, Department of Internal Audit & Assessment

Deloitte & Touche LLP – Present:

Michael Fritz, Lead Client Service Partner (*on conference call*)
Jill Strohmeier, Managing Director
Darshan Patel, Audit Specialist Leader, (*on conference call*)

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on September 14, 2017 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, 2017 Audit Committee meeting.

II. 2016 Single Audit Report Presentation and Audit Committee Recommendation Letter to NYCHA Board:

Michael Fritz, Lead Client Service Partner from Deloitte announced that Jill Strohmeier has now become Managing Director in the firm and will continue to be involved in the NYCHA audit.

Mr. Fritz stated the NYCHA's Single Audit Report for 2016 is due by September 30, 2017. Most of the observations were already shared with the Audit Committee in previous meetings. However, completion of the Single Audit Report was pending because of submission of Financial Data Schedule to HUD's REAC (Real Estate Assessment Center) system.

The report package contained Independent Auditors' Reports on Financial Statements as well as Internal Controls over Financial Reporting, which were discussed earlier with preparation of CAFR (Comprehensive Annual Financial Report). In addition, there was a separate report on compliance as it relates to Internal Controls over Major Programs. The auditors reviewed compliance with four major programs:

1. Disaster Grants – Public Assistance – Sandy
2. Hurricane Sandy CDBG Disaster Recovery Grants
3. Public and Indian Housing - Operating Grants
4. Public Housing Capital Fund

The Schedule of Findings and Questioned Costs provides summary results of the audit. This audit resulted in an unmodified opinion, of which 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 contained no findings or questioned costs.

NYCHA has now been qualified as a Low Risk Auditee, which would allow the auditors to select the reduced sample sizes on requested audit items.

Mr. Darshan Patel, the Audit Specialist Leader in the Deloitte team explained upon the Board's approval of the Single Audit Report, Deloitte would perform required procedures on the Authority's Financial Data Schedule. Upon completion of their review, the auditors in conjunction with the Authority's Finance group would upload the data into HUD's REAC system. Mr. Fritz added that submission of Financial Data Schedule requires coordination with HUD, and that is why the process goes through the end of the month.

Mr. Patel further explained that NYCHA submits the unaudited financial data to HUD's system, which HUD reviews and provides comments to the Authority's Finance group. Once HUD's comments are addressed, the auditor also has to perform agreed upon procedures and certify that the Financial Data Schedule related to the Single Audit Report is appropriate.

Daniel Frydberg, Deputy Director of General Ledger Division added that they have already uploaded all the financial information into HUD's system.

Mr. Gonzalez inquired whether NYCHA would be able to meet the September 30 deadline. Tricia Roberts, the Audit Director responded affirmative and stated that the Board Resolution related to the Single Audit Report was expected to be approved on the September 27, 2017 Board meeting, and the Single Audit Report can then be finalized and submitted by September 30th.

Mr. Kuo inquired whether the Financial Statements presented in May were unaudited. Daniel Frydberg explained that the Financial Statements were audited; however, only the Financial Data Schedule which is submitted to HUD and which provides breakdown of all the financial data by development for the Single Audit Report was unaudited at that time.

The Audit Committee members briefly discussed the content of the Audit Committee Recommendation Letter to NYCHA Board and suggested that the “Conclusion” paragraph be deleted and end the letter at the “Audit Committee Recommendation to the Board” paragraph. Tricia L. Roberts, the Audit Director stated that the letter would be reviewed by the legal counsel and modified if necessary.

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

III. Status of 2017 Internal Audit Plan:

Tricia L. Roberts, the Audit Director presented the Status Report on 2017 Internal Audit Plan, indicating that the plan was developed based on risk assessment process, risk appetite and NextGen initiatives. The Plan anticipated a total of 53 audits. The department has completed 29 audits as of September 2017, of which five are in draft mode. We are now receiving positive feedback from Executive management and many are asking the Audit for consultative reviews to obtain independent perspective on ad-hoc projects. It has been a collaborative effort to move forward.

IV. Discussion of Select Internal Audit Reports Issued in 2017:

- Assessment of NYCHA’s Management Action Plan for NYC Comptroller’s Audit -Efforts by NYCHA to Maximize Federal Funding, Enhance Revenue and Achieve Cost Savings: Karen Caldwell, the Chief Financial Officer and the Finance group discussed the issue of transparency. Georgiana Okoroji, the Director of Financial Planning & Analysis explained that we have financial plan on website; and we also put the Authority’s budget as well as actuals on the website. Jeffrey Pagelson, the Controller added that the Authority’s Comprehensive Annual Financial Reports (or CAFRs) and audited Financial Statements are also presented on its website. Karen Caldwell further stated that we have started putting Quarterly Ratios on the website, which is fairly new. In addition, the budget process will now be performed online.

In conjunction with the NextGen Plan, we are doing more to rein in costs; the Authority had realized a saving of 23 million due to reduction in head-counts. We could not achieve larger savings since some tasks such as Call Center could not be transferred to the City. Thus, NYCHA has continued efforts to make its processes transparent and efficient.

The Authority has received additional \$58 million from HUD in last few days due to cost savings resulting from efficient heating boilers and Energy Performance Contracts (EPC), which provide savings and additional capital funds. Basically, we split savings with HUD.

Regarding Voluntary Conversion Plan for public housing, Karen Caldwell mentioned that the turnover rate has been low, and so, we are turning to Section 8 Program rather than Section 9.

- Audit Reports related to Heating Complaints and Heating Plant Operations: Mr. Gonzalez asked whether we could try to work with the City to change the multi-dwelling law concerning the heating. Luis Ponce, Senior Vice President of Operations Support Services responded that the required temperature threshold was changed from 60 to 67 degrees, and sensors were also changed.

Mr. Mark Kaplan asked Deloitte team whether they ask Internal Audit to review any areas. Jill Strohmeier, the Managing Director responded in negative. Tricia Roberts, the Audit Director added that Internal Audit provides its audit/assessment reports to Deloitte.

Adjournment

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