



**New York City Housing Authority  
Department of Internal Audit & Assessment**

**Minutes of Audit Committee Meeting  
March 21, 2019**

**Board and Audit Committee Members:**

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

**NYCHA Staff Members- Present:**

Tricia L. Roberts, VP for Finance  
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  
Jill Strohmeyer, Managing Director  
Darshan Patel, Audit Specialist Leader  
Megan Martin, Audit Senior Manager

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on March 21, 2019 at 10:00 AM in the Board Room of the Authority at 250 Broadway, New York, New York 10007.

Hyacinth Jeffers, Acting Director of the Department of Internal Audit & Assessment, commenced the meeting by referring to the agenda for the meeting.

**I. Approval of Minutes:**

Upon motion duly made and seconded, the Audit Committee Members unanimously approved the minutes of the December 12, 2018 Audit Committee meeting.

**II. Deloitte’s Status Update for 2018 Single Audit of NYCHA – Financial Component:**

Ms. Strohmeyer, Managing Director from Deloitte, provided the status update on the financial component of the 2018 audit, and its highlights are as follows:

- Deloitte’s audit team commenced the year-end audit procedures about two weeks ago.
- They determined materiality threshold.
- They reviewed meeting minutes of the Audit Committee and the NYCHA Board.
- The audit team performed preliminary analytical procedures on account balances, and tested pension claims and OPEB liability.
- They held planning meetings with audit specialists in the areas of IT, Pension, and other post-employment benefits (OPEB) liability.
- The auditors performed walkthroughs of key controls related to various business cycles: such as cash, investments, revenue, expenses, and fixed assets.
- They have completed audit procedures on expenditures and have started making sample selections.

Ms. Strohmeyer added that they were on course to finish the audit by mid-May, and they had found no deficiencies so far. Tricia L. Roberts, Vice-President for Finance, pointed out that weekly status meetings are being held.

Mr. Kaplan inquired whether there was any effect on financial statements based on news media, and whether any reserve was needed for maintenance. Ms. Strohmeyer responded that Lead Paint liability may need to be included. However, no reserve for maintenance is required under current accounting guidelines, except for a footnote disclosure.

Mr. Gonzalez asked whether PACT<sup>1</sup> initiative had any effect on financial statements. Ms. Roberts mentioned that the auditors were looking at PACT transactions in a different section of the financial statements. Mr. Frydberg added that there is a separate footnote regarding PACT transactions.

Ms. Strohmeyer stated that the audit team expects to complete audit procedures by the end of April 2019, so that a review by the Concurring Partner can start on or about May 3, 2019. They anticipate providing audit reports on financial statements around May 16, 2019, along with Management Letter Comments.

Mr. Kuo inquired whether the \$79 million worth of capital projects not closed out per an internal audit report would affect the financial statements. Ms. Strohmeyer responded: if costs are not incurred, it may not have any effect on financial statements. Mr. Frydberg added that the Authority does record accrued liability for the work performed.

**III. Deloitte’s Status Update on 2018 Single Audit – Compliance Component:**

Darshan Patel, Audit Specialist Leader from Deloitte provided the status of Single Audit - compliance part of the audit. Mr. Patel stated that based on the Federal guidelines, the Deloitte audit team has selected three programs for testing:

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<sup>1</sup> Permanent Affordability Commitment Together (PACT) program creates public-private partnerships to repair and manage the developments. It generates a sustainable funding source for extensive repairs and ongoing property management while guaranteeing permanent affordability and protecting tenant rights. PACT is New York City’s implementation of the federal government’s Rental Assistance Demonstration (RAD), which includes collaboration between NYCHA, residents, and housing advocates.

- Public and Indian Housing Operating Fund
- Public Housing Capital Fund
- Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

Upon Mr. Kaplan's inquiry regarding the term "Compliance Identified", Mr. Patel explained that all Compliance requirements indicated in the Federal guidelines may not be applicable to NYCHA. For example, there may be 7 requirements applicable out of a total of 12 requirements.

Mr. Cephas inquired how were the three major programs identified. Mr. Patel explained that if there were no findings in the major program tested in a previous year, the auditors must select a different major program. However, the Capital Funds Program is tested every year due to closed programs and contract close-out process which involves capital expenditures consisting of multiple years. To Mr. Cephas' question regarding the technical definition of "Closed", Mr. Frydberg explained that it means that all expenditures have been incurred and Actual Cost Certificate has been filed with HUD. There is also a separate note in the Single Audit Report, which indicates which program have been closed for the year.

Michael Fritz, Lead Client Service Partner, noted that Deloitte had audited Community Development Block Grant (CDBG) program last year, at NYCHA's request, although it was not included in the list of major programs.

Mr. Fritz also mentioned that HUD had started an administrative review of NYCHA operations during the latter part of last year and had also reached out to Deloitte to make inquiries. HUD has not yet issued any report on this review.

#### **IV. IAA Presentation – 2019 Proposed Audit Plan:**

Tricia L. Roberts, VP for Finance, who now oversees Department of Internal Audit & Assessments (IAA), presented the 2019 Proposed Audit Plan. She added that the overview page of the presentation provides an overall process of risk assessment followed in developing the audit plan. An Enterprise Risk Assessment was performed by sending out a Risk Assessment Questionnaire to all the EVPs taking into consideration previous internal and external audits, concerns raised in media and other aspects. The process resulted in a development of the draft Audit Plan, with input from various Executive areas. The Audit Plan was also discussed with the General Manager and the current Chair. Upon review by the Audit Committee, it will be presented to the NYCHA Board for approval.

Mr. Cephas inquired whether the feedback from senior officials was materially different from prior years. Ms. Roberts responded that EVPs were told to put everything on table, and IAA also met with them after receiving written feedback. Mr. Cephas requested IAA to share the results of the "first cut" with the Audit Committee.

Mr. Gonzalez asked whether Healthy Homes will also be audited. Ms. Roberts replied that this new area will be audited just like any other areas, based on risks.

Upon inquiry regarding the size of audit staff, Ms. Jeffers responded that IAA currently has seven auditors. Ms. Roberts added that we need about 8 more auditors, and staff will be augmented.

Mr. Cephas suggested having a separate Audit Committee meeting to discuss Internal Audit reports. Mr. Kaplan added that management should also be invited to such meeting. Ms. Roberts stated that the Audit Committee can select areas of concern and then a meeting can be set up. Mr. Kuo raised concern about tenant self-certification of income.

Ms. Roberts pointed out that slides 7 and 8 of the presentation provide Weighted Average Risk Scores assigned to each Executive area.

Mr. Kaplan suggested adding a footnote in the Audit Plan regarding audits related to Heat, Mold, Elevators, Pests and Annual Inspections – the subject of the January 31, 2019 Federal Agreement, to indicate that IAA may add these audits during the latter part of the year.

Upon motion duly made and seconded, the Audit Committee members accepted the 2019 Proposed Audit Plan, subject to review of items and subject to additional audit areas as needed.

**Executive Session:**

The Audit Committee met in an executive session at 11:00 AM.

**Adjournment:**

The Audit Committee meeting resumed at 11:30 AM and was adjourned at about 11:35 AM.