



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

**Minutes of Audit Committee Meeting
September 19, 2019**

Board and Audit Committee Members:

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

NYCHA Staff Members- Present:

PV Anatharam, Executive Vice-President For Finance & Chief Financial Officer
Tricia L. Roberts, Vice-President for Finance, Office of the CFO
Dan Frydberg, Controller, Financial Accounting & Reporting Services
Cindi Steinmetz, Director, Accounts Payable and Utility Management
Hyacinth Jeffers, Acting Director, Department of Internal Audit & Assessment
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment

Deloitte & Touche LLP – Present:

Reem Samra, Managing Director
Darshan Patel, Audit Specialist Leader

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on September 19, 2019 at 10:10 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 five tabs on the material presented to the Audit Committee.

I. Approval of Minutes:

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the June 18, 2019 Audit Committee meeting.

II. 2018 Single Audit Report Presentation:

Reem Samra, Managing Director from Deloitte provided a presentation on issuance of the Single Audit Report for NYCHA’s operations for the calendar year 2018. Deloitte has now completed all compliance procedures for the report to be submitted. The Government Audit section starts on page 143 of the draft Single Audit Report for 2018. The first part of the report which contained Financial Statements was issued in May 2019. Now they are reporting on compliance portion of the audit.

The Single Audit Report contains three reports:

1. Opinion on Financial Statements, which was already discussed with the Audit Committee in May.

2. Report on Internal Control over financial reporting.
3. Report on Compliance for each Major Federal Program as well as Report on Schedule of Expenditures of Federal Awards required by the Uniform Guidance. These compliance reports are expected to be dated September 13, 2019, with an expected issuance of September 25, 2019 after the NYCHA Board approval.

The Deloitte auditors audited three major programs cited below:

1. Community Development Block Grants program
2. Public and Indian Housing program, and
3. Public Housing Capital Fund

Ms. Samra further stated that all three programs had a clean opinion, meaning NYCHA complied, in all material respects, with Federal program requirements. The Deloitte audit team did identify one finding. It was not a material finding; however, it is reportable under the Uniform Guidance. She then invited Mr. Darshan Patel, the Audit Specialist Leader in the Deloitte team to discuss the finding.

Mr. Kaplan asked why one of the major programs refers to Indian Housing. Mr. Patel responded that it is part of the official name of the program, which is called “Public and **Indian** Housing” program. That is how it is also described in the Data Collection Form.

Mr. Patel elaborated on the finding entitled “Wage Rate Requirement Non-compliance”. This finding related to both Public Housing Program and Public Housing Capital Fund. The procedure requires the reviewer to obtain certified payroll statements from contractors to confirm compliance with Wage Rate Requirements to make sure that right amount of wages was paid to workers. NYCHA had performed such reviews; however, the supporting documentation was sent to the archives prior to audit. NYCHA was unable to retrieve and locate certified payroll statements for some vendor invoices selected for testing.

Mr. Gonzalez inquired whether there were documents available in an electronic form. Cindi Steinmetz, Director of Accounts Payable explained that they usually keep records on site for audit review. However, because of relocation of the pertinent department and lack of space, the records were sent to archives earlier than usual. We keep hard copies of entire invoice packages which contain certified payrolls. We had to retrieve boxes of invoice packages from the archives; however, some packages could not be located. Now we keep all records for the current year onsite and will also scan in the certified payrolls electronically into Oracle along with the invoice. Thus, we are trying to accommodate it both ways.

PV Anantharam, Chief Financial Officer added that this was an anomaly this year due to the planned elimination of 250 Broadway leased space and the resulting consolidation of groups on the existing floors of 90 Church. Mr. Gonzalez inquired how the move was going and Mr. Anantharam responded that some departments had moved already.

Ms. Samra concluded that the Schedule of Findings and Questioned Costs provides summary results of the audit. It is an unmodified opinion, and 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. However, the report contains one reportable finding that was discussed.

Ms. Samra further explained that there were two sets of samples tested for two programs: one program had three instances of non-compliance and the other program had two instances. Mr. Kaplan inquired whether the dollar values of instances of non-compliance were significant. Mr. Patel responded negatively, stating they were about \$15,000. Ms. Samra added that the auditors are required to report the finding even though the amount is insignificant.

Ms. Samra also highlighted that the Deloitte auditors received full cooperation from the management.

Ms. Jeffers requested a motion from the Audit Committee members to recommend approval of issuance of the Single Audit Report by the Board.

Mr. Patel clarified to the Audit Committee members that pages 5 to 84 of the reporting package contains Financial Statements that were already approved by the Audit Committee in the May meeting. In addition, pages 89 to 139 contain Financial Data Schedule to be submitted to REAC¹ per HUD requirements. The audit opinion required per the Government Auditing Standards starts on page 143, and the auditors' opinion on major programs compliance requirements starts on page 147.

Mr. Kaplan inquired regarding the language to be included on lead liability and testing. Dan Frydberg, Controller responded that a paragraph related to liability for renovations and remediations due to lead was included in the Letter of Transmittal submitted with the Comprehensive Annual Financial Report, which included audited Financial Statements, and which was issued in June 2019. It is not a part of the Single Audit Report, since the disclosure does not affect financial statements.

Mr. Kuo asked whether there were any findings from Federal reviews. Mr. Frydberg responded that management was not aware of any such findings. Ms. Jeffers stated that HUD is currently performing a review of Section 3 program. Ms. Samra added that the Deloitte audit team follows the risk assessment criteria as well as Federal guidelines to select the programs to be audited each year.

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

III. Corrective Action Plan:

The Audit Committee also received a document, entitled Corrective Action Plan in response to the Wage Rate compliance finding presented in the Single Audit Report. Since the finding and the related response

¹ 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.

was already discussed in conjunction with the Single Audit Report, the Audit Committee members had no further questions regarding this document.

IV. Discussion of Other Matters:

Mr. Kaplan raised concerns regarding cybersecurity. Tricia Roberts, Vice-President for Finance advised the Audit Committee that we have an external firm which is currently performing an IT Risk Assessment of entire organization and the results will be discussed in the next Audit Committee meeting.

Ms. Roberts made an announcement that Mr. Frydberg was retiring after 38 years of dedicated service to NYCHA. Mr. Frydberg commenced his career with NYCHA as an auditor and rose through various positions to become the Controller. The Audit Committee members congratulated him on the retirement. Mr. Frydberg thanked everyone for cooperation and support during his career.

Mr. Kuo suggested that there should be a succession plan for Controller and other senior positions.

Executive Session:

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

Adjournment:

The Audit Committee meeting resumed at 11:19 AM and was adjourned at 11:20 AM.