



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

**Minutes of Audit Committee Meeting
December 12, 2018**

Board and Audit Committee Members:

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

NYCHA Staff Members- Present:

PV Anantharam, Executive Vice President and CFO
Annika Lescott, Senior Advisor for Finance
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

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on December 12, 2018 at 11:25 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 October 19, 2018 Audit Committee meeting.

II. Discussion of Impact of New Accounting Pronouncements on 2018 Financial Statements

PV Anantharam, CFO announced that Tricia Roberts, VP for Finance in now in charge of the Department of Internal Audit & Assessment. Jill Strohmeyer, Managing Director from Deloitte & Touche presented an analysis of the accounting pronouncements (“Statements”) issued recently by the Government Accounting Standards Board (“GASB”) and an update of their impact on 2018 financial statements.

GASB Statement No. 83 – Certain Asset Retirement Obligations:

Ms. Strohmeier explained that if NYCHA purchases capital assets which have contingencies, this fact must be disclosed. Cost of such disclosure also must be recorded noted. Fuel tanks fall into this category. Talks to dispose of them must be on a legal or contractual basis. Deferred outflow has to be amortized over life of the assets.

Mr. Kaplan inquired whether it has any effect on the Balance Sheet Net Worth. Ms. Strohmeier responded that it usually has no effect. She further stated that NYCHA is early adopting this statement to align with the City.

GASB Statement No. 85 – Omnibus 2017 (Various):

Ms. Strohmeier stated that it will be adopted this year but will not have any impact on NYCHA's financial statements.

GASB Statement No. 87 – Leases:

NYCHA will be adopting this statement in 2020, at which time the leases will need to be reflected in books as an asset and a liability, on a discounted basis. Ms. Strohmeier stated that implementation of this statement will require a lot of input and efforts, since no technology is currently available to capture the required information, especially if an entity has hundreds of leases. Legal and Procurement will need to be brought into the conversation. The Footnote items will be brought over to the Balance Sheet. It will take about two years to properly implement it. This will also require a restatement of the prior years' financial statements. Mr. Kuo inquired: "How far back does it go?" Ms. Strohmeier stated that the restatement would be for one prior year.

Mr. Kuo added that NYCHA leases about 100 Senior centers to the NYC Department For The Aging ("DFTA"), which will need to be considered in the financial statements. Mr. Anantharam explained that NYCHA leases some centers at a nominal rate and some are free. NYCHA may not have lease agreements in all the cases.

Mr. Kaplan asked: "What is the discount rate to be applied? Will it be based on a Federal interest rate?" Ms. Strohmeier responded that it will probably be different based on circumstances for each entity.

GASB Statement No. 88 – Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements:

Ms. Strohmeier explained that this statement will be adopted this year but will have no real impact on amounts reported on financial statements. However, a footnote disclosure will be required.

GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period:

This statement requires that interest cost incurred before the end of a construction period must be recognized as an expense in the period in which the cost is incurred; it cannot be capitalized anymore. It will be adopted for 2018 financial statements.

GASB Statement No. 90 – Majority Equity Interests:

Ms. Strohmeier stated that no financial impact is expected on financial statements resulting from this statement. This GASB statement will be implemented in 2019.

III. Deloitte's Status Update on 2018 Single Audit:

Ms. Strohmeyer provided the status update on the 2018 audit, and its highlights are as follows:

- Deloitte's audit team was in the field completing planning procedures.
- Deloitte met with management team to evaluate if there are major changes in internal controls environment.
- Deloitte met with Chair, General Manager, Chief Financial Officer and Acting Controller separately to discuss risks and fraud.
- The auditors performed analytical procedures to understand account fluctuations and risks.
- They reviewed meeting minutes for the Audit Committee and the NYCHA Board.
- The audit team started preparing confirmations related to cash, legal, investments, debts, etc.
- The auditors tested key controls related to the following business cycles: cash, treasury, revenue, expenses, and fixed assets. They also met with the respective management teams.
- Deloitte's audit team also had a Planning Meeting with their internal specialists in the areas of IT, Pension and other post-employment benefits (OPEB) liability.

Mr. Gonzalez inquired why the Deloitte auditors did not meet with the Inspector General's Office. Mr. Anantharam responded that the meeting is not held since it is a financial audit. In addition, the IG is a separate entity.

Ms. Strohmeyer ended the update with a note that the audit progress was on par with the past audits.

Executive Session:

The Audit Committee met in an executive session at 12:05 PM.

Adjournment:

The Audit Committee meeting resumed at 12:20 PM and was adjourned at about 12:25 PM.