



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

**Minutes of Audit Committee Meeting  
April 18, 2019**

**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  
Tricia L. Roberts, VP for Finance  
Dan Frydberg, 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  
Reem Samra, Managing Director  
Megan Martin, Audit Senior Manager

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on April 18, 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 at 10:05 AM 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 March 21, 2019 Audit Committee meeting.

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

Mr. Fritz, Lead Client Service Partner from Deloitte introduced Reem Samra, Managing Director, who would become National Audit Partner in June 2019 when Mr. Fritz retires. She is not new to NYCHA engagement since she was the Concurring Partner on the first year of the audit engagement with NYCHA.

Ms. Samra stated that she has been working with State and local public sector for the last 30 years, and is looking forward to working with NYCHA on this audit engagement.

Ms. Martin, Audit Senior Manager from Deloitte, provided the status update on the financial component of the 2018 audit, and its highlights are as follows:

- Deloitte’s audit team has made significant progress in completion of substantive testing in all the audit areas, including capital assets, cash, investments, tenant revenue, operating subsidy, etc.
- The audit team has completed walkthroughs of key controls related to claims, pension and other post-employment benefits (OPEB) liability. They expect to wrap up their audit procedures soon.
- The auditors have met with management regarding PACT<sup>1</sup> transactions that occurred in 2018.
- The audit specialists in the area of IT have completed review of key IT controls.
- The audit team has discussed with management regarding recording of liability related to mold and lead in accordance with GASB 49<sup>2</sup>.
- The Deloitte auditors have received first draft of the 2018 Financial Statements.
- The audit team expects to receive final draft of the financial statements and complete the audit by the end of April 2019.
- Deloitte also anticipates providing Management Letter Comments to the Audit Committee in the upcoming meeting in May 2019.
- The goal is to finalize the reports for the Audit Committee meeting to be held on May 13, 2019.

Tricia L. Roberts, Vice-President for Finance, pointed out from management perspective that weekly status meetings were being held to expedite the process.

Mr. Kaplan inquired whether there was any additional audit work required due to lack of (permanent) CEO. Ms. Strohmeier, Managing Director from Deloitte, stated that they plan to meet the current Interim Chair in early May.

Mr. Kuo inquired what process NYCHA followed to estimate liability for lead and mold. Dan Frydberg, Controller explained that NYCHA, at a minimum, will recognize liability for “lead testing”, which will be reported in a footnote to the financial statements. However, liability for renovations and remediations

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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.

<sup>2</sup> Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. These obligations relate to addressing the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the Statement excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning.

cannot be estimated yet. Mr. Frydberg further stated that a paragraph regarding such liability and testing will also be included in the Letter of Transmittal.

Mr. Gonzalez asked: “Don’t we know how much work is needed?” PV Anantharam, CFO elaborated that we know that painting will need to be done. However, additional remediation efforts may be required based on test results. We don’t know value of such remediation efforts, although we do know value of contracts related to lead testing. So, we can estimate liability for the lead tests based on contract amounts.

Mr. Kaplan suggested that NYCHA should also test for asbestos which can result in legal liability.

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

Ms. Strohmeier, Managing Director from Deloitte, provided the status update on Single Audit - compliance part of the audit. As explained in the previous Audit Committee meeting, based on the Federal guidelines, the Deloitte audit team had selected three programs for testing:

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

Ms. Strohmeier stated that the audit team has received the requested records and information. In addition, they have received internal control and compliance questionnaires for the selected major programs. Based on the testing so far, there are no findings to report. In addition, there is no communication regarding additional testing to be performed on any other small program.

Mr. Fritz also mentioned that HUD may have directly issued a report to local HUD office regarding the administrative review of NYCHA operations done during the latter part of last year; however, Deloitte is not aware of NYCHA receiving any correspondence related to such report. Ms. Roberts confirmed that no correspondence had been received.

### **IV. Internal Audit Reports:**

Ms. Roberts said that she had reached out to the Audit Committee chair, Mr. Cephas, regarding selecting three internal audit reports for discussion, so that an item can be added on the agenda for June meeting to discuss internal audit reports.

Mr. Kuo stated that he had sent his suggestions to the fellow Audit Committee members, and the Audit Committee has started the ball rolling in this regard.

### **Executive Session:**

The Audit Committee met in an executive session at 10:35 AM.

### **Adjournment:**

The Audit Committee meeting resumed at 10:48 AM and was adjourned at about 10:49 AM.