



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

**Minutes of Audit Committee Meeting
June 14, 2018**

Board and Audit Committee Members:

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

NYCHA Staff Members- Present:

Tricia L. Roberts, Vice-President for Finance, Office of the CFO
Edna Wells Handy, Acting EVP and Chief Compliance Officer
Jackie Primeau, Vice President of Strategic Initiatives, Office of the VP for Strategic Initiatives
Klara Shoumackher, Director, Department of Internal Audit & Assessment
Dan Frydberg, Acting Controller, Financial Accounting & Reporting Services
Theresa Puccio, Treasurer, Treasury Operations
Svetlana Cibic, Assistant Director, Treasury Operations
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment
Jacqueline Palmer, Assistant Director, Department of Internal Audit & Assessment
Alex Ro, Consultant, PWC
Karen Yao, Consultant, PWC

Deloitte & Touché 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 June 14, 2018 at 10:05 AM in the Board Room of the Authority at 250 Broadway, New York, New York 10007.

Klara Shoumackher, Director of the Department of Internal Audit & Assessment, commenced the meeting by referring to the minutes of the May 17, 2018 meeting.

I. Approval of Minutes:

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the May 17, 2018 Audit Committee meeting.

II. NYCHA Revised Consolidated Comprehensive Annual Financial Report (CAFR) for the Authority for 2017:

Deloitte's Lead Client Service Partner, Mr. Fritz stated the report contains an unmodified or clean opinion. Mr. Fryberg provided highlights of the Consolidated Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017. He said that the most significant event impacting the 2017 Financial Statements is the implementation of GASB Statement no 75, Accounting and Financial Reporting for other post-employment benefits (OPEB). The primary objective of this Statement is to improve the financial reporting of OPEB. The financial impact of implementing GASB 75 was a restatement of \$144 million in opening net position for 2016. This restatement resulted in a reduction to pension liability mainly due to the treatment of a change in actuarial methods under GASB 75. Also, under GASB 75, deferred inflows and deferred outflows are recognized for items such as differences between actuarial estimates and actuals and changes in assumptions. As of December 31, 2017, the OPEB liability was \$2.6 billion.

At the time of the May 17th NYCHA Audit Committee Meeting, the Deloitte actuarial group was still reviewing the assumptions used by the City's Office of the Actuary in the GASB 75 Report. After a further review, and in consultation with GASB and the City's Office of the Actuary, it was determined that a modification to the discount rates used in the Report was required. This modification resulted in the following impact to the 2017 financial statements:

- The restatement to the opening net position for 2016 was reduced from \$321 million to \$144 million due to a reduction in the discount rate from 3.71% to 3.20%.
- There was a deferred inflow of resources recognized in 2016 in the amount of \$155 million based on an increase in the discount rate from 3.20% to 3.71%.
- OPEB expense decreased by \$24 million and \$37 million for the years ended December 31, 2017 and 2016, respectively, primarily due to the amortization of the deferred inflow of resources noted above.

Mr. Frydberg stated that the changes made due to the above corrections have been highlighted in the financial statements provided to the Audit Committee.

Mr. Fritz explained that discount rate changes have nothing to do with NYCHA. It is because of the discount rate used by the City's Office of the Actuary. He said that it has no effect on their opinion. In addition, it doesn't impact internal controls.

III. NYCHA Revised Comprehensive Annual Financial Report (CAFR) for NYCHA Public Housing Preservation I, LLC ("LLC I") for 2017:

Mr. Frydberg provided highlights of the LLC I's Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017. He indicated that LLC I's Loss Before Capital Contributions for 2017 was \$16 million. This amount represents a reduction of \$2 million based on the GASB 75 OPEB adjustment reflected after the May 17th NYCHA Audit Committee meeting. However, the net cash flow from operating and financing activities was \$20 million, which follows a trend for the past several years.

Victor A. Gonzalez, Co-Chair of the Audit Committee asked if there is a negative impact. Mr. Frydberg said that some numbers may have changed but there is no effect on cash, and it is a recognition of the expenses.

IV. NYCHA Revised Comprehensive Annual Financial Report (CAFR) for NYCHA Public Housing Preservation II, LLC (“LLC II”) for 2017:

Mr. Frydberg provided highlights of the LLC II’s Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2017. He indicated that LLC II’s Loss Before Capital Contributions for 2017 was \$5.9 million. This amount represents a reduction of \$0.8 million based on the GASB 75 OPEB adjustment reflected after the May 17th NYCHA Audit Committee meeting. However, the net cash flow from operating and financing activities was \$9 million, which follows a positive trend for the past several years.

V. Management Representation Letters:

Jill Strohmeyer, Managing Director of Deloitte presented three Management Representation Letters, one each for NYCHA, LLC I and LLC II – consistent with last year. No significant changes than the last year except there was one modification in Management Representation letter for NYCHA and one addition to the Management Representation Letter for LLC II but these were not material.

VI. Deloitte’s No Material Weakness letter:

Jill Strohmeyer, Managing Director of Deloitte indicated that they did not identify any deficiencies in internal control over financial reporting that they consider to be material weakness. She said that there were no comments that need to be shared. She extended her compliments to Tricia L. Roberts and Dan Frydberg and their team for the good work done in this respect.

VII. Deloitte’s 2017 Single Audit Update:

Mr. Fritz discussed Tab 10 of the Audit Committee package, which included Update on 2017 Single Audit. The summary page of the 2017 Single Audit Report indicates that the financial audit did not identify any material weakness, significant deficiency or material noncompliance. Darshan Patel, Audit Specialist Leader of Deloitte indicated that similarly there was no material weakness or significant deficiency noted in internal control over major programs. The audit did not disclose any audit findings or questioned costs to be reported in accordance with the Uniform Guidance.

Mr. Fritz indicated that for non-major programs additional selections were made and they are still testing audit procedures to this program - Community Development Block Grant. The package is due by September 30, 2018.

VIII. Approval of Financial Statements:

The Audit Committee unanimously approved the financial statements and the related reports for (1) NYCHA, (2) LLC I and (3) LLC II. Tricia L. Roberts, Vice-President for Finance thanked the Finance team and the Deloitte audit team for completing the audited financial statements in a timely manner.

Adjournment

The Audit Committee meeting was adjourned at about 10:40 AM.

Executive Session

The Audit Committee met with Deloitte & Touche LLP, Independent Auditors, in an executive session.