New York City Housing Authority

Department of Internal Audit & Assessment (IA&A)

Minutes of Audit & Finance Committee Meeting
May 6, 2025

Board and Audit & Finance Committee Members - Present:
Victor A. González, Chair of Audit & Finance Committee (Vice Chair of NYCHA)
Mark N. Kaplan, Independent Member
Richard P. Kuo, Independent Member

NYCHA Staff Members - Present:
Annika Lescott-Martinez, Executive Vice President & Chief Financial Officer ("CFO")
Amita Patel, Deputy Controller, Financial Accounting & Reporting Services
Ah-Yat Lee, Director, Financial Accounting & Reporting Services - General Ledger
Jason E. Goldberg, Director & Chief of Corporate Affairs, Legal Affairs
Katherine Magrane, Senior Counsel, Law Department, Contracts
Benjamin J. Brandow, Senior Director, Department of Internal Audit & Assessment
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment
Avik Das, Administrative Auditor, Department of Internal Audit & Assessment

Deloitte & Touché LLP ("Deloitte") – Present:
Jill Strohmeyer, Lead Engagement Managing Director
Darshan Patel, Senior Manager
Tony Lim, Manager

A meeting of the Audit & Finance Committee ("AFC") of the New York City Housing Authority ("NYCHA" or the "Authority") was held on Tuesday, May 6, 2025 at 10:00am.

Mr. Brandow commenced the meeting by welcoming the AFC members and the attendees. Mr. Agrawal conducted the roll call of the meeting attendees. The meeting had the required quorum.

I. Approval of the December 9, 2024 Audit & Finance Committee Meeting Minutes:

Upon motion duly made by Mr. Gonzalez and seconded by Mr. Kaplan, the AFC unanimously approved the minutes of the December 9, 2024 AFC Meeting, subject to non-essential comments Mr. Kaplan noted, which the AFC agreed could be addressed separately as opposed to during the meeting.

II. Deloitte's Status Update for 2024 Annual Comprehensive Financial Report (ACFR) of NYCHA, NYCHA Public Housing Preservation 1, LLC (LLC 1) and New York City Public Housing Preservation Trust (Trust):

Ms. Strohmeyer, Managing Director from Deloitte stated that she, along with the team present—Mr. Patel, Mr. Lim, and herself—would be guiding the Audit & Finance Committee members through the next two agenda items concerning the status of the 2024 audits for the New York City Housing Authority, LLC 1, and the Preservation Trust. Ms. Strohmeyer began by outlining what had been completed thus far and noted that Mr. Lim would speak next to cover the upcoming steps.

At this stage, the team had assessed the independence of Deloitte's audit team, which is a standard part of the annual planning procedures. Ms. Strohmeyer reported no concerns regarding independence, whether related to individual team members or other services Deloitte may have provided. In fact, she noted that no additional services had been provided in this case.

Ms. Strohmeyer added that Deloitte's audit team had also updated their understanding of NYCHA by engaging in discussions with Ms. Lescott-Martinez, CFO; Mr. Lesnoy, Controller; Ms. Patel, Deputy Controller of Finance Department of NYCHA; and their respective teams to review changes over the past year and identify any material transactions that may have been entered into during the course of the year. Based on those insights, Deloitte's audit team adjusted the audit approach accordingly, either to test or further examine those transactions. Similarly, Deloitte's audit team reviewed the control environment by meeting with management team members to understand any changes throughout the year and, again, adjusting their testing strategies as necessary.

Each year, Deloitte's audit team must determine a level of materiality to guide the audit process. Ms. Strohmeyer confirmed that this had been completed and that the materiality level was consistent with the prior year. It is based on a percentage of 2024 expenses for each of the three entities and will be used throughout the audit for making testing selections and reaching audit conclusions.

Ms. Strohmeyer added that Deloitte's audit team performed preliminary analytical procedures on the financial statement line items. This involved comparing prior year balances to current year balances to understand any changes. In cases where there were significant fluctuations — whether increases or decreases — in a financial statement line-item amount, Deloitte's audit team sought further understanding by asking management for explanations and obtaining additional supporting documentation as needed. This process forms part of their risk assessment, as well as their effort to understand year-to-year fluctuations. Any account balance that shows an unusually high increase or decrease receives particular attention, prompting Deloitte's audit team to adjust their audit procedures accordingly.

Mr. Kaplan, an independent AFC member, inquired whether there were any such significant fluctuations identified during the analytical procedures.

Ms. Strohmeyer responded that several items had been identified during those analytical procedures. She explained that Deloitte's audit team uses both a dollar threshold and a 10% variance as criteria. If year-over-year changes exceed both of those thresholds, Deloitte's audit team raises questions with management to understand the underlying reasons and seeks additional support when necessary. Ms. Strohmeyer noted that such inquiries occur annually and that multiple items typically prompt follow-up. While she did not have a list of the specific items on hand at that moment, she indicated she could provide it.

Mr. Kaplan clarified that what he wanted to confirm was whether the team had identified such items and received satisfactory explanations.

Ms. Strohmeyer confirmed that was correct.

Ms. Strohmeyer proceeded to explain that Deloitte's audit team had also prepared and sent audit confirmations to third parties for a number of balances, including legal, cash, investments, and debt. While some of the confirmation responses had already been received, others were still pending responses from third parties. Ms. Strohmeyer emphasized that audit confirmations are among the highest levels of audit evidence an external auditor can obtain and are therefore a critical component of the audit procedures.

Additionally, Ms. Strohmeyer added that Deloitte's audit team has been reviewing minutes from the Board of Directors, audit committees, and other governance committees to identify any developments during the year that might require adjustments to the audit approach or closer scrutiny in specific areas.

Ms. Strohmeyer also noted that planning meetings had been conducted with Deloitte's audit specialists. She mentioned that a broader team supports the audit each year. This includes specialists in information technology, pensions, OPEB (Other Post-Employment Benefits), and claims. She added that Deloitte also engages specialists in journal entries. These planning meetings addressed audit timing, potential changes from the prior year, and the overall approach for the current year's procedures.

As of now, those planning meetings have been held, and Deloitte's specialists are actively conducting testing in each relevant area. While the audit work is still in process at this point in time in terms of concluding their audit work but the planning meetings have been concluded.

Before proceeding further, Mr. Gonzalez, Chair of AFC and Vice- Chair of NYCHA, inquired about the composition of the current audit team – specifically, whether John Potts and Dan Leff are still involved. Ms. Strohmeyer confirmed that they are. Mr. Gonzalez then asked whether Scott Maker and John Solomon were also still part of the team. Ms. Strohmeyer again confirmed, with some clarification. John Potts continues to serve as the actuarial specialist focusing on pensions and OPEB. Dan Leff remains responsible for matters related to claims, including general liability and workers' compensation. Scott Maker serves as the information technology (IT) specialist. Regarding John Solomon, Ms. Strohmeyer noted that there had been a change. She explained that, based on recent discussions with Mr. Lim, Audit Manager of Deloitte and a review of (Governmental Accounting Standards Board) GASB 87 (leases) and GASB 96 (subscription-based information technology arrangements), Deloitte's audit team had determined that in-depth audit procedures in those areas would not be necessary this year. As a result, Ms. Strohmeyer and Mr. Lim concluded that John Solomon and his group would not be needed in the current audit cycle as the changes from the prior year were considered rather insignificant.

Mr. Gonzalez then shifted the discussion to NYCHA's internal audit communications. He noted that since the NYCHA's internal audit function had been outsourced, he wanted clarification on who Ms. Strohmeyer was referring to when she mentioned “management.” He emphasized that, in his view, NYCHA’s internal audit team should not be categorized as management.

Ms. Strohmeyer clarified that most planning-stage conversations took place with the teams led by Ms. Lescott-Martinez, CFO; Mr. Lesnoy, Controller; and Ms. Patel, Deputy Controller of Finance Department of NYCHA. However, she added that Deloitte’s audit team does plan to engage with Mr. Brandow, Senior Director of Internal Audit & Assessment of NYCHA, within likely the next 30 days to discuss his perspectives on the organization. She explained that such a conversation is required as part of the audit procedures, particularly to understand his views on risk and fraud in relation to NYCHA. While that discussion had not yet occurred, Ms. Strohmeyer emphasized that the majority of audit-related conversations — especially those concerning risk assessment and account balances — were conducted with the accounting and finance teams of NYCHA.

Following a brief acknowledgment from Mr. Gonzalez, Mr. Kuo, another independent AFC member, greeted Ms. Strohmeyer and asked about the status of audit confirmations. Mr. Kuo noted that Ms. Strohmeyer had mentioned the confirmations were still in process and posed two questions: (1) Who the team was still waiting for, and (2) whether the confirmations would be received in time for the June AFC Meeting to support her analysis.

Ms. Strohmeyer confirmed that they would receive the confirmations to support the analysis. She elaborated that those delays in receiving confirmations, particularly legal confirmations, were not unusual. She explained that auditing standards specify that legal confirmations become stale after ten days, so responses are deliberately timed to arrive no more than ten days before the planned report issuance. As such, the responses from law firms are expected in early June 2025 by design.

Ms. Strohmeyer emphasized that the Deloitte audit team, in coordination with NYCHA management, follows a structured process to ensure outstanding confirmations are received. While it is common to receive all confirmations — especially for legal, cash, investments, and debt — there are cases where a third party does not respond. In such situations, she explained, the audit team has an "Option B," which involves performing alternative procedures. For example, if a cash confirmation is not returned — though rare due to the electronic nature of modern banking — alternative procedures include obtaining and reviewing original bank statements. The audit team then verifies the authenticity of those statements and relies on them in place of the missing confirmation. Despite the possibility of using these alternatives, Ms. Strohmeyer stressed that the preferred method is to receive direct confirmation responses, and the team exhausts all efforts to secure them. Typically, the necessary confirmations are received, often after some follow-up, by mid-June 2025.

Mr. Kuo thanked her for the clarification. Mr. Gonzalez asked Mr. Kuo if he is satisfied with the update thus far and Mr. Kuo confirmed he is.

Ms. Strohmeyer introduced a slide that detailed audit procedures currently in progress as below:

Annual Comprehensive Financial Report - Procedures in Process:

Testing of internal controls including IT controls

Testing of the following areas: Cash and investments

- Capital assets, including construction in progress and asset retirement obligations
- Operating receivables
- Accounts payable and accrued expenses
- Long-term debt
- Pension and other postemployment benefits liabilities
- Claims liabilities
- Tenant revenue and unearned revenue
- Subsidies and grants revenue
- Capital Contributions
- Testing of real estate transactions

Ms. Strohmeyer, explained that it provided a more in-depth overview of the various testing areas that had already commenced, including the testing of information technology (IT) controls. Ms. Strohmeyer noted that these are key items in our financial statements. While most of the areas had been initiated, she stated that there was nothing significant to report at that time, as the work remained ongoing. She then turned the presentation over to Mr. Lim, Audit Manager from Deloitte, to discuss the next steps and procedures planned for May and June of 2025.

Mr. Lim outlined the forthcoming phases of the audit. He stated that in May of 2025, the audit focus would be on several critical testing areas. These include procedures related to Governmental Accounting Standards Board (GASB) 49 — specifically the environmental and pollution remediation liabilities — with an emphasis on lead paint assessments. In addition, Deloitte's audit team would be performing testing related to operating expenses and journal entries. This work is being conducted in close coordination with Deloitte's internal specialists, as Ms. Strohmeyer had mentioned earlier.

Further testing activities in May of 2025 include the consolidation and elimination journal entries for NYCHA, LLC1, and the Preservation Trust. Later in the month, Deloitte's audit team will begin testing the statement of cash flows and reviewing a draft version of the financial statements, including initial work on the financial statement footnotes. They will also begin drafting the management representation letter and complete all other testing areas previously referenced.

In June of 2025, Deloitte's audit team will shift its focus to evaluating going concern assumptions and testing for subsequent events. Ms. Strohmeyer had previously mentioned that legal letter updates would be obtained from legal counsel just prior to report issuance.

Mr. Lim noted that key milestones are expected in early to mid-June 2025. The second-level review partner is scheduled to begin reviewing the financial statements by the end of May or early June 2025. The audit findings will be presented to the Audit and Finance Committee, and Deloitte's audit team anticipates being ready to issue the audit reports on or shortly after June 12, 2025.

Mr. Lim concluded by stating that Deloitte's audit team has a clear plan in place for next steps in May and June of 2025 and is well prepared for the upcoming milestones in June for the reporting phase. Mr. Lim said he will turn the presentation over to Mr. Patel.

Before moving forward, Ms. Strohmeyer asked whether there were any questions from the Committee regarding the next steps and ongoing work.

Mr. Kuo then raised a question, referencing Ms. Strohmeyer's earlier mention of the analytical process including risk assessment. Mr. Kuo asked whether Deloitte's audit team was focusing solely on risks related to 2024 or if they were also considering future risks. Specifically, he wanted to understand how explicitly or deeply the team evaluates forward-looking financial risks.

Ms. Strohmeyer responded that, as part of the planning phase for the 2024 audit, Deloitte performs a formal risk assessment to determine where Deloitte's audit team should concentrate its efforts during the current year's audit. This process involves identifying areas of heightened risk or complexity. One such area for 2024 is GASB 49, which relates to environmental and pollution remediation liabilities, particularly concerning lead paint. Ms. Strohmeyer also highlighted revenue as a focus area due to NYCHA's substantial tenant revenues, receivables, and grant funding. She explained that the risk assessment process includes identifying areas that may require increased scrutiny, especially if circumstances have changed compared to prior years. She added that the conversations Deloitte has with management throughout the planning phase, such as Deloitte reading meeting Minutes, are part of what they call their overall risk assessment process, which helps them fine-tune where they're going to focus during this year's audit. For instance, this year, recent real estate transactions came to Deloitte's attention through conversations with management and a review of meeting minutes. As a result, the audit team will focus on those transactions to ensure they were appropriately accounted for in our financial statements. In contrast, if such transactions had not occurred, Deloitte would not be looking at them this year given their comfort level with prior year treatments, so their focus wouldn't have been as great.

Ms. Strohmeyer noted that analytical procedures — such as comparing current and prior year financial data — are also integral to the risk assessment. Significant fluctuations up or down can signal issues that require deeper examination, although some are easily explained, such as a new real estate transaction or new debt activity. Addressing Mr. Kuo's question about forward-looking risk and 2025 in particular, Ms. Strohmeyer acknowledged the broader macroeconomic and policy environment as highly relevant. She cited recent developments, such as the National Science Foundation capping indirect cost rates at 15%, which is beginning to impact many of their clients in the public sector. Though not all such changes are directly applicable to NYCHA's 2024 audit, they are part of Deloitte's broader strategic thinking and client advisement.

Ms. Strohmeyer explained that many of Deloitte's public sector clients — including governments, higher education institutions, and not-for-profits — are now more seriously evaluating financial risk areas that were previously taken for granted. For example, some clients are starting to consider placing reserves on grant receivables due to growing uncertainty around the collectability of federal funds. Whereas a year ago, federal grants were assumed to be reliable, that assumption is now being questioned due to political and funding instability. She stated that her clients are also taking a more cautious approach to cash flow planning. Some are evaluating the timing and appropriateness of securing lines of credit or even issuing bonds, as concerns about liquidity and delayed federal reimbursements rise. In parallel, market volatility — particularly large swings in the stock exchange and different indices – impacts investments. Ms. Strohmeyer noted that while NYCHA's December 31 year-end offers some insulation, the fluctuations in investment values and pension asset valuations could particularly affect their clients with mid-year fiscal year closings such as June 30. These issues may still impact disclosures, especially in the form of subsequent event footnotes in the 2024 financial statements depending on what transpires between now and when the audit report is issued in June.

At this point, Mr. Kaplan interjected, noting that his broader question had been partially addressed.

Ms. Strohmeyer asked if she had sufficiently answered his question.

Mr. Kaplan responded, "You did."

Mr. Kuo added, "Well, only halfway," and raised a concern regarding a potential major risk he had come across in recent news coverage. Although he clarified that he had no first-hand knowledge, he noted that the federal government's proposed budget included what appeared to be a credible threat to Section 8 funding. Mr. Kuo emphasized that this could have broad implications for the financial report — not only for the various new programs NYCHA has established but also all of the individual recipients of Section 8 assistance across New York City. He described the situation as a significant risk heading into 2025 and asked whether this issue is being considered, particularly given the potential instability of grant funding tied to Section 8. Mr. Kuo nonetheless thanked Ms. Strohmeyer for her analysis.

Ms. Lescott-Martinez responded from a management perspective. She acknowledged the concern and provided context around the federal developments. She explained that the Trump administration had just released its proposed budget the previous week. While the president's budget is not legislation, she noted that it signals the administration's policy priorities and can significantly influence Congressional negotiations. Drawing on her prior experience working on the president's budget, Ms. Lescott-Martinez explained that the proposal includes substantial cuts to both Section 8 and Section 9 programs. It also introduces the idea of converting HUD's tenant- and project-based rental assistance programs into a Block Grant model administered by cities or states. A cursory review suggested that such changes could lead to a significant reduction in funding of approximately 43% to 44%. However, she emphasized that for fiscal year 2025, NYCHA remains on stable ground. Congress has already passed appropriations legislation that sufficiently funds the Section 8 and Section 9 programs for the current year. She acknowledged some uncertainty around smaller Section 8 initiatives, such as the Emergency Housing Voucher Program, for which federal funding is expected to be discontinued. Nonetheless, NYCHA has reserves to continue supporting that program and has contingency plans in place to prevent assistance interruptions for affected residents. Ms. Lescott-Martinez cautioned that while 2025 appears largely stable, the outlook for 2026 is more concerning. The proposed budget's significant cuts set a difficult starting point for legislative negotiations, and while Congress ultimately controls the appropriations process, the proposal raises real concerns. She assured the committee that NYCHA is taking the issue seriously, engaging in internal contingency planning, and deeply evaluating potential scenarios at all staff levels to prepare for possible reductions in future funding.

Mr. Kaplan expressed the view that, given the current economic and political environment, it would be appropriate to include language in the financial statements alerting the reader to the broader risks just discussed — particularly those related to federal funding uncertainty. He noted that many individuals he had spoken with were grappling with how to frame such disclosures, with approaches varying across organizations. Mr. Kaplan suggested that Deloitte, having visibility into practices across numerous entities, could serve as a valuable resource in helping NYCHA determine the appropriate language to use in connection with this year's financial statements.

Ms. Strohmeyer agreed with Mr. Kaplan and acknowledged the importance of incorporating such language and that Deloitte can help Ms. Lescott-Martinez and NYCHA with that language. She noted that there are two possible areas in the Annual Comprehensive Financial Report (ACFR) where this type of disclosure could be added: The "Current Economic Conditions" section within the Management's Discussion and Analysis (MD&A) and the transmittal letter at the beginning of the report. Ms. Strohmeyer emphasized that either sections, or both, would be suitable for addressing the current external environment and potential impacts.

Mr. Kaplan responded by clarifying that, although he didn't want to advocate a specific position, his perspective is shaped by his experience in the public company sector, where disclosures around government actions and broader risks are heavily scrutinized. He reiterated that collaborating with Deloitte on this matter would help ensure NYCHA achieves the most appropriate and effective disclosure.

Ms. Lescott-Martinez agreed with both Mr. Kaplan and Ms. Strohmeyer. She added that NYCHA had precedent for this type of disclosure: During the COVID-19 pandemic, similar language had been included in one or both of those sections depending on the year. She agreed that, while the potential impacts may not yet be realized, it is prudent and appropriate for management to flag the broader economic uncertainties as part of the financial reporting process.

Mr. Kaplan cautioned that financial statement readers are likely reviewing the documents considering the current economic and political uncertainty. He emphasized the importance of including protective disclosures, warning that the absence of such language could expose the organization to legal risk. Mr. Kaplan referred to potential lawsuits, referred to as "strike suits," filed opportunistically by certain members of the legal profession and stressed the need to proactively include necessary language to avoid such vulnerability.

Ms. Lescott-Martinez responded briefly, assuring the group that management would be thoughtful in how such matters are addressed in the financial statements.

Mr. Gonzalez then noted that Mr. Kaplan's comments raised additional questions he has — questions he feels would be more appropriate to direct to management outside of this venue. He expressed concern about the volatility expected in 2025 due to the current federal administration and emphasized the importance of having a contingency plan in place for 2026. He then asked Ms. Strohmeyer whether the number of Governmental Accounting Standards Board (GASB) pronouncements might increase under the new administration.

Ms. Strohmeyer responded that the administration might actually reduce the number of GASB requirements, though she clarified she was joking. She added that she had recently come across news suggesting that there was talk of dismantling the Public Company Accounting Oversight Board (PCAOB). While acknowledging that it's unclear where such discussions may lead, she noted that it reflects the current climate of regulatory uncertainty.

Mr. Gonzalez stated that his questions would be directed to management to see what they could formulate in the interim, while the organization works to navigate through the challenges expected in 2025.

Mr. Kaplan responded by suggesting that the situation would likely extend beyond just surviving for one year, emphasizing that it could be a longer-term issue.

Mr. Gonzalez acknowledged Mr. Kaplan's point, adding that the challenges could persist through 2026, depending on the current President's tenure.

Mr. Kaplan agreed, noting that as long as President Trump remains in office, the organization would need to continue addressing such issues. Ms. Strohmeyer added her agreement, suggesting that the first 18 months of the situation would likely be the most challenging.

Ms. Strohmeyer then indicated that she would move on to the next topic, the Single Audit update, and handed over the discussion to Mr. Patel, Audit Senior Manager from Deloitte, to lead the update on that matter.

III. <u>Deloitte's Status Update for 2024 Single (Compliance) Audit of NYCHA:</u>

Mr. Patel began by greeting the group and explaining that there were not many updates on the Single Audit yet. However, he shared the plan, stating that the Single Audits would begin in June 2025 once Deloitte receives the schedule of federal awards. He mentioned that, like last year, they are planning to audit two major programs: the Public and Indian Housing Operating Fund and the Public and Indian Capital Fund.

Mr. Patel noted that there might be a Section 8 audit this year depending on the schedule that management will provide shortly. The plan is to issue a report on internal controls and compliance by September 30, 2025.

Mr. Kuo suggested that Section 8 should be included as a baseline for the 2024 audit, particularly for expenditures related to Section 8, so that it could serve as a reference when looking at 2025 and 2026. He emphasized this as a suggestion.

Ms. Strohmeyer responded, explaining that for Single Audit purposes, Deloitte received the expenditure data for Section 8 in 2024. This would be considered in their overall risk assessment to determine the major programs for the audit, including both Type A and Type B major programs. If Section 8 qualified as a major program based on risk factors and dollar amounts, they would perform the testing for it this year. Ms. Strohmeyer mentioned that she could not recall if Section 8 was generally rotated but confirmed that it had been included in the scope in 2023.

Mr. Kuo inquired whether Section 8 had been included in the 2023 audit, to which Ms. Strohmeyer confirmed that it had been. She stated that while they had not yet concluded whether Section 8 would fall into scope for 2024, they would certainly consider the additional potential risk factors emerging from Section 8 as part of their risk assessment.

Mr. Kuo explained that Section 8 expenditures fall into two categories: Individual tenants receiving Section 8 privately and the new NYCHA developments that had converted from Public Housing to Section 8. He noted that these are pilot programs but are significant in terms of NYCHA. He clarified that this is why he suggests that Section 8 should be used as a baseline for 2025.

Ms. Strohmeyer responded that the Section 8 expenditures would be included in the 2024 Single Audit, and all of this would be taken into account when performing the final risk assessment for the Single Audit, specifically in determining Type A, Type B, and major programs.

Mr. Gonzalez added a comment, noting that since the Preservation Trust had moved beyond its infancy and there had not been enough detail in the last audit, he expected the numbers to change now that the trust had moved forward. He asked if that assessment was correct.

Ms. Strohmeyer asked for clarification regarding the dollar values, indicating she wasn't sure she fully understood the question. Mr. Gonzalez referenced a statement in a document that he had read, asking if Ms. Strohmeyer knew what he was referring to. At this point, Ms. Lescott-Martinez clarified that in the previous year, they had stated there were no significant expenditures for the trust yet but that in 2024, expenditures had occurred. Ms. Lescott-Martinez confirmed that the trust would be included in the audit and that Deloitte would be performing testing on it.

Ms. Strohmeyer acknowledged that she initially didn't understand Mr. Gonzalez's question. However, she clarified that this year would be the first time the Preservation Trust undergoes a standalone audit. Deloitte is performing the inaugural audit for the trust, and while it is rather small from a component unit perspective, she emphasized the complexities involved in preparing financial statements for the first time. She noted the significant effort management is putting into ensuring the accuracy of the numbers as it is not an easy task. She mentioned that because this is the trust's first audit, more testing is being conducted due to the lack of a baseline or history. Mr. Lim and the team are currently performing testing on the balances.

Mr. Gonzalez thanked both Ms. Strohmeyer and Mr. Patel.

Mr. Patel added one more point about the Single Audit, mentioning that they would follow up on a material finding related to the Public and Indian operating fund concerning the land programs.

Mr. Kaplan raised a point, noting that if someone from the current administration were to scrutinize the Indian Housing programs, it might appear concerning to them. He recalled his initial reaction when he first saw the program, wondering if they could find a way to reframe it so it wouldn't be so easy for someone to criticize, even though it is legally required.

Mr. Patel stated that the programs are an extension of Florida; Ms. Patel added, "Hawaii," which Mr. Patel acknowledged.

Ms. Strohmeyer acknowledged Mr. Kaplan's concern and explained that when a specific ALN number is assigned, such as 14.850, it is linked to a database containing all program numbers. She elaborated that when the number 14.850 is typed in, the corresponding program name is retrieved. This name is used universally by everyone associated with this ALN number. Ms. Strohmeyer speculated that this name, given many years ago when the program was created, has remained unchanged, meaning that everyone who has dollars in this program is stuck with the designation "Public and Indian Housing."

Mr. Kaplan responded, indicating he understood but was seeking confirmation.

Ms. Strohmeyer assured him that the name would likely appear again in the Single Sudit report.

Ms. Lescott-Martinez added that the department at HUD is still called "Public and Indian Housing" to this day.

Ms. Strohmeyer concluded by stating that the prepared remarks on the status of the 2024 financial statement and Single Audits had been covered. She invited any further questions from the committee and expressed her willingness to answer them.

Mr. Brandow thanked Ms. Strohmeyer, Mr. Lim, and Mr. Patel.

Mr. Kaplan pointed out that, according to the December 2024 AFC Meeting Minutes, it was noted that Ms. Strohmeyer explained that NYCHA does not plan to adopt a control reliance strategy. He asked if that was what she had just described. Ms. Strohmeyer clarified that a control reliance strategy is something typically seen in a public company setting, where controls are tested both to issue a report on internal controls and to reduce substantive testing. She explained that, in an American Institute of Certified Public Accountants (AICPA) audit, which this is, control reliance is not used. While internal controls will still be reviewed, including their design and implementation, Deloitte will not take it to the third and final step, which is testing operating effectiveness, as that is not done in an AICPA audit. She emphasized that, although the design and implementation of controls are reviewed – which is something every auditor has to do regardless of whether the auditee is a public company, a private company, or a government agency like NYCHA – the audit focuses on more detailed selections of expenses and revenues because control reliance is not being used to reduce substantive testing.

Mr. Kaplan explained that he expects to go through the details of the December 2024 AFC Meeting Minutes at a later point.

Mr. Brandow confirmed that the review of the December 2024 AFC Meeting Minutes will be completed separately. He thanked the Deloitte audit team again for their contributions and concluded that the business for the meeting had been addressed. He noted that, as there are no additional matters on the meeting agenda, a motion for adjournment is in order.

Adjournment:

Mr. Brandow thanked everyone for their participation and confirmed that all business had been concluded.

Upon motion to adjourn the meeting duly made by Mr. Kaplan and seconded by Mr. Gonzalez, the AFC unanimously approved the motion to adjourn.

Mr. Brandow noted that, for planning purposes, the next Audit and Finance Committee meeting is scheduled for Thursday, June 12, 2025, at 10:00am, and that he looks forward to seeing everyone again then. He concluded by stating the current time of 10:43am and that the meeting is officially adjourned.