



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

Minutes of Audit & Finance Committee Meeting
June 12, 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”)
Jeffrey Lesnoy, Vice President & Controller
Amita Patel, Deputy Controller, Financial Accounting & Reporting Services
Ah-Yat Lee, Director, Financial Accounting & Reporting Services - General Ledger
Andrew Dokos, Treasurer, Treasury Department
Jason E. Goldberg, Director & Chief of Corporate Affairs, Legal Affairs
Clara Ewing, Managing Director, RSM US LLP
Elizabeth Watts, Manager, RSM US LLP
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 & Touche 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 Thursday, June 12, 2025, at 10:06am.

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 May 6, 2025 Audit & Finance Committee Meeting Minutes:

Upon motion duly made by Mr. Gonzalez and seconded by Mr. Kuo, the AFC unanimously approved the minutes of the May 6, 2025 AFC Meeting.

II. Review of NYCHA (Consolidated) Annual Comprehensive Financial Report (ACFR) for 2024

Mr. Brandow acknowledged that the motion was carried and thanked everyone. He confirmed with Mr. Kaplan whether all members had voted in favor, asking if there were three "ayes." Upon confirmation, he reiterated that the motion was carried and thanked the participants once again. He then moved on to the second agenda item. Mr. Brandow stated that the next two agenda items would be addressed together. He invited Vice President and Controller Mr. Lesnoy to present highlights of the financial statements as of December 31, 2024. This included the annual comprehensive financial report for 2024 for both the New York City Housing Authority (Consolidated) and NYCHA Public Housing Preservation I LLC. Mr. Brandow greeted Mr. Lesnoy and welcomed him to proceed.

Mr. Lesnoy greeted the committee members and acknowledged it had been a while since their last meeting. He explained that, as was typical, he would present significant Governmental Accounting Standards Board (GASB) adoptions for the year. This year's presentation focused on GASB 101, which pertained to compensated absences. Mr. Lesnoy noted that in the past, this had been reflected as accrued leave on the financial statements. Although the terminology had changed to align with GASB standards, the meaning remained the same. He indicated that they would delve into the details to provide a clearer understanding.

At that point, Mr. Kaplan interjected, asking whether Mr. Lesnoy was referring to a specific document that had been distributed to the committee.

Mr. Lesnoy indicated that he was referring to a set of presentation slides and noted that a packet had also been provided.

Mr. Brandow confirmed that a handout supplement had been distributed, which included highlights of the financial statements. Mr. Kuo then remarked that he was looking at the first page of the handout and Mr. Kaplan acknowledged that he has the same.

Mr. Lesnoy proceeded with his explanation, detailing that GASB 101 requires liabilities to be recognized for leave that has not been used, provided that the leave is attributable to services already rendered and is more likely than not to be used for time off or compensated either in cash or through non-cash means. He clarified that leave which has already been used and cannot be compensated does not qualify as a liability under this standard. Mr. Lesnoy explained that the new "more likely than not" threshold, which is generally interpreted as over 51%, contrasts with the previous "probable" standard, which required a 90–95% likelihood before recording a liability. This shift means that, in theory, more liabilities will now be recorded than under the previous accounting rule. He added that bonus leave, accumulated and paid when certain retirement criteria are met, is also included under the new standard. GASB 101 also provides guidance on how to measure the liability for leave, which involves calculating the number of days an employee has earned, determining their annual salary, converting that into an hourly rate, and then calculating the accrued liability.

Mr. Lesnoy emphasized that certain salary-related payments directly associated with payments for leave, such as FICA, must also be included in the liability measurement. Thus, not only the base salary but also FICA and other direct costs are considered in the calculation. He noted that GASB 101, like other GASB standards, requires a restatement of prior-year financials. Specifically, balances as of January 1, 2023, were

restated. The cumulative effect of this restatement resulted in a \$6 million increase in compensated absence liability and a corresponding \$6 million decrease in net position. As of December 31, 2023, the restated liability increased by \$7 million, bringing the total to \$202 million. By the end of 2024, the compensated absence liability had reached \$235 million, an increase of roughly \$32 million to \$33 million from the prior year. Mr. Lesnoy explained that various factors contributed to this growth, including an increase in employee salaries in 2024, which raised the rate at which the liability accrued.

Mr. Lesnoy then paused to ask if there are any questions on GASB 101.

Mr. Kuo inquired how the term “leave” was defined and whether it includes military or maternity leave.

Mr. Lesnoy confirmed that virtually all types of leave were included. He noted that while military and maternity leave were considered in the process, they had not resulted in material amounts. He clarified that at NYCHA, the primary type of leave is Paid Time Off (PTO), which now encompasses what were formerly sick day and vacation day banks.

Mr. Kuo followed up, stating that he understands employees who retire without using their vacation or annual leave would possibly be compensated in cash upon retirement but he questioned whether the leave was truly a separate liability. He asked if those benefits weren’t already built into the employee’s salary, pointing out that employees are contractually entitled to a certain number of vacation and sick days.

Mr. Lesnoy responded that, for accounting purposes, we must assume that employees may be paid for unused leave rather than simply using it before departure. Therefore, these amounts need to be recognized as a liability.

Mr. Kuo reiterated his concern, asking whether vacation days shouldn’t just be treated as part of the salary, not as additional dollars that need to be separately accounted for.

Ms. Lescott-Martinez acknowledged that Mr. Kuo had raised a great question. Mr. Kuo responded by clarifying that he was simply trying to understand the matter more thoroughly.

Ms. Lescott-Martinez offered additional context. She explained that, generally speaking, when an employee retires or otherwise separates from service, NYCHA is obligated to compensate them for any accrued but unused leave. Although she didn’t specify the number of days, she noted that it is not uncommon for employees to retire or separate from service with a considerable leave balance. GASB standards, she continued, require organizations to account for the value of such accrued leave as a liability, even if it is not paid out immediately. Since the organization will eventually have to disburse this compensation, it must be recognized on the financial statements. Lescott-Martinez added that, contrary to what some might assume, military and maternity leave are relatively uncommon at NYCHA. The bulk of the \$235 million in leave liability stemmed from accrued leave, including comp time, where an employee opts to receive time off instead of overtime pay. Such leave is often carried over for extended periods, particularly among long-serving NYCHA employees with considerable balances of accrued leave.

Mr. Kuo then asked whether there was a time limit for using accrued vacation or sick leave.

Ms. Lescott-Martinez clarified that there is no time limit on when leave must be used. However, she did point out that there is a limit on how much leave can be paid out at the time of separation or termination. She shared that employees could, in some cases, accrue up to 200 days of leave, though they might not be compensated for all of it upon departure.

Mr. Kuo followed up by asking whether someone monitors whether days are being taken or not.

Ms. Lescott-Martinez assured him that the leave balances are tracked using NYCHA's standard timekeeping software. She explained that Mr. Lesnoy and his team have access to these records and are able to make the appropriate financial calculations based on employee salary and hourly wage rates.

Mr. Kuo voiced a concern about the potential for overstatement or double-counting of liabilities.

At that point, Lesnoy added that employees themselves can also see their leave balances reflected on their paystubs.

Ms. Lescott-Martinez concluded by noting that any leave taken during the year is recorded as part of an employee's salary expense, but unused leave remains a separate, accruing liability.

Mr. Gonzalez raised a question regarding employee leave balances. He asked whether employees are encouraged or reminded to take their time off so they receive the compensation they are entitled to.

Ms. Lescott-Martinez responded that while she could not speak directly to union or Human Resources rules, NYCHA is required to track and report leave balances as liabilities. She emphasized that while the rules around taking leave fall outside of her expertise, the financial obligation must be recorded regardless.

Mr. Gonzalez followed up by asking whether this tracking and notification occurs prior to an employee's departure or only at the time of separation. He also asked whether employees were made aware that they might not be compensated for the full amount of accrued leave upon retirement.

Ms. Lescott-Martinez confirmed that employees are aware of this. The policies, she said, are detailed in NYCHA's Human Resources Manual and Employee Handbook, which are publicly accessible. Although she could not recall the specific payout limits, she confirmed that the policy is well-documented and that employees can make informed decisions based on it. Ms. Lescott-Martinez replied that NYCHA makes an effort to ensure the policy is well publicized and transparent. Mr. Gonzalez thanked her.

Mr. Lesnoy then shifted the discussion to rent collections. He noted that NYCHA's pre-COVID rent collection baseline in 2019 was \$1.058 billion. This dropped significantly in 2022 to \$870 million. A slight recovery occurred in 2023, largely due to ERAP (Emergency Rental Assistance Program) collections, bringing the total to \$1.028 billion, or \$904 million excluding ERAP. In 2024, collections rose to \$969

million (or \$910 million excluding ERAP). Mr. Lesnoy stated that promising news is that we are increasing [the amount of rent collected] but he clarified that comparisons are somewhat skewed by structural changes, including a more than 10% reduction in apartment units due to PACT (Permanent Affordability Commitment Together) transactions. This meant a portion of the 2019 rent base was no longer present in 2024. Still, Mr. Lesnoy acknowledged that NYCHA had a long way to go, with rent arrears totaling \$456 million at the end of 2024 compared to \$111 million in 2019.

Mr. Lesnoy mentioned the promising results from the HOME-ARP (Home American Rescue Plan) program, which had already contributed \$82–\$85 million in rent collections for 2025, with more expected before year-end. He reminded the group that revenue figures on the financial statements are reported on an accrual basis, reflecting what is probable to be collected. He continued with an update on lead remediation obligations, describing the XRF testing process and a key regulatory change in prior years.. The City reduced the allowable threshold for lead from 1.0 mg to 0.5 mg, requiring a complete restart of testing. In 2023, 43% of tested apartments showed positive results; that number rose to 46% by the end of March 2025. Lesnoy emphasized that testing is only 57% complete, so this 46% figure may still change before the end of next year and testing will likely continue for another year to two before concisely determining the population requiring abatement. Additionally, increased relocation and abatement costs have contributed to a significant increase in NYCHA’s pollution remediation obligation — from \$4.3 billion in 2023 to \$5.0 billion in 2024.

Mr. Lesnoy then pivoted to the summary of financial statements, starting with operating revenues. Operating revenue increased by \$109 million to \$1.085 billion in 2024, driven largely by the \$82 million reduction in the allowance for uncollectible accounts due to HOME-ARP collections. Additional revenue came from a \$35 million COVID rental assistance program, known as “CRA.” Operating expenses, however, increased by \$356 million to \$5.544 billion. The largest component was a \$289 million increase in Section 8 lease payments due to more voucher units and higher payments per unit. This was offset by a corresponding HUD subsidy increase. General administrative expenses rose by \$103 million, attributed to higher employee benefits costs, higher workers compensation costs, and the implementation of GASB 101, which expanded the scope of compensated absence liabilities. Utility costs rose by \$31 million, though this was partially offset by a \$58 million decrease in maintenance and operations expenses. Non-operating revenues grew by \$647 million to \$4.258 billion, primarily due to an increase in subsidies and grants, including a \$321 million increase in Section 8 housing assistance and a \$215 million increase in public housing subsidies — of which \$184 million came from a successful, first-time Section 9 appeal to HUD. Mr. Lesnoy asked Ms. Lescott-Martinez if she would like to speak about this appeal.

Ms. Lescott-Martinez elaborated, explaining that NYCHA demonstrated that HUD’s operating subsidy formula did not adequately account for the costs associated with federal obligations under NYCHA’s agreement with HUD and SDNY. It was a lengthy and detailed and arduous process, but NYCHA became the first public housing authority to win such an appeal, securing \$184 million for last 2024 and applying for similar relief in 2025 that we are hopeful about; it was the first-ever successful public housing authority appeal of that kind.

Mr. Kaplan stated, “Good luck.”

Mr. Kuo stated, “Very good.”

Mr. Gonzalez pointed to a chart discrepancy, asking why the beginning net position for 2024 is shown as zero and what the significance of the zero-dollar value is.

Mr. Lesnoy asked Mr. Gonzalez if he can point out which number he is referring to; Mr. Brandow said he believes it is the second-to-last line item at the bottom of the 2024 column.

Mr. Lesnoy explained that this was due to GASB 101, which required a restatement of prior-year balances. The \$6 million increase in compensated absence liabilities was treated as a cumulative effect for years prior to 2023. Since the adjustments couldn't be reflected in 2023 directly, they were shown as a change to the opening balance for 2023.

Mr. Gonzalez asked, "So GASB 101 had a negative impact?"

Mr. Lesnoy responded that it increased compensated absence costs by \$6 million.

Mr. Gonzalez stated that he hopes that number will change next year.

Mr. Lesnoy replied that the cumulative change will be zero for both 2024 and 2025 and that if we have another GASB adoption, we may see additional, similar cumulative effect changes.

Ms. Strohmeier clarified further that these changes reflected leave balances accumulated before December 31, 2022 and had to be recorded as a one-time adjustment.

Mr. Kaplan then raised a technical question regarding the inventory policy, pointing to a note that materials and supplies are expensed when shipped.

Mr. Lee stated that it will be "PUP" on the balance sheet and that some materials stay in inventory control in the warehouse.

This led to further discussion with Mr. Lee and Ms. Strohmeier, who confirmed that materials remain on the balance sheet as inventory until deployed to a development site or end user.

Mr. Lesnoy resumed with a reference to a \$846 million special item on the revenue statement but Mr. Kuo raised another question. He asked how current revenue and expense levels compared to pre-COVID years. Specifically, he noted that expenses now stand at \$5.5 billion, compared to approximately \$3 billion five years ago.

Mr. Lesnoy confirmed that expenses had risen substantially, due to inflation, staffing increases, and obligations under the HUD agreement. He added that NYCHA's final financial statement package, expected in late June or early July, would include a 10-year statistical schedule showing historical revenue

and expense trends; Mr. Lesnoy added that we can also discuss the trends in our next Committee meeting in September.

Mr. Kuo stated that he welcomes the forthcoming data and referred to the report as the “famous green book.”

Mr. Kaplan then turned to investment classifications on Page 32 of the ACFR Booklet, questioning the meaning of “fiscal” and “non-fiscal deposits.” Mr. Lesnoy stated that he is unable to answer at this time but that Finance will follow up with the Committee. Ms. Lescott-Martinez speculated that it might relate to fund categorization but deferred a final answer.

Mr. Kaplan also raised a point about the investment disclosure on Page 33 of the ACFR Booklet, observing that the brief description of Level 2 securities was less detailed than what he was used to seeing in public company reports. Ms. Strohmeyer acknowledged Mr. Kaplan’s concern, saying that although the current language satisfied GASB requirements, it was indeed a shorter format than what Mr. Kaplan might see in corporate disclosures. She noted that NYCHA only held Level 2 investments, which accounted for the simplified disclosure.

Mr. Kaplan then asked about interest rate risk mentioned on Page 35 of the ACFR Booklet. He noted that while cash flows were said to be stable, the value of the portfolio will fluctuate with interest rate changes. Mr. Lesnoy confirmed that interpretation and Ms. Strohmeyer added that since NYCHA holds investments to maturity, market fluctuations had no realized impact on their financial position; Ms. Strohmeyer confirmed the accuracy of that statement.

Mr. Kaplan raised a concern, noting that while the team emphasized stable cash flows, an increase in interest rates would still result in a loss of bond value. He said it seems to him that this potential decline in value wasn't clearly reflected in the reports, particularly given the confirmation that the bonds were being held to maturity.

Mr. Lesnoy pointed out that fair value measurements were addressed at the top of Page 33 of the ACFR Booklet in the financial materials.

Mr. Kaplan responded that he wasn’t used to seeing the statement presented this way.

Ms. Lescott-Martinez asked Kaplan if he had a specific recommendation on how to adjust the language.

Mr. Kaplan replied that he had not yet considered any revised wording but was simply flagging the issue.

Ms. Lescott-Martinez acknowledged his input and stated that Finance would review the language accordingly and consider how it might be adjusted.

Mr. Kaplan illustrated his concern with an example: That if a trader told him an asset would be held to

maturity and therefore wasn't reflected on the balance sheet, that trader wouldn't last long.

Mr. Brandow thanked Mr. Kaplan for his comments and requested that the meeting continue to allow Mr. Lesnoy to finish his presentation and suggested to the Committee to hold further questions until the completion of same. Mr. Kaplan added that he has additional questions on other topics.

Mr. Kaplan then referred to data on Page 44 of the ACFR Booklet regarding oil spills, pointing out that the number had remained unchanged year-over-year, which he found unusual. Mr. Lesnoy responded that while the number can fluctuate slightly, it's not unreasonable for it to remain the same year-over-year.

Mr. Lesnoy continued his presentation, explaining that capital contributions had increased by \$318 million to \$1.411 billion. The largest sources were the Federal Public Housing Capital Fund, up \$54 million from the prior year, and the City and State of New York, up \$300 million. He then addressed the Statement of Net Position. Total cash and investments decreased by \$179 million due to rental collection shortfalls and inflationary expenses. Accounts receivable increased by \$333 million, with \$236 million increase from the City and \$83 million from tenants and a \$32 million increase from FEMA. The increases from the City and FEMA are timing differences expected to be reduced in 2025. The increase in tenants receivables is primarily a result of \$82 million of funds expected to be received in 2025 through the HOME-ARP program. Capital assets rose to \$11.4 billion, a \$963 million increase from 2023, largely from building improvements. A \$168 million accrual adjustment was included within based on audit findings by Deloitte. Current liabilities rose to \$1.7 billion. Pollution remediation liabilities (non-current) increased by \$633 million to \$4.84 billion, mainly due to higher lead positivity rates and increased tenant relocation costs. Long-term debt decreased by \$78 million to \$522 million, largely due to a \$20 million pre-payment of the HDC 2009 Series L1 on behalf of LLC1 and \$46 million normal debt service in HDC Capital Fund Revenue Bonds Series 2022A. Mr. Lesnoy asked if there are any questions on the Statement of Net Position before he proceeds.

Mr. Kaplan asked for clarification on a loan mentioned on Page 49 of the ACFR Booklet, specifically inquiring who "them" referred to. Mr. Lesnoy said the reference is likely to NYCHA but that he will verify that.

III. NYCHA Public Housing Preservation I, LLC ("LLC1"): Annual Comprehensive Financial Report (ACFR) for 2024

Mr. Lesnoy then introduced the complexities of LLC1's financials, explaining that NYCHA I Housing Development Fund Corp. purchased Wells Fargo's 99.9% interest in LLC1. NYCHA prepaid a mortgage as part of the transaction and issued a new \$20 million note to LLC1. He noted that NYCHA had also terminated ground leases with LLC1 for Frederick Samuel and Manhattanville developments. This led to debt forgiveness and asset transfers, resulting in a \$152 million gain on forgiveness of debt and a \$38 million loss in transfer of assets, both of which appear on LLC1's financial statements. However, these gains and losses are washed and come out to zero when consolidated into NYCHA's overall financial statements. Mr. Lesnoy explained that tenant revenue for LLC1 had increased by \$12 million due to improved rent collection estimates. Operating expenses decreased by \$22 million to \$219 million, largely due to PACT transactions where partial year expenses shifted to PACT partners. Subsidies increased by \$39 million, largely a result of \$23 million from Section 9 federal operating subsidy and \$14 million due

to increases in the Section 8 Housing Choice Voucher Program. Special items dropped from \$80 million in 2023 to \$27 million in 2024 due to the removal of the pollution remediation obligations relating to the 2 developments which converted to PACT.

Mr. Kaplan asked if such transactions were at risk under the current presidential administration. Mr. Lesnoy asked if Mr. Kaplan could be more specific; Mr. Kaplan said no other than wanting to make sure there is no attack coming from the current administration. Mr. Lesnoy said there was no impact on the 2024 statements but that there is uncertainty in the environment so he will defer this to Ms. Lescott- Martinez for broader context.

Ms. Strohmeyer mentioned that NYCHA had included disclosures about macroeconomic and federal uncertainties in the transmittal letter. Mr. Gonzalez expressed concern over Section 8 funding, and Mr. Kuo raised the issue of HDC bonds being collateralized by Section 8 subsidies, as is his understanding, and what happens if that collateral is removed and which entity – City, State, or otherwise – would guarantee those bonds.

Ms. Lescott-Martinez, having returned with NYCHA's treasurer, Mr. Andrew Dokos, addressed concerns regarding federal funding. She noted that NYCHA is closely monitoring the various funding bills and discussions happening on Capitol Hill and that President Trump's proposed budget included a 43% cut, or \$27 billion, to housing programs; elimination of smaller programs; and a consolidation of funding into one State Block Grant to be administered by each state without any detail about the formula to determine the value of each State Block Grant, which is unclear and discretionary. Ms. Lescott-Martinez emphasized that NYCHA is continuing to monitor this and that the proposal is unlikely to pass in its current form this year but stated that NYCHA is nonetheless taking it seriously, advocating for funding, and preparing contingency plans.

Mr. Kaplan commented that NYCHA should include such information in its financial statements. Ms. Lescott-Martinez confirmed that similar language was already in the transmittal letter and that Finance will keep the Committee abreast of this subject.

Mr. Kuo reiterated concerns about bond collateral and suggested NYCHA develop a backup plan in the event of a cutback in Section 8 funding. Ms. Lescott-Martinez agreed to take the recommendation under consideration for contingency planning purposes.

The discussion turned back to note disclosures. Ms. Lescott-Martinez introduced Treasurer Andrew Dokos, who was then included in the roll call for the meeting, to address Mr. Kaplan's earlier concerns about bond valuation levels. Mr. Dokos asked Mr. Kaplan for clarification on his question about the various bond levels. Mr. Kaplan responds that he is used to more detailed disclosures based on each level. Mr. Dokos agreed that he has seen that, especially in the private sector, and said they would consider expanding those in collaboration with our auditors next year. Mr. Kaplan thanked Mr. Dokos for this feedback.

With Ms. Lescott-Martinez's reminder, Mr. Kaplan re-raised the issue of marking bonds to market. Mr. Lesnoy and Mr. Dokos clarified that NYCHA does mark bonds to market in accordance with GASB 31 and had seen both losses and gains in different years based on interest rate movements. Mr. Dokos stated

that this is a good question and that we follow HUD guidance that frowns upon liquidating securities before maturity so we generally attempt to hold securities until maturity but there could be unique situations where we could need to liquidate even though we conservatively manage to avoid that position. Mr. Dokos provided more detail about a thorough review of same conducted last year, including many escrow deposits that were in a low-yield account which NYCHA bid out and increased the rate by about three and a half points, currently, on over \$100 million in assets held. And when we look at the cash position, that's how we determine whether to reinvest in these securities as they mature, which we've guarded very carefully, and as we get some additional funds in, we'll look into replacing some of those securities without going past the maximum three years per the basic HUD guideline. Mr. Kaplan stated that he understands this strategy.

Mr. Lee supported what Mr. Dokos stated by explaining references to Page 14 of the ACFR Booklet, noting fluctuations in fair market value from 2022 through 2024. Mr. Dokos added how the fluctuation of rates impacts NYCHA's strategy. Mr. Kaplan shared his background in investment banking and affirmed his understanding of rate fluctuations. Ms. Lescott-Martinez asked if he felt more comfortable with the explanation, to which he responded affirmatively.

Mr. Lesnoy resumed the presentation, reviewing further aspects of LLC1's balance sheet. He described decreases in cash and capital assets, reflecting the effects of PACT transactions and debt forgiveness related to same. He also reported progress toward dissolving LLC2, a dormant entity, and that we are close to a solution to begin to be executed during the latter part of 2025.

Regarding the New York City Public Housing Preservation Trust component unit of NYCHA, Mr. Lesnoy stated that it has minimal assets and liabilities, is not yet operational, and will be covered in the separate Trust Audit Committee being held on June 25, 2025, but that its financial statements are immaterial to the NYCHA financial statements as it has only a few million dollars in assets and a few million dollars in liabilities. Mr. Gonzalez asked Mr. Lesnoy to reiterate this point, which Mr. Lesnoy did.

Mr. Gonzalez asked whether future changes in financial statements would occur as developments transition from Section 9 to the trust, including whether the number of Section 9 units is finite. Ms. Lescott-Martinez explained that the trust could take up to 25,000 units under current authorization but that decisions beyond that are yet to be made.

Mr. Lesnoy confirmed that future changes would occur as trust transactions begin in 2026. Mr. Lesnoy concluded his presentation.

Mr. Kaplan concluded by noting that he had marked some typographical errors, which he would submit. Ms. Lescott-Martinez thanked Mr. Kaplan, noting that Finance always appreciates his mark-ups.

Mr. Brandow thanked Mr. Lesnoy, Ms. Lescott-Martinez, Mr. Lee, and the Committee Members, noting that the time is 11:24am, before asking for a motion to recommend approval of the financial statements.

Mr. Gonzalez moved, and the motion was seconded and then approved unanimously by the committee.

Mr. Brandow thanked everyone and confirmed that the motion had carried. He then introduced the next agenda item: The presentation of Deloitte's audit committee letter and management representation letter for the 2024 audit. He invited Ms. Strohmeyer and the team from Deloitte to begin their presentation.

IV. Deloitte's Audit Committee Letter (SAS 114 Letter) and Management Representation Letter for 2024 Audit

Ms. Strohmeyer began by expressing her gratitude to several individuals. She stated that the audit had started the previous year and was now in its final stages. She emphasized that the audit would not have been possible without the collective effort of her team. She introduced Tony Lim, a new Manager who has been leading day-to-day operations for this audit for the second year, and Senior Manager Darshan Patel for his important role on the compliance side with NYCHA. Ms. Strohmeyer additionally thanked other team members who were watching or working behind the scenes. She also extended her appreciation to the NYCHA team, including Ms. Lescott-Martinez, Mr. Lesnoy, and Mr. Lee for their support and for providing audit materials in a timely manner, which facilitate completion of the audit.

Before discussing the two letters distributed that morning, Ms. Strohmeyer briefly referenced the booklet which included the audit reports planned for issuance later in the month. These relate to the NYCHA consolidated financial statements and the LLC1 financial statements. She stated that both reports contained clean, unmodified opinions, consistent with prior years; the only notable change is an update in the "emphasis of matter" paragraph. Last year, the focus was on the adoption of GASB Statement 96; this year, it had been updated to reference GASB Statement 101. Readers would be directed to a footnote for further details on the adoption and its impact on the financials.

She then reviewed the audit results letter, reminding the Audit & Finance committee members that Deloitte was engaged to audit the financial statements of the New York City Housing Authority and NYCHA Public Housing Preservation 1 LLC for the year ended December 31, 2024. The audit was conducted in accordance with AICPA auditing standards and government auditing standards. Deloitte anticipates issuing the reports on or about June 20, 2025, pending the completion of final audit items with management's assistance.

Ms. Strohmeyer emphasized again that the only significant change in accounting policies for 2024 was the adoption of GASB 101 related to uncompensated absences, which has been discussed and disclosed in the financial statements. She confirmed that Deloitte is not aware of any other significant changes in previously adopted accounting policies or their application during the year.

Ms. Strohmeyer reviewed the accounting estimates and confirmed that Deloitte had examined the estimates and the related judgments. Some of these estimates were outlined in the final pages of their audit letter. Ms. Strohmeyer reported that there were no uncorrected or material misstatements brought to management's attention as a result of the audit procedures. There were some immaterial items discussed with management, which were either corrected or are in the process of being corrected before the financial statements' final issuance.

There were no disagreements with management and no significant difficulties encountered during the audit. Regarding control matters, Ms. Strohmeyer noted that Deloitte had identified a \$168 million accrual

adjustment, mainly related to capital items. This adjustment, now being recorded by management, will be reflected in the next version of the financial statements. She noted that this would result in a control deficiency, the severity of which had not yet been determined. She clarified that control deficiencies fall into three categories: Material weaknesses as the most severe, significant deficiencies, and deficiencies. While she was confident the issue would not rise to the level of a material weakness, it is still unclear whether it may be classified as a significant deficiency.

She assured the Committee that an update on the deficiency's classification would be provided at the next Committee Meeting in September 2025. Ms. Strohmeyer then referenced pages of the report, which highlighted key accounting estimates such as pension obligations, OPEB obligations, and claims liabilities.

She moved on to the management representation letter, explaining that under auditing standards, Deloitte is required to share it with the Committee. This document served as key audit evidence and needed to be received before the auditor's report could be issued. The letter was standard, similar to previous years, with date updates and GASB reference changes. Ms. Strohmeyer noted that management was reviewing the draft and might propose edits, which Deloitte would consider before finalizing the document.

She concluded her presentation by offering to answer any questions.

Mr. Gonzalez pointed out that one of the documents was unsigned and therefore not official as of yet. Ms. Strohmeyer confirmed that it is indeed a draft.

V. Recommend Approval of The Consolidated Annual Comprehensive Financial Report for 2024 To the Board

Mr. Brandow thanked Ms. Strohmeyer and clarified that the motion on the floor was to recommend approval of the audited 2024 financial statements to the Board, including the consolidated annual comprehensive financial report and LLC1's statements.

Mr. Gonzalez moved the motion, Mr. Kaplan seconded it, and the motion was carried.

VI. RSM Presentation – Proposed 2025-2027 Internal Audit Plan

Mr. Brandow opened the final agenda item for the morning, noting that the committee had been kept informed on the matter over several months. He reminded everyone that NYCHA awarded a contract to RSM US LLP in October 2024 to provide internal audit services for the agency. Engagement with RSM began immediately after the contract award, including a meeting with Committee Members. Mr. Brandow noted that RSM was responsible for developing a three-year audit plan, which was now being presented for the Committee's review and recommendation to the Board for approval. He invited Ms. Ewing and Ms. Watts of RSM to present the proposed 2025–2027 internal audit plan.

Ms. Ewing introduced herself and welcomed the opportunity to present. She described RSM as the fifth largest professional accounting firm, with her and Ms. Watts working exclusively in internal audit for government entities. Ms. Ewing leads RSM's internal audit services for government, while Ms. Murtha, who could not attend today's meeting, serves as the industry leader for government services at RSM. Ms.

Ewing emphasized that the team had taken time to understand NYCHA's structure and operations, engaging with leadership and departments to ensure a tailored and effective audit plan. She then discussed NYCHA's mission and explained how internal audit services would support the mission by providing independent, risk-based insights and feedback to enhance organizational value.

Ms. Ewing described the internal audit lifecycle, which includes risk assessment, audit planning, audit execution, remediation and follow-up, and quality control. She emphasized that RSM follows recognized standards, such as those of the Institute of Internal Auditors and the Yellow Book, and noted their methodology is not about "gotcha" auditing but rather about adding value to clients through insight and foresight gained from national experience.

Ms. Ewing then turned the presentation over to Ms. Watts, who described the risk assessment process. Ms. Watts explained that the team gathered both internal and external data, including review of audit reports, NYCHA's transformation plan, media coverage, and local statutes. They also leveraged their prior audit experience with similar agencies. Ms. Watts described that RSM's team conducted interviews with 36 executive leaders to discuss staffing and processes and deployed a web-based survey about many different departments within NYCHA that received 114 responses. This information was used to build a dynamic "risk universe" specific to NYCHA with risks categorized by likelihood and impact, which is an ever-changing document.

Ms. Watts described how the proposed three-year internal audit plan emerged from this risk assessment process. The plan categorizes audits to be conducted through the internal audit function as enterprise-wide audits, technology audits, or individual audits, and noted that the plan is intended to remain flexible with annual reassessments.

Ms. Ewing clarified that inclusion of an audit in the plan does not suggest anything is inherently wrong in that area. Rather, these were the focus areas that warranted attention based on suggested prioritization of resources.

Ms. Watts then summarized the presentation slides and opened the floor to questions.

Mr. Brandow thanked Ms. Ewing and Ms. Watts and asked the Committee if there are questions before moving to a motion.

Mr. Kaplan commented that the audit plan appeared more complex than anticipated and asked how many people are expected to be involved in this process. Ms. Watts responded that approximately ten (10) to twelve (12) departments have been identified as being part of the plan, though additional departments and people may end up being involved. Ms. Ewing added that RSM was careful to avoid "audit fatigue" and had consolidated audit subject matters to minimize the burden on departments.

Mr. Kaplan asked whether RSM coordinates with the external auditors; Ms. Ewing confirmed that such coordination is part of their methodology.

Mr. Kuo inquired about how audit priorities were determined. Ms. Watts explained the process was based on extensive feedback from leadership interviews and survey results. Ms. Ewing confirmed that RSM developed the plan through its internal methodology.

Ms. Lescott-Martinez asked why tenant rent collection was included as a 2026 individual audit, pointing out that other tenant-related areas might take precedence over rent collection given some of what has come

up in the Single Audit related to tenant files related to our compliance with HUD requirements. Ms. Watts responded that the inclusion was due to fairly significant outstanding rent balances and the risk associated with that, including that the rent collection audit would assess NYCHA's rent collection procedures; Ms. Watts added that the plan was flexible and can be adjusted based on feedback. Ms. Lescott-Martinez stated that given that NYCHA does not take payments in cash at property management offices, and the fact that most of the rent collection process is automated, perhaps there is audit work that can be done related to that but that there may be other areas related to tenant processes that warrant more internal audit attention.

Mr. Gonzalez then asked about the cost of the proposed internal audit plan. Ms. Ewing stated that the plan was developed within the budget allocation set in the existing contract with NYCHA. While she didn't have the specific dollar figure on hand, she advised that she could follow up with what the contract states. Mr. Gonzalez requested that the cost information be provided to all Committee Members and Ms. Ewing agreed.

Mr. Kaplan noted that most audit committees would not recommend such a contract without knowing the cost even if the Board had approved it. Mr. Brandow clarified that the contract had indeed been approved by the Board previously. Ms. Lescott-Martinez added that the Committee had previously discussed RSM's engagement and supporting documentation could be provided. Mr. Gonzalez requested that this information be distributed to the Committee Members, to which Ms. Lescott-Martinez and Mr. Brandow agreed.

Mr. Brandow again thanked Ms. Ewing and Ms. Watts and clarified that the Audit and Finance Committee does not have authority to approve contracts. Mr. Kuo responded that the Committee had in the past reviewed audit plans in detail and wanted assurance that the Committee Members would have opportunities to understand the scope of proposed audits. Mr. Brandow reiterated that RSM was previously selected with consultation of the Audit and Finance Commission and that the discussion at this meeting was part of that review process and the plan is now being presented for the Committee's recommendation to the Board.

Mr. Gonzalez stated that the Committee can recommend approval contingent upon receiving the requested information. Mr. Kaplan confirmed this approach, noting the only outstanding question is the cost of the internal audit work. Mr. Kuo added that he also would like more detail on the scope of each proposed audit as well as clarification on whether RSM intends to present reports to the Committee quarterly, annually, or otherwise.

Ms. Ewing responded that at the beginning of the internal audit plan, each audit area had clearly defined objectives. The specific contracts or departments to be audited would be scoped after approval of the proposed three-year plan. Each completed audit would result in a report containing an executive summary, methodology, findings, recommendations, and management's action plans.

Mr. Kuo asked if RSM intends to deliver reports to the Committee about the three 2025 audits scheduled to be conducted before year-end. Ms. Ewing confirmed that is the goal.

Mr. Kuo then asked what role the committee would play in reviewing those reports. Mr. Gonzalez stated the committee would read and review the reports, especially given the compressed timeline.

Mr. Kuo asked whether the committee would need to approve the audit reports. Mr. Brandow clarified that the Committee's role was to review the reports, not formally approve them. Mr. Gonzalez noted that

the Board had already approved the contract and the Committee's task is to examine findings and raise concerns if necessary.

Mr. Kaplan expressed concern that the Committee appears to have no official role beyond observation because the Board has exercised its authority to enter into the contract with RSM such that there is no motion here for any activity on the Committee's part. Mr. Brandow explained that the proposed audit plan aligns with previous discussions, is in accordance with standard auditing principles, and is in line with how audit plans are traditionally shared with the Committee for review and recommendation to the Board. Mr. Kuo emphasized that he believes the Committee needs clarity on how they will approve something if they don't know what the subject matter is.

Ms. Strohmeier responded by drawing a comparison between the internal audit plan being discussed and Deloitte's external audit plan. She explained that similar to how Deloitte presents its audit plan each year outlining areas of testing, significant risks, and the audit approach — the internal auditors from RSM had conducted a risk assessment and proposed a focus based on their professional judgment. Ms. Strohmeier emphasized that the Committee's primary responsibility was not just to approve the plan but to monitor it over time, ensuring that findings were followed up on and addressed in a timely manner by management.

Mr. Kuo raised a concern about the approval process. He questioned how the committee could approve the document — which includes audits for 2025, 2026, and 2027 — without fully understanding its contents.

Mr. Brandow responded that according to the Committee Charter, the role of the Committee is to review and recommend the audit plan to the Board. Mr. Kuo agreed that this was consistent with the Committee's role but he reiterated his concern about approving something without full clarity on the content. Mr. Kaplan replied to Mr. Kuo that this is a process they've engaged in previously with respect to external audits.

Ms. Strohmeier elaborated that the RSM team had conducted a risk-based assessment and identified areas that warranted focus — not necessarily because something was wrong but to ensure that systems and controls remained effective. She emphasized that findings from these audits would be shared with the Committee and that the Committee's role would be to ensure that management followed up appropriately. She acknowledged that plans may shift in response to emerging issues, with contingency hours built in to accommodate unforeseen events. Ms. Strohmeier compared it to Deloitte's own audit work, where the exact items tested aren't disclosed in advance, but results are ultimately presented to the committee.

Mr. Kuo acknowledged that Ms. Strohmeier's explanation makes sense.

Mr. Gonzalez asked for clarification on how the plan would unfold, starting with 2025 and continuing into 2026 and 2027, suggesting that the Committee would have opportunities to provide input along the way.

Mr. Kuo confirmed that this seems to be the case and Mr. Gonzalez added that this was the initial phase of input, and future updates would be based on audit findings.

Mr. Kuo summarized that what they were approving were potential audit topics — not final selections — and that they were also approving the audit process RSM followed to develop the plan. Mr. Brandow and Mr. Gonzalez both confirmed this.

Mr. Kuo clarified his understanding that the proposed plan is not a fixed plan, which Mr. Brandow reaffirmed.

Mr. Kuo stated that despite the fact that the Committee may not agree with a specific topic to be audited depending on priorities, he nonetheless agreed to second the motion to approve the proposed 2025-2027 internal audit plan.

Mr. Gonzalez added that moving forward, the Committee would continue to receive updates from RSM and that if the Committee were to identify any new priorities, those could be discussed at future meetings.

Ms. Ewing confirmed this, reiterating that the Committee would always hear the plan referred to as the “proposed internal audit plan,” not a finalized plan. She explained that the plan would evolve with changing conditions and emerging risks, especially for 2026 and 2027. Ms. Ewing stressed that RSM would continue to reassess its audit focus based on developments within NYCHA and beyond.

Mr. Kuo then also raised concern about the Committee’s workload, questioning whether reviewing internal audit plans and results would likely require additional Committee meetings and time commitments that the Committee would need to consider.

Mr. Lesnoy responded that this scope had historically been part of the Committee’s workload even though it dropped off in recent years. He reminded the Committee that we typically schedule four Committee Meetings annually, during which both the internal audit plan and audit results are covered. Many recent Committee Meetings, he noted, have taken less time than the scheduled two hours.

Mr. Brandow acknowledged the concern and noted that any adjustments to scheduling would be explored as needed but there are no immediate plans for changes.

Ms. Strohmeier suggested that in the future, the planning meeting might be scheduled earlier in the year, rather than mid-year as is the case now, since such a change could help manage the workload for committee members.

Mr. Gonzalez inquired whether Committee members could contact RSM with questions between meetings.

Ms. Ewing confirmed that they could.

Mr. Kaplan raised a legal concern, implying that reaching out to RSM between meetings might raise issues under open meetings laws.

Ms. Lescott-Martinez clarified that individual members of the Committee were indeed allowed to contact the internal and external auditors at any time. She explained that legal concerns only arise if the entire Committee communicates simultaneously, which could violate open meetings laws.

Mr. Gonzalez confirmed his understanding that individual outreach was permitted and Ms. Lescott-Martinez reiterated that such communication is allowed so long as it was not conducted with the full Committee. Mr. Gonzalez acknowledged the clarification and his understanding of same.

Mr. Kaplan reiterated a point he had raised in previous meetings, referencing the protocol followed by the New York City Audit Committee. He explained that, with approval from the Corporation Counsel’s Office

and independent counsel, the City Audit Committee holds executive sessions during which microphones are turned off, and auditors are engaged in executive session discussions. Mr. Kaplan expressed his preference for adopting a similar approach at this audit committee, stating that it would be beneficial and could simplify the Committee's work. He remarked that if the City Audit Committee could implement such a procedure, there is no reason this Committee could not as well.

VII. Recommend Approval of the Proposed 2025-2027 Internal Audit Plan to the Board

Mr. Brandow thanked Mr. Kaplan and everyone for their comments and proceeded to conclude the discussion on the internal audit plan by reiterating that a motion was now in order to recommend the approval of the Proposed 2025-2027 Internal Audit Plan to the Board.

Mr. Gonzalez moved the motion, which was seconded by Mr. Kuo before being carried.

Adjournment

Mr. Brandow thanked everyone for their participation and, following a question from Mr. Gonzalez about whether anything further is being presented, Mr. Brandow confirmed that all business for today's meeting has been concluded and he accordingly requested a motion to adjourn the meeting based on the understanding that the Committee will be provided with the information they requested.

Upon such motion 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 Friday, September 5, 2025, at 10:00am, and that he looks forward to seeing everyone again then. He concluded by stating the current time of 12:14pm and that the meeting is officially adjourned.