



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

Minutes of Audit & Finance Committee Meeting
September 5, 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
Pakon Ho, Deputy Director, Financial Accounting & Reporting Services
Maria Perez, Deputy Director, Financial Accounting & Reporting Services
Judith Francis, Assistant Director, Financial Accounting & Reporting Services
Roger Shields, Chief Information Security Officer
Suleima Crosby, Senior Director, Leased Housing-QA& Performance Management
Jason E. Goldberg, Director & Chief of Corporate Affairs, Legal Affairs
Cassiah M. Ward, Chief Compliance Officer
Jennifer Murtha, Partner, 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
Molly Chester, Consultant
Mohinder Singh, Consultant

A meeting of the Audit & Finance Committee (“AFC”) of the New York City Housing Authority (“NYCHA” or the “Authority”) was held on Friday, September 5, 2025, at 10:01am.

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 June 12, 2025, 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 June 12, 2025, AFC Meeting.

II. Review of Single Audit Report for Fiscal Year 2024:

Mr. Brandow thanked the group and confirmed that the motion had been carried. He then proceeded to the next agenda item, introducing the Deloitte presentation on the 2024 Single Audit. He handed the floor over to Ms. Strohmeyer and her team for the presentation.

Ms. Strohmeyer greeted the attendees and began by outlining Deloitte's progress related to the December 31, 2024, Single Audit for NYCHA. She explained that her presentation would cover both the audit report and the set of financial statements, as it made the most sense to discuss them together in that context. She reminded the committee that, as part of the 2024 Single Audit, Deloitte would issue three reports.

The first report pertained to the independent auditor's opinion on the financial statements, which had already been reviewed by the committee at the June 12, 2025, meeting and had subsequently been issued. These financial statements would be included in the final Single Audit report for 2024 but were not part of the current meeting materials, as they had already been reviewed. The current materials only included the Single Audit compliance information related to grants. Ms. Strohmeyer noted that the original opinion issued in June would be reissued within this report to reference government auditing standards—essentially the same clean opinion but updated to reflect the second set of standards followed during the audit.

The second report would focus on internal control over financial reporting and compliance and other matters, based on an audit conducted in accordance with government auditing standards. Often referred to as the "Yellow Book" or internal control report, this document would include two significant deficiencies identified during the audit. Ms. Strohmeyer stated she would discuss those in more detail later when reviewing the management letter's comments.

The third report to be issued would cover compliance for each major federal program, internal controls over compliance, and the schedule of expenditures of federal awards, as required by uniform guidance. Ms. Strohmeyer clarified that this was essentially the grant compliance report. Additionally, Deloitte would issue a separate Real Estate Assessment Center ("REAC") agreed-upon procedures report, which is mandated by HUD.

Regarding the timeline, Ms. Strohmeyer noted that the team was still in the process of completing audit procedures, with the goal of issuing and uploading all reports to the Federal Audit Clearinghouse by September 30, 2025.

Ms. Strohmeyer then provided an overview of the scope of federal expenditures for 2024. NYCHA had approximately \$4.6 billion in federal expenditures across about a dozen programs. Deloitte's audit focused on selecting major programs to test based on established thresholds and risk factors. For 2024, Deloitte audited four major programs, covering \$4.5 billion in expenditures—approximately 97% of the total.

The programs selected for testing were:

1. The Public and Indian Housing Program
2. The Public Housing Capital Fund Program
3. The Housing-Related Hazards and Lead-Based Paint Capital Fund Program
4. The Housing Voucher Cluster

At the time of her presentation, Ms. Strohmeyer confirmed that Deloitte had not identified any material weaknesses related to the financial statement audit. However, there were two significant deficiencies that would be included in the Yellow Book report. In terms of grant compliance, Deloitte had identified one material weakness and one significant deficiency, both of which she intended to discuss in further detail. Ms. Strohmeyer emphasized that the audit procedures were still ongoing, particularly for certain programs.

As of that moment, the audit had identified:

- One material weakness related to grants;
- One significant deficiency; and
- Two low-level deficiencies.

The material weakness concerned the lead paint issue, a matter that had been recurring for the past three to four years. Ms. Strohmeyer confirmed that it would continue to appear in this year's report as the sole material weakness. Due to this finding, the grant auditor's report—the third report she had described—would include a qualified opinion on the special tests related to this program.

Ms. Strohmeyer clarified the structure of that third report, noting that with four major programs and roughly six compliance tests per program, the report effectively contained around 24 separate opinions. Of those, only one would be qualified due to the material weakness; the remaining 23 would be clean, unmodified opinions.

Mr. Gonzalez sought clarification regarding a specific issue. He asked whether the change in testing protocols, particularly the requirement to redo inspections—would be included in the audit findings, or if that was already incorporated into the broader audit. He was referring to a change in testing standards, though the specific term used was not clearly audible.

Ms. Lescott-Martinez responded, asking if Mr. Gonzalez was referring to the updated standards for lead-based paint testing.

Mr. Gonzalez confirmed that was correct.

Ms. Lescott-Martinez then asked if Mr. Gonzalez was inquiring about the impact of the (City)lead-based paint standards being lowered, to which Mr. Gonzalez again responded affirmatively. She further clarified that this change had resulted in the need to retest some of the housing units that had already been inspected.

Mr. Gonzalez added that he wanted to confirm whether the expenditures related to that retesting were included in the audit.

Ms. Strohmeyer explained that if any of those costs were funded by federal grant dollars, they would be included in the Schedule of Expenditures of Federal Awards ("SEFA"), which totaled approximately \$4.6 billion. She clarified that such expenditures would have been subject to Deloitte's testing procedures. At that time, she stated there was no specific audit finding related to the change in testing thresholds but reiterated that any federally funded expenditures would be included in the SEFA.

Mr. Gonzalez thanked her, and Ms. Strohmeyer acknowledged his thanks and continued with the presentation.

Ms. Strohmeyer clarified that the previously mentioned material weakness pertained to the Public and Indian Housing Program, specifically relating to special tests and environmental contaminants testing and remediation.

Ms. Strohmeyer then detailed the three other deficiencies identified. One was a significant deficiency, and the remaining two were categorized as lower-level deficiencies. All three were tied to the same process and related to missing documentation needed to support Deloitte's testing. In total, 60 case files were sampled, and deficiencies were found in the form of missing eligibility documentation and related forms.

Two of the findings involved eligibility documentation, while the third related to special performance. The reason one was classified as a significant deficiency rather than a lower-level deficiency was due to the volume of missing documentation. In that case, over 50% of the sampled files were missing necessary documents, which led Deloitte, based on professional judgment and severity assessments, to elevate the issue.

Mr. Kuo then posed a question regarding the special performance compliance deficiency. He asked whether the technology used by tenants to input data into the Siebel system was accessed and operated independently by tenants or whether that process was supervised by Public Housing Authority (“PHA”) directors.

Ms. Lescott-Martinez responded by noting that a representative from the leased housing team was present and would be best suited to answer that specific operational question.

Ms. Crosby greeted everyone and addressed the question at hand. She explained that both applicants and tenants directly input their information into the system through what is called the self-service portal. Regarding the files where material compliance was not met, she clarified that these were aged files, created before the implementation of the current system. At the time of the changeover to the Siebel system in 2010, there had been a major backfile conversion. However, it wasn’t clear which files would transfer successfully, and many did not. The documents in question were hard copies, some dating back to the 1990s or early 2000s, and were created under a different system, making them unavailable in the current one.

Mr. Kuo expressed concern about the current files rather than the older ones. He questioned whether NYCHA verified the accuracy of the information tenants submitted, such as income or household composition.

Ms. Crosby responded affirmatively.

Mr. Kuo then asked whether these details were being double-checked by NYCHA to ensure their accuracy and to prevent fraud.

Ms. Crosby again confirmed that they were.

Ms. Lescott-Martinez then asked Ms. Crosby to provide more context to the process for Mr. Kuo. Ms. Crosby explained that when new applicants entered the program, they completed an application and submitted documentation. The process involved determining eligibility based on income, household composition, and other criteria such as citizenship or immigration status. Only after passing this eligibility stage would an applicant be issued a voucher, allowing them to search for housing.

Mr. Kuo then inquired whether this process was supervised by the PHA director on-site or handled centrally. Ms. Crosby clarified that she could speak for the Section 8 program. Mr. Kuo confirmed he was referring to Section 8.

Ms. Crosby explained that for Section 8, there are satellite offices in Brooklyn, the Bronx, and Manhattan. Housing assistants served as the front-line staff managing these cases. The cases were reviewed by assistant managers and managers, and a quality control department conducted sample reviews to ensure compliance with standards.

At this point, Mr. Gonzalez stepped in to clarify. He stated that there were three ways for residents to submit their information: They can use the online portal themselves, get assistance at their management office, or visit a help station in locations such as the Bronx or Brooklyn. He also noted that paperwork could be submitted by mail.

Ms. Crosby added that if tenants or applicants chose to mail in documents, the documents would be received and scanned into the system. She clarified that management offices were specific to public housing, not Section 8. For Section 8, individuals would need to visit one of the satellite offices in the Bronx, Brooklyn, or Manhattan.

Mr. Gonzalez then asked what would happen if an applicant submitted a document that later turned out to be missing. Suppose it was the only copy they had, and they had already handed it over for scanning. Would the applicant be given a grace period to resubmit the missing document?

Ms. Crosby explained that the process in question was referred to as the Additional Information Request process. She stated that when required, the agency would send a letter or reach out by phone to the applicant. If the applicant indicated that they needed time to obtain the necessary documentation, they would be given additional time.

Mr. Gonzalez confirmed that the time provided would be reasonable.

Ms. Crosby responded that it would be at least 30 days.

At that point, Mr. Brandow thanked Ms. Crosby for her input and, before concluding, asked her to restate her name and title for the record.

Ms. Crosby identified herself as Suleima Crosby, Senior Director for Quality Assurance and Performance Management under the Leased Housing Department. Mr. Brandow thanked her again.

Mr. Kuo then brought up another question related to public housing. He asked whether, in cases where eligibility forms could not be found or were not provided — resulting in an inability to determine whether participants met all the eligibility criteria — if such instances represented a high or low percentage of the total cases.

Ms. Crosby asked for clarification, unsure whether the question pertained to public housing or Section 8.

Mr. Kuo clarified that he was referring to the Eligibility Deficiency Compliance for Public and Indian Housing, referencing page 173 of Deloitte's draft audit report.

Ms. Crosby asked whether that finding was related to Section 8 or public housing.

Ms. Lescott-Martinez clarified that the question was about public housing.

Upon hearing this, Ms. Crosby responded that the issue fell outside of her area of responsibility.

Mr. Kuo acknowledged the earlier discussion had been about Section 8 and reiterated that he was now requesting information specifically about public housing records.

Ms. Lescott-Martinez noted that, unfortunately, no representative from the Public Housing Tenancy

Operations group was present. She offered to direct the question to Ms. Patel, who would attempt to respond. If not possible, the team would follow up with the Committee afterward.

Mr. Gonzalez asked for clarification on the exact question being posed.

Mr. Kuo explained that it pertained to eligibility documentation referenced on page 173. Since public housing represented the largest funding category for NYCHA, he wanted to know whether the missing eligibility form data—10 missing forms—was based on a sample size, and if that sample included 60 files.

At this point, Ms. Amita Patel provided context. She explained that 60 case files were selected, with different types of forms pulled from those files. In total, there were 540 pieces of documentation reviewed. Of those, 10 documents were missing.

Mr. Kuo acknowledged that this meant the issue was relatively small. Ms. Amita Patel agreed, noting that the results were consistent with the previous year, when a comparable number of missing documents was reported.

Mr. Kaplan then confirmed he had the same question as Mr. Kuo. He clarified that his interpretation was that the inability to determine eligibility applied only to the cases where documentation was missing—limited to those 10 instances.

Ms. Patel added that they could elaborate further if needed, but confirmed the issue was limited to 10 documents out of the 540 that had been sampled.

Ms. Lescott-Martinez suggested that Deloitte might be able to elaborate further, particularly on the phrasing that stated, “we were not able to determine,” as that language appeared to come directly from Deloitte’s reporting.

Ms. Strohmeyer explained that the findings were based on a sample selection process. She noted that the sample was drawn from a much larger universe of files, and the results could be extrapolated to estimate the potential number of impacted tenants or files. However, she clarified that the only definitive way to determine the actual impact would be to conduct a full review of all participant files in the program. For the testing procedures, they had selected 60 case files, and within those, 10 files were found to be missing some form of documentation. Ms. Strohmeyer emphasized that each of the 60 files contained multiple documents, and in total, over 540 pieces of documentation were reviewed to support eligibility. Out of those, 10 individual pieces of information were missing.

Ms. Lescott-Martinez asked a follow-up question, inquiring whether the 10 missing forms corresponded to 10 individual families or if they were spread across fewer families. She clarified that just because 10 forms were missing, it didn’t necessarily mean that 10 separate cases were deficient.

Ms. Strohmeyer agreed with the need to clarify that point and Mr. Patel confirmed that Deloitte could provide further information on that detail.

Mr. Kaplan then asked how significant the missing forms would need to be before they became a major concern. He suggested that if only 10 were missing, it implied the rest of the files were in good order.

Ms. Strohmeyer responded that the assessment was ultimately a judgment call. She said that once 25 to 30 documents were missing, it usually led to a discussion about whether to escalate the issue. However, she added that this finding was consistent with the prior year, which had shown a similar number of missing

eligibility forms. Because the sample size and missing documentation figures were comparable, the team maintained the same classification: a deficiency.

Mr. Kaplan referenced paragraph 4 in the report, which concluded that the effect could result in the housing authority being considered non-compliant.

Ms. Strohmeier acknowledged the point and added that although there had been no indication from the housing authority that it considered the finding severe, it was still possible—though not likely—that missing the required documentation could lead to funding reversals, especially if the missing records violated grant agreement terms. Therefore, she advised that it was in NYCHA’s best interest to ensure that, moving forward, all required documentation was properly maintained in accordance with HUD and grant requirements.

Mr. Kaplan then asked whether there was any estimate of the financial value or dollars tied to the missing forms.

Ms. Strohmeier indicated there was no direct calculation available.

Mr. Kaplan followed up, suggesting that while the number of missing forms might not be statistically significant, the dollar amount could still be substantial.

Ms. Lescott-Martinez offered some context, explaining that, on average, NYCHA could receive about \$12,000 in annual operating subsidy per family. However, she noted that without knowing how many families the 10 missing forms were connected to—or how long those families had been in the program—it was difficult to estimate the financial impact. For instance, if the missing documentation dated back several years, it could potentially call into question multiple years of funding. She emphasized that more information would be needed to provide a clear answer.

Mr. Brandow asked whether there were any further questions.

Mr. Kuo raised another issue, questioning whether the missing eligibility documentation might be connected to the high rates of unpaid rent. He speculated that if tenants were not filling out income eligibility forms, this could affect rent collection, particularly if there were gaps in verifying income data. He wondered if there might be a procedural link between documentation and non-payment outcomes.

Ms. Lescott-Martinez responded that she couldn't speak directly to that point and suggested someone else might be better positioned to address it.

Mr. Gonzalez offered to respond. He explained that the non-payment issues typically stemmed from tenants who were already certified but were simply not paying rent. The recertification process helped clarify tenants’ income and other details, but the main issue involved residents who were already part of the system and had fallen into arrears.

Mr. Kuo pressed the point further, suggesting that if a tenant refused to provide income information—leading to a missing form—then the housing authority would be unable to collect rent from that person.

Mr. Gonzalez acknowledged that such a situation would involve a different set of procedures and processes, indicating that non-cooperation with income reporting would trigger a separate response from NYCHA.

Mr. Kuo inquired about the specific process for addressing missing eligibility information, seeking clarity on how such cases were remediated.

Ms. Lescott-Martinez acknowledged the question and agreed that it was an important one. However, she noted that representatives from the Public Housing Tenancy Administration were not present at the meeting and thus could not respond directly.

During some crosstalk, Mr. Gonzalez stepped in to offer insight based on his observations from Section 8 over the past four to five years. He explained that tenants typically receive multiple letters in the mail requesting that they submit the necessary documentation. These letters often include offers of assistance. If tenants fail to respond after a certain amount of time, they are asked to come in for a meeting. Eventually, failure to provide required documentation could impact their subsidy.

Mr. Kuo asked for clarification, confirming that Mr. Gonzalez was referring to Section 8 subsidies. Mr. Gonzalez confirmed this and emphasized that while tenants could be removed from the program for non-compliance, the agency made every effort to obtain the required documentation before taking such steps.

Mr. Kuo then asked whether these communications were provided in multiple languages, such as English, Spanish, or Chinese.

Ms. Lescott-Martinez responded that NYCHA generally makes the best efforts to provide forms and mailings in various languages. She added that there are also systems in place allowing applicants and tenants to request translation and language support services.

Mr. Kuo thanked the group for the clarification, and Mr. Brandow also extended his thanks to the vice chair for contributing to the discussion.

Mr. Kaplan shifted the conversation to a related issue found on page 178 of the report, which also dealt with missing documentation. He noted that although the sample size was small, the problem remained similar.

Ms. Strohmeyer confirmed that the issue mirrored previous ones and said the report could be modified to clarify exactly how many families were impacted in each issue. Mr. Kaplan agreed, noting that without clarification, the reader might assume the issue was more significant than it was. He pointed out that while the number eight might appear small, in the context of a sample, it could seem large.

Ms. Strohmeyer elaborated that for this grant, 540 documents were reviewed across 60 case files, and eight documents were found to be missing. Mr. Kaplan referenced the report's statement about NYCHA making its best efforts to maintain documentation and asked how small the number of missing documents would need to be for those efforts to be considered successful.

Ms. Strohmeyer responded that the ideal number was zero, explaining that compliance in these matters was generally considered a black-and-white issue.

Mr. Brandow asked if there were any further questions, then indicated the discussion could return to Ms. Strohmeyer.

Ms. Strohmeyer proceeded to explain that they were still in the process of completing test work for the Single Audit. The current slide on display showed that testing remained ongoing for four compliance

requirements across two grant programs as below:

New York City Housing Authority

Pending Items

Deloitte's testing of the following compliance requirements is still in process. Upon completion of our testing if the result is a finding(s), we will communicate such finding(s) to this committee.

ALN #14.850 - Procurement (Public Indian Housing - Operating)

ALN #14.871 – Allowable Costs (Section 8)

ALN #14.871 – Special Tests and Provisions related to Reasonable Rent

ALN #14.871 - Special Tests and Provisions related to Rolling Equity

REAC

Specifically, they were waiting for additional documentation to support procurement testing under the Public and Indian Housing Operating Program. For Section 8, they were still testing allowable costs and two special tests—one related to reasonable rent, and the other to rolling equity. She informed the committee that because testing was not yet complete, additional findings could still emerge. If so, the committee would be notified of any issues and their severity.

Mr. Kuo followed up with a question about the audit schedule. He noticed that FEMA was listed in the Schedule of Expenditures, alongside the Indian Public Housing and Section 8 programs. He asked whether FEMA funds had been audited this year.

Ms. Strohmeyer responded that FEMA had not been audited this year but had been in previous years. She explained that for Type A programs—those with higher dollar amounts—auditors are required to test them every three years, unless specific risk factors or findings suggest more frequent review. While there's no formal rotation for Type B programs, they also try to include those within a three-year cycle. Because the FEMA program had been tested within the past three years and had shown no significant findings, it was not selected for testing this year.

Mr. Kuo acknowledged the explanation and asked a second question—why funding related to Superstorm Sandy was still listed, considering the storm occurred years ago.

Mr. Gonzalez interjected with a humorous remark, suggesting that FEMA likely hadn't finished paying NYCHA yet. Ms. Lescott-Martinez clarified that NYCHA was still in the process of spending down Hurricane Sandy recovery funds and continued to receive related funding. When Mr. Kuo asked for the date of the hurricane, Ms. Strohmeyer confirmed that it occurred in 2012.

Mr. Kuo expressed surprise that funding and repairs were still ongoing 13 years later. Ms. Lescott-Martinez explained that it took several years for NYCHA to be awarded the funding, and the agency had been working through it ever since.

As the discussion continued, Mr. Kaplan shifted focus to a related issue. He referenced a recommendation stating that the housing authority should ensure all environmental contaminants are properly remediated during the audit period. Mr. Kaplan pointed out that, in reality, this was not happening.

Ms. Strohmeyer acknowledged the discrepancy but clarified that the recommendation was based on the requirements outlined in the grant agreement. She emphasized that their recommendation simply aligns with those obligations.

Mr. Kaplan pressed the issue further, pointing to a subsequent paragraph that described additional steps and timelines required for proper remediation. He argued that the recommendation should reflect those practical constraints—perhaps stating that remediation should occur in accordance with the schedule—since the current language implied an unrealistic expectation.

Ms. Strohmeier agreed that there was a disconnect but reiterated that the recommendation must be consistent with the wording and intent of the grant agreement. She explained that this misalignment was precisely why the issue continued to appear as a material weakness in the audit findings.

Mr. Kaplan highlighted the language in the report, which stated that environmental contaminants must be "properly remediated." He stressed that the team already knew this wasn't happening, so continuing to make the same recommendation appeared contradictory.

Ms. Strohmeier responded that the audit team was obligated to recommend compliance with the grant agreement, even if it didn't align with the actual pace or capacity of management's remediation efforts. She acknowledged the broader challenge, noting that while the language in the grant agreement required remediation during the audit period, this often wasn't feasible in practice. That, she concluded, was why the finding had remained unresolved for several years.

Mr. Kaplan noted that Paragraphs 6 and 8 appeared inconsistent upon comparison.

Ms. Strohmeier agreed, explaining that in 2019, NYCHA, the New York State Senate, and HUD entered into a HUD agreement that allowed 20 years to eliminate all lead-based paint in their housing. She pointed out that this timeline was inconsistent with the original grant agreement, which required that all environmental contaminants be properly remediated within the audit period—defined as annually.

Mr. Kaplan argued that the requirement to fully remediate environmental hazards during the audit period made no practical sense, since paragraph 8 of the agreement effectively stated that it wasn't achievable within that timeframe.

Ms. Strohmeier responded that she was only responsible for paragraph 8 and could not comment on paragraph 6. Mr. Kaplan added that having one paragraph consistent and another inconsistent did not reflect a sound approach. Mr. Brandow acknowledged the concern and suggested they would take the point under advisement.

Mr. Kuo proposed that they clarify the HUD agreement explicitly, stating that compliance was expected over a defined period, potentially 10 years—and that full compliance was not required immediately.

Mr. Gonzalez confirmed this understanding.

Mr. Kuo continued, suggesting that this clarification should be clearly stated to acknowledge that full compliance would not be achieved within the current year but was not required until later under the HUD agreement.

Ms. Strohmeier agreed that Mr. Kuo's suggestion made sense.

Mr. Gonzalez added that including an explicit statement would help clarify the expectations and ensure accountability was appropriately addressed.

Ms. Strohmeier confirmed she could include a specific sentence reflecting that point in paragraph 8.

Mr. Kaplan referenced a line near the end of page 72 that touched on the issue, but noted it wasn't explicit enough. He pointed out some inconsistencies in formatting as well—for example, "lead" was capitalized in paragraph while "mold" was consistently lowercase.

Mr. Brandow acknowledged the formatting issue and said they would review it again. He also expressed appreciation for the earlier recommendations.

Mr. Brandow then turned the conversation back over to Ms. Strohmeier.

Ms. Strohmeier continued, but was interrupted by Mr. Gonzalez, who raised a separate issue. He referred to a handout and asked about a section titled "special tests and provisions related to reasonable rent," noting that current residents might disagree with the term "reasonable."

Ms. Strohmeier asked which page he was referring to.

Mr. Gonzalez clarified he was referencing a small handout, item number 14.871—the third item listed.

Mr. Patel responded, explaining that "reasonable rent" was one of HUD's special test requirements. HUD required auditors to verify that reasonable rent calculations were conducted for tenants.

Mr. Gonzalez asked if those numbers had been reviewed yet.

Mr. Patel explained that samples had been selected and documentation was being gathered to support those calculations.

Mr. Kaplan then brought up a separate point, recalling that issues related to small-scale corruption at various levels were addressed in the prior fiscal year.

Ms. Strohmeier confirmed that they had reviewed that matter, which had also made the news the previous February. Ms. Strohmeier confirmed that her team had increased their procedures around small purchases and the procurement process during the audit—not only during the current year but also the previous one.

Mr. Kaplan asked whether Ms. Strohmeier was now satisfied that the problem had been addressed as best as possible.

Ms. Strohmeier responded affirmatively. She noted that there had been conversations with management and mentioned that several recommendations—possibly 12 or 13—had come out of that process. Her team had also performed test work and based on the results, were satisfied with the outcomes. As far as compliance matters related to that issue, there were no further findings to report.

Mr. Kaplan then inquired how many people had lost their jobs as a result of the issue.

Ms. Strohmeier replied that while she was aware of what had been reported in the media, she wasn't sure how widespread the impact had been.

Mr. Kaplan explained that he was simply trying to understand the level of impact.

Ms. Strohmeier stated she didn't have that number readily available but offered to follow up. She added

that many of the matters were still pending in court.

Mr. Kaplan acknowledged her response and then noted that he had found some typos in the report.

Before the conversation continued, Mr. Kuo interjected with a question regarding page 169 of the report. He asked what the phrase “quantity qualified as low-risk audit” meant.

Ms. Strohmeyer explained that in the past, audits were categorized as either “high-risk” or “low risk.” However, current standards now differentiate between “low-risk” and “non-low-risk” audits. She stated that housing authorities or other governmental or nonprofit agencies receiving federal funding must meet specific criteria to be considered low risk.

Ms. Strohmeyer continued, noting that if an entity qualifies as a low-risk auditee, auditors are only required to test 20% of total federal expenditures. In contrast, non-low-risk audits require 40% to be tested, which significantly increases the auditor’s workload. However, in NYCHA’s case, she pointed out that her team was already testing 97% of expenditures, so the risk designation had minimal impact on effort. Still, she noted that due to existing material weaknesses and repeated program qualifications over several years, NYCHA did not qualify as a low-risk auditee.

Mr. Kuo acknowledged her clarification.

Mr. Kaplan asked what the consequences were of being designated a non-low-risk audit on page 169.

Ms. Strohmeyer responded that, in her experience, there weren’t many. She had several clients with repeat findings, including material weaknesses and significant deficiencies. While it could theoretically impact funding, she said she didn’t often see that happen. She then invited others to contribute if they had anything to add.

Ms. Strohmeyer thanked the group and indicated that, unless there were more questions on the Single Audit, the discussion covered tabs three and four in the booklet related to Single Audit findings and progress. She reiterated that more testing was still being conducted and the final reports were expected to be issued by the end of September 2025.

Mr. Kuo raised a new question. Referencing recent newspaper reports, he mentioned that FEMA was facing funding challenges and that the federal government was considering shifting some responsibilities back to the states. He asked whether this presented a high risk for NYCHA in the future, specifically in terms of FEMA funding.

Ms. Lescott-Martinez responded, stating that she only knew what had been reported in the media. NYCHA had not received any explicit communication from the federal government or FEMA about potential changes. She acknowledged that, generally, funding was uncertain—but at this point, all funding could be considered uncertain.

Mr. Kuo followed up with another question. He asked about the recurring references to “low income” in the document and wanted to understand the difference between “low income” and “very low income” in terms of NYCHA tenant eligibility.

Mr. Brandow clarified that the terms referred to different income thresholds based on HUD’s calculations of Area Median Income (“AMI”), which vary by county and region. He noted that these definitions

followed HUD guidelines.

Ms. Lescott-Martinez added that, generally, “low income” refers to households earning around 30% of the AMI, while “very low income” typically means 50% of AMI. She emphasized that the exact definition depends on geography and household size.

Mr. Kuo asked for the actual dollar range for these categories.

Ms. Lescott-Martinez replied that she didn’t have the specific figures at hand.

Mr. Gonzalez chimed in, explaining that the amount a tenant pays is based on what they can afford. For example, if rent is \$50 and the tenant can only pay \$5, the remaining \$45 is covered by the subsidy program. He pointed out that while the rent calculation is consistently based on 30% of income, the actual dollar amount can vary significantly depending on the tenant’s income level.

Ms. Lescott-Martinez added that NYCHA could provide the exact dollar amounts for specific household scenarios upon request.

Mr. Kuo clarified that he was simply looking to understand the general income range of NYCHA tenants. He asked if someone earning \$100,000 could still live in public housing.

Ms. Lescott-Martinez explained that, technically, over-income families can remain in NYCHA housing, though there are different rules regarding how much rent they must pay. She reiterated that the team could follow up with exact income thresholds and dollar values.

Mr. Gonzalez then mentioned that a new program was being developed for higher-income residents in NYCHA. He couldn't recall the program’s name at the moment.

Mr. Kuo commented on the varying price ranges.

Ms. Lescott-Martinez thanked everyone for their thoughtful questions.

Mr. Kaplan raised a final question regarding the internal controls report. He asked how the newly hired internal audit group, which he described as “expensive,” fit into the oversight of internal controls.

Mr. Brandow acknowledged that Mr. Kaplan’s question served as a perfect segue into an upcoming agenda item. He mentioned that Ms. Murtha from RSM, who was present and scheduled to speak shortly, could touch on the topic briefly.

III. Recommendation for Approval of the Single Audit Report for the Fiscal Year 2024 to the Board:

Mr. Brandow thanked Ms. Strohmeier and her team from Deloitte for their presentation. He then addressed the chair, asking for a motion to recommend the approval of NYCHA’s 2024 Single Audit report to the Board.

Upon motion duly made by Mr. Gonzalez contingent on receiving answers to outstanding questions and seconded by Mr. Kaplan, the AFC unanimously approved the motion to recommend the approval of NYCHA’s 2024 Single Audit report to the Board.

With the vote complete, Mr. Brandow transitioned to the next agenda item—the management letter of comments for 2024—and turned the discussion over to Ms. Strohmeier.

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. Strohmeier and the team from Deloitte to begin their presentation.

IV. Review of Deloitte’s Report to Management for Year Ended December 31, 2024:

Ms. Strohmeier began by explaining that, as part of Deloitte’s 2024 audit of NYCHA’s financial statements, they had identified two significant deficiencies and three low-level deficiencies. She stated she would begin by addressing the two significant deficiencies, both of which related to capital assets.

The first significant deficiency concerned NYCHA’s year-end accrual procedures. Ms. Strohmeier explained that as part of Deloitte’s test work, they examined whether any goods or services related to fiscal year 2024—but invoiced or paid in 2025—were properly recorded as liabilities and included in capital asset balances. Through procedures commonly referred to as a “search for unrecorded liabilities,” the audit team found that several items had been omitted from NYCHA’s original accruals. After discussions with management, a large adjustment of approximately \$167 million was recorded in the financial statements to correct this issue.

While management did ultimately make the necessary correction, the auditors concluded that the controls around year-end accruals for capital assets needed to be strengthened to avoid similar issues in the future. Ms. Strohmeier noted that NYCHA management had begun developing new and enhanced procedures for accruals moving forward and were still in the process of finalizing those plans for fiscal year 2025 and beyond.

The second significant deficiency involved GASB 49-related expenses, which pertain to pollution remediation and environmental contaminant-related costs. According to GASB 49 standards—which have been in place for at least a decade—such expenses must be expensed immediately, not capitalized.

Ms. Strohmeier explained that during audit testing, her team found pollution remediation expenses incorrectly included in capital assets. While she understood that tracking these items as capital assets might make sense for internal project management purposes, from a financial reporting perspective, such costs should not appear on the balance sheet but rather be reported as expenses on the income statement. Deloitte worked with management to make sizeable adjustments to correct this issue in the 2024 financial statements. Ms. Strohmeier emphasized that the review process for capital asset classifications needed to be improved, particularly to identify and remove ineligible GASB 49 expenditures.

Due to their significance, the two issues were classified as significant deficiencies and will be included as findings 5 and 6 in the final Single Audit report, along with management’s responses. Ms. Strohmeier offered to answer any questions at that point.

Mr. Kaplan asked a straightforward question: given the volume and seriousness of these issues, what was being done internally to prevent recurrence?

Mr. Brandow responded by reiterating that these and other internal control matters were addressed as part of NYCHA’s three-year internal audit plan (FY 2025–2027), which had already been reviewed and approved by the board. He then invited additional commentary.

Ms. Amita Patel elaborated on the internal efforts. She explained that NYCHA was working on enhancing internal control policies and procedures by identifying key controls across five core areas. Specifically, regarding year-end accruals, she outlined a multi-pronged approach:

- Expanded review of post-year-end invoices and entries to ensure that any 2024 expenses are accurately recorded in the 2024 financials.
- Detailed trend analysis, which involves reviewing historical accruals and vendor payments from the past three years to estimate any missed entries.
- Procedure updates, currently underway through staff walkthroughs and documentation reviews.
- Additional staff training, aimed at ensuring better understanding and implementation of the new procedures.

Ms. Amita Patel summarized that these steps were part of NYCHA's commitment to ensuring completeness and accuracy in accrued expenses, and to strengthening internal controls going forward.

Ms. Strohmeyer proceeded to present the final portion of the audit findings—specifically the three low-level deficiencies identified during the 2024 audit. She explained that these issues were outlined on pages 3 to 6 of the audit document.

The first deficiency related to information technology, specifically involving database password configurations. During testing, the audit team found that several Oracle database user accounts were still using default passwords. Ms. Strohmeyer recommended that NYCHA review its password profile settings and ensure consistent enforcement of the agency's IT password policy across all Oracle database users.

The second deficiency was tied to the implementation of GASB 101, a new governmental accounting standard relating to compensated absences. As a result of Deloitte's test work, NYCHA management made an \$11 million adjustment to the compensated absences balance before the financial statements were finalized. The error stemmed from management using the pension eligibility age as the retirement age in their actuarial assumptions, which wasn't supported by NYCHA's own historical data. Deloitte brought this to management's attention, prompting a revision to the retirement age assumption and the correction of the balances. The recommendation was for management to ensure that all assumptions used in future GASB 101 calculations are clearly documented, supported, and reviewed for accuracy.

The third deficiency pertained to the cash flow statement. Ms. Strohmeyer noted that a misclassification occurred between line items, which was corrected prior to the issuance of the financial statements. She recommended NYCHA strengthen controls around cash flow statement preparation and review to prevent future issues.

Ms. Strohmeyer concluded by reiterating that these three items, combined with the two previously discussed significant deficiencies, comprised the five total deficiencies found during the 2024 audit.

Following her remarks, Mr. Kuo asked how many individuals were currently using Oracle Financials and the Siebel database systems, and whether these systems were used at the PHA (Public Housing Authority) level or centrally.

Ms. Lescott-Martinez responded that while she didn't have the exact number of users, she would be happy to follow up with that information.

Mr. Kuo then asked generally where and for what purposes the Oracle and Siebel systems were being

used.

At this point, Mr. Shields, NYCHA's Chief Information Security Officer ("CISO"), introduced himself and provided an overview. He explained that Siebel served as NYCHA's customer relationship management ("CRM") system, functioning primarily as a self-service portal for residents. Through it, residents could check on the status of maintenance requests and be directed to additional services. While theoretically the entire resident base could use it, in practice, usage varied.

Mr. Shields clarified that both Siebel and Oracle were hosted within NYCHA's internal data centers, employing multi-layered architecture including databases, applications, web servers, and firewalls. The specific IT finding mentioned earlier was related to the Oracle database supporting Siebel, particularly to password policy enforcement.

He noted that password enforcement capabilities weren't enabled until 2022, and it had taken more than a year to fully implement them due to the need to remove legacy integrations. By the following year, enforcement was improved. The most recent deficiency stemmed from administrative oversight, where updated password policies had not yet been implemented on certain database components. Mr. Shields explained that corrective actions were outlined in the management letter and emphasized that new management controls, including automated assessments, were being put in place to prevent future oversights.

When Mr. Kuo asked specifically what Oracle was used for, Mr. Shields clarified that Oracle referred to the database infrastructure used as a backend to support Siebel. He noted that Siebel itself is an Oracle-owned product.

Mr. Gonzalez then inquired how many systems NYCHA used overall and how compatible they were with each other. Shields responded that the answer depended on how one defined "system," but noted there were approximately 24 to 25 systems that integrated with Siebel, each exchanging data or interfacing in some way. He emphasized that compatibility varied depending on the integration, but the systems were generally tracked and managed.

Mr. Gonzalez asked whether these systems were easy to navigate. Mr. Shields hesitated to use the word "easy," but said they were intended to be user-friendly and supportive of resident needs. He refrained from making a definitive claim about usability, jokingly stating he didn't want to be "on record" calling them easy.

Mr. Brandow thanked Mr. Gonzalez for the clarification.

Mr. Kuo returned to a specific comment from the audit handout. Referring to page six, he asked for clarification on a sentence related to the cash flow statement deficiency, particularly where it said that "reviews include agreeing all disclosed cash flow line items to appropriate support." He questioned whether the sentence was even in plain English.

Ms. Strohmeier responded that she could explain the meaning, preparing to clarify the technical phrasing. Ms. Strohmeier agreed to revise the language in the report, noting that it could certainly be simplified. She then explained the current process for preparing the cash flow statement at NYCHA. A senior staff member initially prepares the statement, which is then reviewed by the director. During this review, the director cross-checks each line item in the cash flow statement against appropriate supporting documentation to ensure accuracy. Ms. Strohmeier summarized this as essentially a double-checking

process.

Mr. Kuo interjected, noting that the explanation sounded like a second layer of review— “a double-check.” Ms. Strohmeyer confirmed that was correct and reiterated her intent to revise the wording in the report accordingly. Mr. Kuo commented that the original language was overly complicated, prompting Ms. Strohmeyer to lightly remark that sometimes accountants don't write in the clearest English.

Mr. Brandow asked if Ms. Strohmeyer had anything further to present. Ms. Strohmeyer confirmed that she had completed her presentation of the management comments but was open to answering any final questions.

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

With no further questions, Mr. Brandow reminded the committee that a motion to approve the audit-related items had already been made and passed. However, he asked for a reconfirmation of the motion for clarity, given the extensive discussion that had taken place since then.

Mr. Gonzalez moved to approve again, but Mr. Kaplan questioned the need for another vote, noting that the committee had already voted. Mr. Kuo agreed. Mr. Brandow acknowledged the confusion and thanked everyone for their patience.

VI. RSM Presentation – Internal Audit Update

Mr. Brandow then introduced the final agenda item, handing the floor to Ms. Murtha of RSM US LLP, who was there to provide an update on internal audit matters.

Ms. Murtha began by addressing a previously raised question about the internal audit function. She clarified that while Deloitte performs an external audit to support its opinion on the financial statements—assessing internal controls as part of that process—RSM's role is to go deeper. Working with NYCHA's internal compliance and audit team (including Ben and Anil), RSM evaluates whether internal controls are not only designed properly but also functioning as intended. The upcoming reports, scheduled for release in December, would include both opportunities for improvement and assessments of fraud risk and internal control design effectiveness.

Ms. Murtha provided a brief update on RSM's activities since the fiscal year 2025 audit plan was presented in June by Clara Ewing and Liz Watts. Since then, RSM had been working with NYCHA leadership to develop a fraud risk mitigation strategy, with meetings scheduled for September 15th and a fraud awareness training for leadership planned for October 7th, 2025.

She noted that five audits were currently in progress, with two more set to begin in October and another in November of 2025. These audits included enterprise-wide audits, technology audits, and individual department audits, some of which would address issues raised earlier in Deloitte's presentation. Ms. Murtha concluded that December 2025 would be a particularly active month for reporting.

Mr. Gonzalez then raised a concern related to cybersecurity training, stating that although he had received

email prompts to participate, he had not been able to access the system due to a lack of credentials.

Mr. Shields offered to speak with Mr. Gonzalez after the meeting to resolve the issue. Mr. Brandow echoed that arrangement. Ms. Murtha added that her team had also been working closely with Mr. Shields on related matters.

Mr. Kaplan raised a procedural question. He noted that in his experience, internal audit firms often conduct private meetings with only the audit committee and legal counsel, excluding other staff. He asked whether NYCHA had similar plans.

Ms. Murtha responded that some audits, particularly those involving technology and security, would indeed warrant executive (closed) sessions, and that RSM would work with NYCHA's legal team to determine which items qualified.

Mr. Kaplan clarified that in such sessions, attendance would be limited to the audit committee, legal counsel, and the internal auditor. Ms. Murtha confirmed that was correct.

At this point, Mr. Goldberg, NYCHA's Director and Chief of Corporate Affairs, addressed the room. He explained that, unlike other entities governed by laws such as the New York State Education Law, NYCHA is subject to the Open Meetings Law, which provides limited and specific exceptions for holding executive sessions.

Mr. Goldberg acknowledged that while audit committees in school districts, for example, may meet privately with auditors under certain provisions (citing New York Education Law Section 2116-c), NYCHA does not have the same legal flexibility. However, he clarified that individual conversations between board members and auditors are not governed by the Open Meetings Law—only meetings where a quorum is present fall under that restriction.

Mr. Gonzalez confirmed this understanding, stating that committee members were free to speak privately with the audit team or others regarding concerns. Mr. Goldberg agreed.

Mr. Kaplan pointed out that such private conversations are not privileged. Mr. Goldberg responded that the mere presence of legal counsel does not automatically grant privilege either and he reiterated the legal limitations specific to NYCHA.

Mr. Kaplan, somewhat frustrated, observed that other city boards regularly hold private sessions with auditors and asked Goldberg to explore ways NYCHA could do something similar. Mr. Goldberg responded that they would review the law again, though he did not anticipate any changes.

Adjournment

Mr. Brandow thanked Mr. Goldberg and asked if any committee members had further questions or comments related to the internal audit.

Hearing none, he announced that the meeting was concluded. He thanked everyone for their attendance and called for a motion to adjourn.

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

Mr. Brandow officially adjourned the meeting at 11:25 a.m. on Friday, September 5, 2025, and reminded the group that the next Audit & Finance Committee meeting will be held on December 16, 2025.

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