



New York City Housing Authority

Department of Internal Audit & Assessment (IA&A)

Minutes of Audit & Finance Committee Meeting

April 9, 2026

DRAFT

Board and Audit & Finance Committee Members – Present:

Victor A. Gonzalez, Chair of Audit & Finance Committee (Vice Chair of NYCHA)

Mark N. Kaplan, Independent Member

Joan Tally, Board Member

NYCHA Staff Members – Present:

Annika Lescott-Martinez, Executive Vice President & Chief Financial Officer

Ah-Yat Lee, Vice-President and Controller

Amita Patel, Director of the General Ledger Division

Judith Francis, Assistant Director, Financial Accounting & Reporting Services

Cassie Ward, Chief Compliance Officer

Matthew Accardi, Senior Compliance Advisor, Office of the Chief Compliance Officer

Shanee Graham, Director, Compliance Integration & Investigations

Cilla Rookwood-Fuller, Compliance Analyst, Office of the Chief Compliance Officer

Atenedoro Gonzalez, Senior Director of Corporate Governance

Benjamin J. Brandow, Senior Director, Department of Internal Audit & Assessment

Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment

Anthony Davi, Staff Auditor, Department of Internal Audit & Assessment

RSM US LLP – Present:

Jennifer Murtha, Partner

Clara Ewing, Managing Director

Shannon Neville, Director

Deloitte & Touche LLP (“Deloitte”) – Present:

Jill Strohmeier, Lead Engagement Managing Director

Tony Lim, Manager

A meeting of the Audit & Finance Committee (“AFC” or “Committee”) of the New York City Housing Authority (“NYCHA” or the “Authority”) was held on Thursday, April 9, 2026 and called to order at 12:04 p.m.

Mr. Brandow commenced the meeting by welcoming the AFC members and the attendees. He introduced Ms. Tally as the newest Committee member and thanked Mr. Richard Kuo – who retired as of December 2025 – for his nearly ten years of service as an AFC member. Mr. Agrawal conducted the roll call of the meeting attendees. The meeting had the required quorum.

Mr. Brandow noted that the agenda items from the cancelled December 2025 AFC meeting will be addressed in today's session.

I. Approval of the September 5, 2025 Audit & Finance Committee Meeting Minutes:

Upon motion duly made by Mr. Gonzalez and seconded by Ms. Tally, the AFC September 5, 2025 meeting minutes were approved. However, Mr. Kaplan offered the following remarks regarding potential emerging findings from incomplete testing on Page 9 of the minutes. He inquired whether any new issues had since been identified. Ms. Strohmeyer confirmed no additional single audit findings related to the prior year were discovered during the final procedures conducted before the issuance of the final report. Mr. Kaplan also sought clarification on the phrasing on Page 14 "Deloitte worked with management to make sizeable adjustments," noting that the term "worked with" could imply a lack of auditor independence or judgment. Ms. Strohmeyer proposed a revision: "Based on Deloitte's audit findings and recommendations, management implemented necessary corrections and adjustments." Mr. Kaplan expressed satisfaction with the revised language.

Mr. Brandow requested a motion to both remove the approval of the September 5, 2025 AFC meeting minutes and to now approve same subject to the modifications requested by Mr. Kaplan. The motion was moved by Mr. Gonzalez, seconded by Mr. Kaplan, and carried unanimously. Mr. Brandow thanked the Committee and thanked Mr. Kaplan for his comments.

II. Deloitte's Draft Service Plan for the 2025 Audits

Ms. Strohmeyer opened by thanking the audience and stated Deloitte was engaged to perform the audit of the consolidated financial statements of the New York City Housing Authority and its related entity, NYCHA Public Housing Preservation Trust I LLC, for the year ended December 31, 2025. The audit will be conducted in accordance with standards issued by the American Institute of Certified Public Accountants and Government Auditing Standards. The inclusion of Government Auditing Standards was necessary because NYCHA receives significant federal funding (in excess of one million dollars).

Moving on to the audit plan, Ms. Strohmeyer noted as part of preliminary planning procedures, management override of controls was identified as a significant risk. She emphasized this is a standard significant risk in every Deloitte audit, regardless of the size or type of entity, and her team will dedicate substantial effort to addressing it. Ms. Strohmeyer explained that one key approach to addressing this risk involves testing journal entries made by management throughout the year to ensure entries serve a valid business purpose and were properly reviewed and approved. Deloitte uses advanced technology tools to analyze the full population of journal entries and identify anomalies. For example, entries posted on weekends—when the organization does not typically operate—would be flagged for further review. Similarly, entries made by senior executives, such as the CFO or CEO, would be examined more closely to understand why individuals at that level are recording entries. While such entries are not necessarily inappropriate, they warrant additional scrutiny. Ms. Strohmeyer also noted that entries involving round dollar amounts (e.g., \$5,000 or \$10,000) may be flagged, especially if repeated at consistent times, such as month-end—since such patterns can sometimes be associated with fraudulent activity. All flagged entries are investigated to determine whether

they have a legitimate business purpose or require additional discussion with management. She added that journal entry testing is typically performed toward the end of the audit in May, to ensure the full population of entries, including year-end adjustments, is captured.

Mr. Gonzalez then asked what the follow-up process would entail if something concerning was identified through Deloitte's analysis of journal entries. Ms. Strohmeyer responded that the course of action would depend on who was involved in the matter. For instance, if the matter involved senior management, she would escalate it to the AFC for discussion. Conversely, if it involved a junior employee, she would work with internal team members, such as Ms. Lescott-Martinez and her department to investigate the facts and circumstances before determining any necessary changes to audit procedures.

Ms. Strohmeyer stated the second key procedure would involve reviewing significant accounting estimates within the financial statements of the New York City Housing Authority related to pensions, Other Post-employment Benefits ("OPEB"), claims liabilities, depreciation, and investment valuations to understand management's methodologies and assumptions. Deloitte will assess if there was bias in how estimates were determined. Since estimates often fall within a reasonable range, Deloitte will analyze if the recorded amounts trended toward the higher or lower end of that range and whether any bias influenced the final figures.

Ms. Strohmeyer explained the third procedure would involve reviewing any significant or unusual transactions. For instance, if NYCHA entered into unique transactions not part of its normal operations, Deloitte would question management and verify such activity had a legitimate business purpose with no indications of fraud. She is not aware of any significant or unusual transactions at this time.

Ms. Strohmeyer reiterated the only significant risk identified so far was management override of controls. However, this assessment could change as the audit progresses. If additional risks emerged, she will communicate updates during the next scheduled AFC meeting in June.

Ms. Tally asked about the purpose of the NYCHA Public Housing Preservation I LLC. Ms. Strohmeyer explained it is a smaller component unit of NYCHA but deferred to Ms. Lescott-Martinez for additional historical context. Ms. Lescott-Martinez explained NYCHA entered into mixed-finance transactions with the U.S. Department of Housing and Urban Development (HUD) to transition certain City- or State-supported housing developments into the federal program. This process led to the creation of two limited liability companies. The first, New York City Housing Authority and for NYCHA Public Housing Preservation I, LLC ("LLC I"), primarily includes public housing developments—approximately 13 in total—and continues to exist as part of New York City Housing Authority's financial statements. The second, LLC II, included both Section 8 and public housing developments, but has since been converted through the PACT program and no longer exists. Ms. Tally acknowledged the explanation and confirmed her understanding of the transaction.

Ms. Strohmeyer then outlined the key audit focus areas for the 2025 Audits. These include cash, investments, and debt; pension and OPEB liabilities; claims liabilities; tenant revenues and receivables; subsidies and grants; and environmental pollution and remediation liabilities, including lead paint remediation and abatement. She also highlighted a new focus area for the year, the implementation of new standards issued by the Governmental Accounting Standards Board (GASB). Specifically, the audit would

include procedures related to GASB Statements 102, 103, and 104, which address risk disclosures, financial statement presentation, and capital-related disclosures, respectively. Ms. Strohmeyer stated that additional details on these standards would be presented later in the meeting by Mr. Lee.

Finally, Ms. Strohmeyer stated Deloitte does not plan to adopt a control reliance strategy. They will review NYCHA's internal controls and IT systems but will not rely on them for purposes of Deloitte's audit. Deloitte will perform detailed substantive testing to achieve their audit objectives. Deloitte will test the design and implementation of key controls.

Ms. Strohmeyer then moved on to discuss materiality. She explained separate materiality thresholds would be established for the consolidated financial statements of LLC I, with the latter set at a lower level. Any material matters identified during the audit—whether corrected or uncorrected—would be communicated to the Audit Committee. She noted that while uncorrected material misstatements are not anticipated, any such issues would be discussed prior to the June 2026 AFC meeting. The corrected material items may still be brought to the Committee's attention as part of governance communication.

Ms. Strohmeyer clarified the audit team would not rely on the work of internal audit to perform audit procedures. However, they would maintain ongoing communication with both internal and external audit teams to understand areas of focus and potential risks, which would help inform their overall risk assessment.

Ms. Strohmeyer emphasized that the audit would involve a large team, including various specialists, given the size and complexity of NYCHA. Among these were actuarial specialists who would evaluate the assumptions and methodologies used by the City's Actuary in determining pension and OPEB liabilities—figures that are significant on the organization's balance sheet. She noted that preliminary discussions had already taken place both internally and with the City's Actuary in preparation for the audit.

Ms. Strohmeyer also introduced the role of IT specialists, including Scott Maker, who would assist in evaluating NYCHA's financial IT systems. At this point, Mr. Gonzalez raised a question regarding the increasing use of artificial intelligence ("AI") within the organization and whether the IT specialist would address those developments. Ms. Strohmeyer explained if AI-related changes affected systems relevant to financial reporting and were within the scope of the audit, they would be evaluated as part of audit procedures. However, AI applications unrelated to financial reporting would fall outside the audit scope. She added that Deloitte uses AI tools in its audit processes. These include technologies for analyzing full populations of journal entries, internal research tools like ChatGPT, but contained within a secure internal environment, and AI-assisted reviews of control documentation. She emphasized that these tools operate within strict security safeguards and have been extensively tested and trained before deployment.

Ms. Strohmeyer then outlined the expected reporting timeline. The audit reports for the consolidated financial statements and LLC 1 are anticipated to be issued in June 2026, along with financial statements for the Trust. A final letter to the Audit Committee will also be delivered at that time.

In September 2026, Deloitte will issue the following Reports for 2025:

- Independent Auditor's Report in accordance with Government Auditing Standards
- Independent Auditor's Report on Internal Control Over Financial Reporting and on

Compliance and Other Matters Based on an Audit of the Financial Statements performed in accordance with Government Auditing Standards

- Independent Auditor’s Report on Compliance for Each Major Federal Program, Report on
- Internal Controls Over Compliance and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance
- Real Estate Assessment Center (REAC) - Upload REAC Agreed Upon Procedures Report

Mr. Kaplan then raised concerns about a previously reported fraud issue within NYCHA. Ms. Strohmeyer asked if he was referring to the micro-purchase procurement matter. Mr. Kaplan confirmed and asked whether this issue had influenced the audit approach.

Ms. Strohmeyer explained the matter had been widely reported and quickly brought to Deloitte’s attention. In response, the Deloitte audit team adjusted its audit plan, conducted discussions with management, Legal, and Compliance teams, and performed additional testing on micro-purchases. Although such transactions are typically not material to the financial statements, the widespread nature of the issue—affecting approximately 70 individuals—warranted additional procedures. She noted that the testing did not reveal concerns from the audit perspective.

Mr. Kaplan then asked whether improved controls had been implemented. Ms. Strohmeyer explained that a series of corrective actions—approximately eight to 11 control enhancements—had been introduced. While not all were in place at the time of the initial audit, subsequent discussions confirmed their implementation, and some were tested by the audit team.

Ms. Lescott-Martinez added that management had promptly escalated the issue in 2024 and worked closely with Deloitte. She noted that the New York City Department of Investigation (“DOI”) issued 14 recommendations, all of which NYCHA has since implemented. She also indicated additional public information on these actions could be shared with the Committee.

Mr. Kaplan inquired whether the micro-purchase incident led to increase in hotline complaints. Ms. Lescott-Martinez responded that such complaints are handled by NYCHA’s independent Office of Inspector General (“OIG”), and NYCHA does not have direct visibility into the complaint volume. Mr. Kaplan expressed concern about the lack of visibility and emphasized the importance of ensuring adequate safeguards. Ms. Lescott-Martinez noted that while open communication exists between NYCHA and the OIG, the Committee could formally request specific data regarding complaint trends directly from the OIG.

Mr. Gonzalez suggested the Procurement department provide insight into their current practices, given the origin of the micro-purchase issue. Ms. Lescott-Martinez agreed that management could share details on the recommendations and their implementation with the group.

Ms. Ward offered to provide additional insight. At the invitation of Mr. Brandow, Ms. Ward elaborated on the oversight and monitoring processes related to corrective actions. Ms. Ward explained NYCHA’s Compliance department continues to oversee the implementation of DOI’s 14 corrective actions previously identified and now completed within the Authority. To ensure that these internal controls remain effective, the Compliance department conducts monthly monitoring of micro-purchases. She noted that changes implemented by the Procurement department and others have significantly reduced the number of micro-purchases originating from developments. One key change was the creation of a micro-purchase pre-

qualified vendor list, which developments must now use instead of initiating independent micro-purchasing. This has substantially limited both the volume and risk associated with such transactions.

In response to Mr. Gonzalez's request for greater transparency, Ms. Ward confirmed the documentation related to these measures could be shared with the AFC. She added that much of the information is already publicly available through NYCHA's transparency reporting page. Initially, reporting on these controls was conducted semiannually in accordance with recommendations from oversight authorities, but following the successful implementation of all corrective actions, the reporting frequency has transitioned to an annual basis. Ms. Ward also explained that the results of monthly compliance monitoring are escalated to her for review, and any issues identified are further escalated to the appropriate departments, such as Procurement or Operations.

Mr. Kaplan then questioned whether micro-purchases were too minor to warrant audit attention. Ms. Strohmeier responded that while such transactions are typically immaterial in the context of the overall audit, the discovery of fraud during the 2023 audit prompted immediate adjustments to the audit approach. Deloitte expanded its procedures to include testing micro-purchases despite their usual insignificance. Additional follow-up procedures were performed during the 2024 audit cycle to assess the implementation of corrective actions. She concluded that, from a financial statement perspective, the issue did not result in material misstatements and was not significant enough to be reported as a finding under Government Auditing Standards.

Ms. Ward added that, with respect to complaints, most issues received through Compliance channels relate to resident concerns rather than procurement matters. She reiterated that procurement-related complaints would be directed to independent oversight bodies, such as the OIG or DOI, rather than through internal compliance channels. Given the reduced volume of micro-purchases and the involvement of external oversight, she indicated it would be unlikely for NYCHA to experience a noticeable increase in internal complaints related to such matters.

Mr. Gonzalez emphasized his preference for sharing the documentation with the full Committee rather than individually. Ms. Ward agreed to compile and distribute the relevant materials for group review. Mr. Brandow thanked both Ms. Ward and Ms. Strohmeier for their contributions.

Ms. Strohmeier then resumed the presentation, outlining the audit timeline. She noted that the audit process—from planning through issuance of final reports—would follow a schedule like prior years, with the primary difference being a later start in January and February 2026 rather than November and December 2025. Despite this shift, the audit reports were still expected to be issued in June 2026.

Ms. Strohmeier next presented the results of Deloitte's Peer Review, as required by GAS. Deloitte undergoes an external Peer Review every three years, conducted by a third-party—in this case, Grant Thornton. This review focuses on private company audits, internal controls, and operational policies. It was noted that public company audits are excluded from this specific process, as they fall under the jurisdiction of the Public Company Accounting Oversight Board (PCAOB). The most recent review, issued in November 2023, resulted in the highest possible rating of "compliant." She also noted that a new Peer Review was currently underway, with results expected later in 2026. In addition to external reviews, Partners and Managing Directors undergo internal quality inspections every three to four years, and Ms. Strohmeier confirmed she personally has consistently received compliant ratings in internal and peer

inspections.

Ms. Strohmeyer invited further questions. Mr. Kaplan requested the definition of a control reliance strategy. Ms. Strohmeyer explained that such a strategy involves testing the design, implementation, and operating effectiveness of an organization's internal controls and then relying on those controls to reduce the extent of an external auditor's detailed testing. This approach is common in public company audits, where auditors must issue opinions on internal controls. However, for governmental and private audits, auditors typically do not rely on controls in this way and instead perform more extensive substantive testing which involves testing a large volume of selections.

Mr. Kaplan also asked about the meaning of "bias" in the context of reviewing accounting estimates. Ms. Strohmeyer clarified that this refers to potential management bias in selecting values within a reasonable estimation range. For example, when determining a claims liability, an actuary may identify a range of possible outcomes. The audit team evaluates why a particular point within that range was selected and whether management consistently favors outcomes that either increase or decrease reported liabilities. She confirmed this concept of bias is strictly financial and unrelated to social or demographic considerations.

Following the discussion, Mr. Brandow called for a motion to approve Deloitte's Audit Service Plan for Fiscal Year ("FY") 2025. Ms. Tally moved the motion, Mr. Kaplan seconded it, and the motion was approved unanimously by the Committee.

Mr. Brandow stated that the next agenda item is a presentation on new pronouncements issued by the GASB impacting the 2025 New York City Housing Authority financial statements. He introduced the NYCHA Finance department members present, including Ms. Lescott-Martinez, Mr. Lee, Ms. Patel, and Ms. Francis, and invited Mr. Lee to begin the presentation.

III. Discussion of the Impact of New Accounting Pronouncements on New York City Housing Authority's 2025 Financial Statements

Mr. Lee began by greeting the Committee and introducing key members of the Finance team, Ms. Francis and Ms. Patel, noting that they serve as subject matter experts. He then presented an overview and analysis of recent pronouncements issued by GASB, focusing on their anticipated impact on NYCHA.

He explained that NYCHA plans to implement GASB Statements 102, 103, and 104, with early adoption of Statement 103 to align with the City's implementation timeline. He emphasized that the presentation reflected management's preliminary assessment, and that interpretations and impacts could evolve as additional guidance, industry practices, and audit reviews emerge. The overview was intended to highlight high-level impacts rather than provide exhaustive technical detail.

Mr. Lee presented the analysis of GASB pronouncements as follows:

GASB No.	Topic	NYCHA Calendar Year Adoption Date
102	Certain Risk Disclosures	2025
103	Financial Reporting Model Improvements	2025
104	Disclosure of Certain Capital Assets	2025

GASB Statement 102 – Certain Risk Disclosures:

Objective:

Mr. Lee stated GASB Statement No. 102 introduces new requirements for disclosing risks that could significantly impact a government’s financial position.

The objective of this statement is to improve transparency by requiring governments to disclose concentrations and constraints that may expose them to substantial risk.

Impact on NYCHA:

At this time, NYCHA is continuing to evaluate the applicability of this standard, including identifying relevant risks that may require disclosure.

Adoption:

NYCHA - FY2025

GASB Statement 103 – Financial Reporting Model Improvements:

Objective:

Mr. Lee explained the objective of this Statement is to improve key components of the financial reporting model, enhancing its usefulness for decision making and assessing a government’s accountability. The Statement also addresses a broad range of financial reporting areas and introduces refinements to existing presentation and disclosure requirements.

Impact on NYCHA:

NYCHA has completed a preliminary assessment of the requirements of this Statement. Highlights of certain potential changes include but are not limited to:

- The introduction of added structure to the Management’s Discussion and Analysis, or MD&A
- Improving clarity and consistency
- Incremental disclosure for major component units, particularly within on the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position.

Adoption:

NYCHA – FY2025

Mr. Kaplan inquired about the cost of implementing the new GASB standards. Mr. Lee responded that the work is being handled internally and does not require external resources, resulting in minimal incremental cost.

GASB Statement 104 – Disclosure of Certain Capital Assets:**Objective:**

Mr. Lee noted the objective of GASB Statement No 104 enhances capital asset disclosures in government financial statements. The key objectives are as follows:

- Improving clarity by requiring certain capital assets (such as leases, subscription -based IT assets, and other intangible assets) to be disclosed separately in the notes.
- Enhancing transparency by organizing capital assets into major classes
- Increase disclosures for assets held for sale, including reporting their asset value, accumulated depreciation, and any other related debt, with required evaluation each reporting period.

Impact on NYCHA:

NYCHA has completed a preliminary assessment of the requirements of the Statement.

- Capital assets recognized under GASB Statement No 87 and GASB Statement No 96 are already disclosed separately. Therefore, NYCHA is largely aligned with this requirement. NYCHA has no assets recognized under GASB Statement No 94.
- For capital assets held for sale, NYCHA identifies relevant assets through Financial Reporting processes and coordination with operational departments. As the amounts are minimal, and therefore: separate disclosure is not required for 2025, and no restatement of the 2024 financial statements is necessary.

Adoption:

NYCHA - FY2025

During this discussion, Mr. Gonzalez asked for clarification regarding the relationship between GASB Statement 94 and Statement 104. Mr. Lee clarified that while NYCHA recognizes assets under other standards, no qualifying assets exist under Statement 94 that would require separate reporting. Ms. Strohmeyer added further clarification, that governments were required to improve the presentation of specific asset classes and group them into different categories according to GASB 87 (relates to lease assets that were recorded on the financial statements for the first time) and GASB 96 (relates to Subscription-based IT Arrangements) and GASB 94 (relates to Public Private Partnerships). She noted that NYCHA had already been providing this level of detail to readers of the financial statements, and that GASB Statement 104 primarily formalizes practices that NYCHA has already adopted.

Mr. Lee concluded by summarizing that NYCHA continues to evaluate and prepare for implementation of

these GASB standards to be in compliance, with the most significant impacts expected in enhanced disclosures and improved financial statement presentation. No material financial statement restatements are anticipated at this time.

Following the presentation, Mr. Brandow invited any questions. Hearing none, he transitioned the meeting to the next agenda item. Ms. Strohmeyer then introduced Mr. Lim to provide the following status updates.

IV. Deloitte's Status Update for 2025 Annual Comprehensive Financial Report (ACFR) of NYCHA, NYCHA Public Housing Preservation I, LLC (LLC I), New York City Public Housing Preservation Trust (Trust), And Deloitte's Status Update on 2025 Single (Compliance) Audit of NYCHA

Mr. Lim reported that core planning procedures for the ACFR audit had been completed. These included confirming the Deloitte audit team's independence, updating the team's understanding of NYCHA's operations and control environment, determining materiality thresholds, performing preliminary analytical procedures on key account balances, and held coordination meetings with Deloitte internal specialists in IT, pensions, and OPEB. Deloitte prepared confirmations for legal, cash balances and investments. They also reviewed the NYCHA Board and AFC meeting minutes. The audit had entered the execution phase, with ongoing testing of internal controls and detailed substantive testing of key financial statement areas.

Mr. Lim outlined upcoming activities, noting that in May, the team expects to complete testing of internal controls and certain liabilities and operating expenses upon receipt of updated financial statements, as well as begin journal entry testing and consolidation procedures. It was noted that Deloitte is awaiting updated financial statements from NYCHA, scheduled for delivery on April 24, 2025, to commence journal entry testing for GASB 49 compliance. Additionally, Deloitte's upcoming audit activities will include testing elimination entries, cash flow statements, and related footnotes, as well as drafting the management representation letter. In June, the focus will shift to final audit steps, including Going Concern assessments, Subsequent Events review, and obtaining legal confirmations from in-house legal and external counsel.

Mr. Gonzalez asked why certain entities, such as LLC II, were not explicitly referred to in consolidation testing. Ms. Strohmeyer clarified that while LLC I and the Trust were highlighted due to their stand-alone audit reporting, all relevant entities, including LLC II, are included in consolidation and elimination testing procedures.

Mr. Lim stated the audit remained on schedule, with partner review expected in late May or early June and issuance of audit reports anticipated on or shortly after June 16, 2026.

Ms. Strohmeyer then provided a status update on the Single Audit. She outlined the four reports to be issued, including the financial statement opinion under Government Auditing Standards, a report on internal control and compliance (commonly referred to as the "Yellow Book" report), NYCHA's compliance with major federal grant programs, and an agreed-upon procedures report related to filings with HUD. She also noted that if something were found in the course of the financial statement audit, it would be reported in the Yellow Book report.

Ms. Strohmeyer stated that preliminary risk assessment procedures had been completed using the Schedule of Expenditures of Federal Awards (totaling approximately \$4.6M) provided by NYCHA management. Type A and B thresholds are \$13.9M and \$3.4M, respectively. Within the total population, six Type A programs and one Type B program are eligible for audit selection as major programs. Based on this

analysis, four major programs were selected for testing, including a large public housing program with recurring findings related to lead paint, a capital fund program, a disaster assistance program, and a hurricane recovery grant. Selection was based on factors such as expenditure size and whether programs had been audited in recent years.

The four major programs selected and to begin being tested in the next month or so are:

1. Public and Indian Housing – Operating Grants-ALN #14.850 (\$1.37B, required to test due to material lead based finding in prior year)
2. Public Housing Capital fund – ALN #14.872 (\$811M, close out program- required to test every year)
3. Hurricane Sandy Community Development Block Grant Disaster Recovery Grant – (CDBG-DR) – ALN #14.269 (\$10M, not tested in the last two years, the only type B program in the population)
4. Disaster Grants- Public Assistance (Presidentially Declared Disasters) – ALN #97.036 (\$46M, not tested in last two years)

Finally, Ms. Strohmeyer noted the retirement of a long-serving Deloitte Senior Manager, Mr. Darshan Patel, after more than 33 years of service. Committee members expressed appreciation for Mr. Patel's contributions.

Mr. Gonzalez directed a question to Ms. Lescott-Martinez, asking whether the federal government had been fiscally responsible in providing funding related to Hurricane Sandy projects, particularly given the approximately \$10 million program referenced during the discussion. Ms. Lescott-Martinez responded that NYCHA continues to draw down and utilize the remaining grant funds associated with Hurricane Sandy. She explained that the capital projects team maintains a tracking system to monitor the status of each project and that, based on current expectations, most of the remaining projects are anticipated to be completed this year.

Mr. Gonzalez acknowledged the progress made by NYCHA but emphasized the importance of ensuring that funding partners fulfill their commitments. Ms. Lescott-Martinez noted that NYCHA had received a substantial grant related to Hurricane Sandy, which has taken considerable time to fully expend, but reaffirmed that the organization remains focused on completing the associated work.

Mr. Kaplan briefly commented on the absence of broader political discussion during the meeting, which Mr. Gonzalez chose not to engage further.

Mr. Brandow then asked whether there were any additional remarks from Deloitte.

Ms. Strohmeyer confirmed the Deloitte audit team concluded its prepared remarks and remained available for further questions.

Mr. Brandow thanked Ms. Strohmeyer and Mr. Lim for their presentation and transitioned the meeting to the next agenda item. He introduced Ms. Murtha and Ms. Ewing from RSM, who were scheduled to provide an internal audit update followed by an Executive Debrief on NYCHA's Fraud Risk Assessment.

V. Internal Audit Update From RSM

Ms. Ewing began her presentation by referencing the internal audit plan previously presented in the summer

of 2025 to both the AFC and the Board for approval. The RSM team has since moved into the execution phase of that plan. As part of the update, she revisited the internal audit lifecycle, which includes risk assessment, audit planning. RSM is currently in audit execution, followed by the remediation and follow-up phase once findings and recommendations are identified.

Ms. Ewing described the NYCHA organizational framework often referred to as the “lines” model—an updated concept from the Institute of Internal Auditors, which no longer uses the term “lines of defense.” Within NYCHA, she explained that executive and senior management, as well as the Board and AFC play key governance roles. The first line consists of operational management and internal controls, the second line includes functions such as financial controls, risk management, Compliance, and Quality Assurance, and the third line is Internal Audit & Assessment, which provides independent assurance. She noted that internal audit is co-sourced, combining internal staff with external support. She also highlighted that fraud risk management spans across all three lines, alongside functions such as operations, Compliance, and Audit. External oversight bodies, including HUD and other auditors, provide additional layers of review.

Ms. Ewing then summarized progress to date. She explained that internal audit activities had experienced a temporary slowdown due to the Request for Proposal and contracting process, but over the past six to eight months, efforts have focused on re-establishing the function. This included re-engaging departments, increasing awareness of internal audit’s role, and emphasizing collaboration to improve processes. She also noted that internal audit has been working closely with management on risk management, compliance, and operational improvements, including the development of a fraud risk mitigation strategy and governance structure in response to recommendations from HUD.

Mr. Gonzalez asked for clarification on where NYCHA’s governance structure resides and whether it is formally documented. Ms. Ewing responded that governance is embedded throughout the organization. Mr. Brandow added that a governance oversight committee—specifically the Fraud Risk Mitigation Committee—had been established last year and is actively meeting. Ms. Ewing further explained that RSM has supported the development of the Fraud Risk Mitigation Committee, including its charter and meeting agendas, and that the Fraud Risk Mitigation Committee’s role continues to evolve as it matures.

Ms. Ewing outlined key accomplishments, including progress on executing the three-year internal audit plan, advancing fraud risk mitigation efforts, and preparing for future audit cycles. She highlighted procurement-related risks, including micro-purchasing, are a major focus area in both the 2025 and 2026 audit plans. She also noted two audits—Fraud Risk Assessment and Penetration Testing—have been completed. Results from Penetration Testing will be shared with leadership and later with the AFC in a controlled manner due to the sensitive nature of cybersecurity vulnerabilities and to maintain the integrity of NYCHA’s information systems.

Ms. Lescott-Martinez asked about the timeline for completing the 2025 audits and issuing draft reports. Ms. Ewing explained timelines remain fluid due to dependencies on multiple departments for information and documentation. As a result, audit completion dates are currently moving targets.

Ms. Tally asked whether the audit plan accounts for evolving risks, including those driven by external factors such as funding changes. Ms. Ewing confirmed that the plan is dynamic and continuously reassessed. Risks, Board meetings, and current events are monitored regularly, and priorities may shift if certain areas become more significant.

VI. Fraud Risk Assessment - Executive Debrief From RSM

Ms. Ewing then presented the Fraud Risk Assessment Executive Debrief, Ms. Ewing began by noting that RSM Director Shannon Neville, present for today's meeting, is one of RSM's subject matter professionals for fraud-related risks, and Ms. Ewing explained that the assessment was conducted in response to prior risk analyses and external recommendations and included 21 targeted interviews across NYCHA management to understand NYCHA's fraud risk landscape. The objectives were to identify potential fraud risks, assess their likelihood and impact, prioritize them, and develop strategies to strengthen fraud risk mitigation.

Ms. Ewing noted the assessment includes inherent fraud risks common to organization similar to NYCHA and focus on potential vulnerabilities. It does not indicate that these specific fraud schemes are currently occurring within NYCHA. She outlined key categories of elevated fraud risk: Cybersecurity and data protection, procurement and contracting, vendor & contractor management, tenant & application fraud, and a miscellaneous category. She noted the first four areas are already incorporated into NYCHA's internal audit plan. As audits are executed, the team is integrating fraud risk considerations by evaluating both the design and operating effectiveness of controls, including preventive and detective measures.

Ms. Lescott-Martinez raised a concern that the tenant and application fraud category was not clearly linked to any audits in the 2025 or 2026 internal audit plan. She pointed out that tenant rent collection is not the same as tenant application fraud and referenced prior audit findings related to tenancy files. She recommended that future audit work includes a focus on tenant rent calculation and tenancy documentation as there was an error in this area which led to a finding in the prior Single Audit. Ms. Ewing agreed with the suggestion and indicated that the audit plan could be adjusted accordingly.

At this point (1:27 p.m.), Mr. Gonzalez temporarily left the meeting.

Ms. Ewing transitioned to a high-level discussion of the Fraud Risk Assessment results, emphasizing that the presentation aimed to recognize the strengths and positive practices in place at the Authority. She highlighted several key strengths, including a very strong tone at the top regarding fraud prevention, leadership's commitment to continuous improvement, a culture of accountability, proactive quality assurance practices, centralized controls with appropriate segregation of duties, robust vendor management, and the use of data-driven decision-making.

Ms. Ewing then summarized the primary high-risk considerations identified in the assessment, grouping them into seven categories. These included improving the identification of controls and responses to fraud risks, enhancing fraud risk management policies and procedures, increasing awareness of anonymous whistleblower reporting mechanisms, strengthening fraud monitoring frameworks, further developing the Fraud Risk Mitigation Committee and its strategic oversight role, expanding the use of data analytics for fraud detection, continuing to promote a culture of transparency and ethical conduct, and enhancing fraud training and awareness programs. She noted that this presentation was intended as a high-level executive overview and invited any questions.

Ms. Tally responded that she had no questions and commented that the approach appeared comprehensive and robust. Mr. Brandow thanked Ms. Ewing and began moving to conclude the meeting.

Mr. Kaplan raised a procedural inquiry regarding the use of executive sessions to ask questions privately when needed. He noted that, based on his experience, Audit Committees often hold private or executive

sessions with auditors and select participants to allow for candid conversations and discussion of sensitive matters. He expressed interest in incorporating a similar practice, suggesting that such sessions could provide additional insight and allow for more open dialogue.

Mr. Brandow acknowledged the request and explained that, as discussed in prior AFC Meetings, private meetings could occur individually between Committee members and relevant parties, provided they comply with an exception in the Open Meetings Law. Mr. Kaplan referenced his experience in other settings where formal motions are used to enter private sessions and expressed his preference for adopting a similar approach.

Ms. Tally sought clarification on whether Mr. Kaplan was proposing to make a motion for such a session today, at that next meeting, or otherwise. Mr. Kaplan indicated that he would prefer it to be a recurring component of meetings, as issues that may arise that warrant more confidential discussion.

Mr. Brandow reiterated that private discussions could be arranged individually but noted that broader private sessions would need to comply with legal requirements. Mr. Kaplan reiterated his position, citing precedent from other public-sector audit environments. Mr. Brandow thanked Mr. Kaplan and noted that we will adjourn today's meeting upon Mr. Gonzalez's return.

Adjournment

AFC Chair Gonzalez returned at 1:37 p.m.

Mr. Brandow thanked all participants for their participation in today's meeting, including representatives from Deloitte, RSM, and NYCHA's Finance department, and stated the Committee's business for the day has been concluded.

Mr. Brandow reminded everyone that the next Audit and Finance Committee Meeting is scheduled for Tuesday, June 16, 2026, at 10:00 a.m.

Mr. Brandow then called for a motion to adjourn. Mr. Gonzalez moved the motion, which was seconded by both Mr. Kaplan and Ms. Tally. The Committee voted in favor, with no opposition, and the motion to adjourn was carried.

The meeting was officially adjourned at 1:38 p.m.