

AUDIT COMMITTEE OF THE CITY OF NEW YORK

MINUTES OF THE AUDIT COMMITTEE MEETING

HELD ON WEDNESDAY, MARCH 26, 2014

OFFICES OF SKADDEN, ARPS, SLATE, MEAGHERE & FLOM LAW FIRM

ATTENDANCE

Chair	Bernard Rosen
Private Members	Bud Larson Michael Spitzer Mark Kaplan
Public Members	Representing the Mayor – John Grathwol Representing the Comptroller – Michele Mark Levine
Secretary	Jacqueline Warburton-Thompson
Public Advocate	Representing the Public Advocate -Lawrence Schimmel
Independent Auditors	Deloitte & Touche LLP - James Curry, Mike Malloy, Jill Strohmeyer, Glenn Friedrich, Darshan Patel
Others	Brooklyn Navy Yard Development Corporation (BNYDC) - John Madonia, Gaffar Mohamed, Glenn Deans NYC Business Relocation Assistance Corporation (BRAC) - Shaazad Ali, Don Giampietro, Ismail Mohamed, Lynn Roberts Trust for Governors Island TGI) - Leslie Koch, Jonathan Meyers, Willa Padgett Brooklyn Bridge Park (BBP) - David Lowin, Cedric Gaddy, Belinda Cape New York City Office of Management & Budget - Nicole Fleming New York City Mayor’s Office of Operations - George Davis New York City Comptroller’s Office - Maria Tavares, Katrina Stauffer, Thema Holder, Susan Cornwall, Berta Lara, Iyan Fung, Sabrina Chow, Gary Tumarkin New York City Independent Budget Office – Sean Campion Marks, Paneth and Shron LLP - Warren Ruppel NYU’s Wagner School - Daniel Smith, Thad Calabrese

Audit Committee Meeting- March 26, 2014

I. Chair of the Audit Committee

Ms Jacqueline Thompson, Committee Secretary, called the meeting to order at 9:30 a.m. The first order of business was the appointment of an Audit Committee Chair for the Committee year ending February 28, 2015. Ms. Thompson opened up the floor for nominations. Mr. John Grathwol introduced a motion nominating Mr. Bernard Rosen to Chair the Audit Committee. A vote was taken and Mr. Rosen was unanimously elected. Ms. Thompson turned the meeting over to Chairman Rosen.

II. Secretary of the Audit Committee

Ms. Michele Mark Levine introduced a motion nominating Ms. Thompson to serve as Audit Committee Secretary for the Committee year ending February 28, 2015. A vote was taken and Ms. Thompson was unanimously elected.

III. Adoption of the Bylaws

There was a motion and a second to Adoption of the bylaws for the Audit Committee was moved and seconded and the motion carried.

IV. Review of the Draft Minutes of the Audit Committee Held February 26, 2014

Chairman Rosen inquired if there were any comments on the draft minutes as presented. Subject to any editorial comments submitted to Ms. Thompson, the Committee approved the draft minutes of the February 26, 2014 meeting.

V. Review of the Financial Statements and management Letters (where applicable) for the following entities:

1. Brooklyn Navy Yard Development Corporation

The next agenda item was the review of the financial statements of the Brooklyn Navy Yard (“BNY”) for the fiscal year ended June 30, 2013. Mr. John Madonia, Chief Financial Officer at BNY, noted that Deans, Archer & Co., BNY’s independent auditor, was represented by Mr. Glenn Deans.

Mr. Madonia provided a summary of the year’s events. BNY took strict precautions regarding the oncoming Super Storm Sandy and, as a result, was opened the next day for business. The main supplier of electricity and steam BNY sustained major damage from the storm and limited power had to be provided by BNY’s own back-up generators and boilers. After insurance proceeds, BNY reported an extraordinary loss of \$1.8 million. Capital damage may run over \$40 million. BNY is working with New York City's Office of Management and Budget and the Federal Emergency Management Agency to fund those repairs.

Fiscal year 2013 was a year for expansion at BNY. The designs were started on a new building and construction began on a new complex. The movie studio also completed five sound stages comprising 45,000 square feet of space and employing 2,100 people.

A question and answer session took place after the presentation. Several matters were discussed including:

- BNY is completing a \$40 million rebuild of its water system.
- Subsequent to Super Storm Sandy, the City gave permission for BNY to draw down on its reserves. BNY plans to build up those reserves.
- BNY had \$5 million of its deposits covered by FDIC insurance because its money is in several institutions; other funds were collateralized rather than insured.
- The leases to tenants of BNY are mostly in the five to ten year range. BNY discourages monthly leases.
- The representative of the independent auditors stated that in the firm's opinion, BNY has proper control over its vehicles.
- The City continues to provide a substantial amount of capital funding for BNY.
- BNY had 170 employees in fiscal year 2013.
- One major tenant at BNY was in bankruptcy which explained why there was such a big accounts receivable reserve.

There were no management letter comments.

There being no further questions the Chair thanked the representatives of the BNY and Deans, Archer & Co. for their participation at today's meeting.

2. Business Relocation Assistance Corporation

The next agenda item was the review of the financial statements and management letter of the Business Relocation Assistance Corporation ("BRAC") for the fiscal year ended June 30, 2013.

Mr. Don Giampietro, Assistant Commissioner of Business Incentives at the New York City Dept. of Small Business Services (“SBS”) and proxy representative of the SBS Commissioner who is also the BRAC Board Chairperson, introduced the other representatives of BRAC present and noted that Padilla & Company, LLP, BRAC’s independent auditor, was represented by Ms. Viola Binua.

Mr. Giampietro reported that BRAC was established in the eighties and was very active during the eighties and nineties. Now BRAC has a few hundred thousand dollars in its budget, which it is being spent down by disbursing relocation grants to industrial businesses.

There was a question and answer session. Several matters were addressed, including:

- Mr Giampietro was not sure if BRAC would receive future funding. Firms come to BRAC as a result of residential construction and/or conversion from industrial to non-industrial commercial.
- BRAC provides technical assistance in lowering energy costs, how to operate better and workforce job training.
- BRAC’s operating expenses decreased dramatically in fiscal year 2013 from the prior year because it did not reimburse SBS for personnel and other operating costs as it had done in prior years. This will probably continue to be the case in the future; SBS’s City fund budget will support the operations of BRAC.
- BRAC currently has about a dozen current grants, which will probably take it through another year to a year and a half.

There being no further questions the Chair thanked the representatives of BRAC and Padilla & Company, LLP for their participation at today’s meeting.

3. The Trust for Governors Island

The next agenda item was the review of the financial statements and management letter of the Trust for Governors Island (“TGI”) for the fiscal year ended June 30, 2013. Ms. Leslie Koch, President of TGI, introduced the representatives of TGI present and noted that Marks Paneth & Shron LLP, TGI’s independent auditor, was represented by Mr. Warren Ruppel.

Ms. Koch stated that TGI owns and operates 150 acres of Governors Island. TGI has a contract with the City to operate the non-Federal parkland on the island and is provided with capital and operating grants from the City. TGI is a component unit of the City for financial reporting purposes.

TGI was opened 40 days last year to the public and had about 400,000 visitors. In 2014, TGI is expected to be open to the public on 120 days. TGI’s investment in its infrastructure allowed it to lease many of the historic buildings. About 20% of the vacant landmark buildings on Governors Island are either leased or in the process of being leased to tenants, including a NYC public high school (“Harbor School”).

A question and answer session followed. Several matters were discussed, including:

- TGI had received a gift of stock which significantly decreased in value during FY 2013.
- TGI no longer provided janitorial services to the Harbor School, which reduced both expenditures and revenue but had no net impact on its operating results.
- Chase Bank and TGI’s Chief Financial Officer monitor the margins on collateral put up by the bank to secure TGI’s deposits.

TGI’s auditor management letter comments included a deficiency. It was explained that the accounting functions for TGI which were formerly done by EDC are now in-house. The deficiency

noted was a result of the transition. Because of this change the auditors recommended that the policies and procedures manual be updated. The auditors felt that the comment was only transitional.

There being no further questions the Chair thanked the representatives of TGI for their participation at today's meeting.

4. Brooklyn Bridge Park

The next agenda item was the review of the financial statements and management letter of Brooklyn Bridge Park (BBP) for the fiscal year ended June 30, 2012. Mr. David Lowin, Acting Chief Financial Officer of BBP, introduced the representatives of BBP present and noted that Marks Paneth & Shron LLP, BBP's independent auditor, was represented by Mr. Ruppel.

Mr. Lowin provided an overview of BBP. He stated that fiscal year 2013 was a year of growth for BBP in terms of visitation and in what was offered to the public. BBP is an ideal location because of all the public transportation options that provide easy access to the park. About half of the BBP construction was completed as of June 30, 2013.

A question and answer discussion followed. Several matters were addressed, including:

- BBP's marina will provide electricity, water and sewer services, but not fueling or a place to take boats in and out of the water.
- There are separate permitting fee structures for not-for-profit versus for-profit entities to use park facilities.
- BBP is separate from the NYC Parks Department, but the Parks' Commissioner is a member of BBP's Board.

- In terms of funding to build BBP, about \$85 million was received from the Port Authority. Additional funding came from the City and there were some small private donations. The Parks Department commissioner is on BBP's Board, the Deputy Mayor for Economic Development and Housing and the head of the Economic Development Corporation. The financial structuring for development sites consist usually of large up-front payments at the time of signing the lease. Annual payments are then made representing ground rent payments and payments in lieu of real estate taxes. BBP had originally anticipated less revenue up front and more ongoing with their structure. There are currently 33 employees at BBP and growth is expected. The City indemnifies BBP for personal injury cases as part of project agreement.

With regard to the management letter, the first comment, that BBP develop a monthly financial closing process, was designated it as a significant deficiency but is expected to be taken care of. Management has agreed with all of the comments and has addressed most of them. BBP has its own Audit Committee.

There being no further questions the Chair thanked the representatives of BBP for their participation at today's meeting.

5. Single Audit for the City

The next agenda item was the review of the City's Single Audit for the fiscal year ended June 30, 2013.

Mr. Glenn Friedrich, Partner at Deloitte and Touche LLP, provided an overview of the City's draft Single Audit Report for the fiscal year ended June 30, 2013.

Mr. Friedrich explained that the corrective actions are included in the Single Audit package that the City remits to the federal clearing house. In 2013 a final audit guide was issued for the New York State

Department of Transportation Single Audits. While this audit had technically been required for over a decade, the audit guide had previously only been available in draft form.. In connection, a State Single Audit was performed for 2012 and 2013. The 2013 audit was a clean report, but the 2012 audit had a finding as a result of documents that were not available for audit; City DOT officials had indicated that those records were among the records lost as a result of Sandy flooding.

Mr. Friedrich discussed new significant deficiencies found by the Single Audit, in addition to the four from previous years. Over the last three years, the findings have stayed stagnant. There were no material weaknesses in fiscal year 2013. It was noted that the City's performance is better than normal. Given the size, structure and decentralization, it is something that the City should be proud of. It was explained that the City is more decentralized than what is common, especially considering its size. There was discussion about bringing new entities to present in front of the Audit Committee. The school lunch program finding was discussed and the federal government has never considered that finding much of an issue. In response to a question about a very small dollar value grant which was included in test work, Mr. Friedrich explained that sometimes non material items are subject to audit when part of a federally defined "cluster".

There was a motion and a second to approve the draft of the Single Audit report for fiscal year June 30, 2013. The motion carried unanimously.

There being no further business before the Committee, the meeting was adjourned at 11:30 a.m.