

**AUDIT COMMITTEE OF THE CITY OF NEW YORK**

**MINUTES OF THE AUDIT COMMITTEE MEETING**

**WEDNESDAY, AUGUST 6, 2014 IN THE COMPTROLLER'S OFFICE BOARD ROOM**

**ATTENDANCE**

<b>Chair</b>	<b>Bernard Rosen</b>
<b>Private Members</b>	<b>Bud Larson Michael Spitzer Mark Kaplan</b>
<b>Public Members</b>	<b>Representing the Mayor – John Grathwol Representing the Comptroller – Michele Mark Levine</b>
<b>Secretary</b>	<b>Jacqueline Warburton-Thompson</b>
<b>Public Advocate</b>	<b>Representing the Public Advocate -Lawrence Schimmel</b>
<b>Independent Auditors</b>	<b>Deloitte &amp; Touche LLP - James Curry, Glenn Friedrich, Michael Molloy, Jill Strohmeier</b>
<b>Others</b>	<b>New York City Office of Management &amp; Budget - Nicole Fleming  New Yo City Comptroller's Office - Susan Cornwall, Berta Lara, Joan Stapleton</b>

## Audit Committee Meeting – August 6, 2014

### **I. Call to Order**

Mr. Bernard Rosen, the Chair, called the meeting to order at 9:40 a.m., and asked Ms. Jacqueline Thompson, Committee Secretary, to call the roll. Ms. Thompson called the roll and indicated that a quorum was present.

### **II. Review of the Draft Minutes of the Audit Committee Held June 18, 2014**

The first agenda item was the approval of the draft minutes of the June 18, 2014 Audit Committee meeting. Chairman Rosen inquired if there were any comments on the draft minutes as presented. Mr. Mark Kaplan indicated that he had a few non-substantive edits that he would give to Secretary Thompson. Chairman Rosen asked for a motion to approve the draft Committee minutes from the June 18, 2014 meeting, subject to the minor editorial corrections submitted to the Secretary. Mr. Bud Larson made a motion to approve the minutes of the June 18 Committee meeting; the motion was seconded by Mr. Michael Spitzer. The vote was noted as unanimous, and the minutes were approved.

### **III. New York City Audit Committee Website:**

The next agenda item was the announcement by Chairman Rosen that the New York City Audit Committee website is operational, and that, among other information, the website includes meeting agendas, webcasts of the public sessions, and the non-confidential materials associated with the agenda items of public sessions. The site can be accessed directly at: <http://nycauditcommittee.org/>; and, from

the Comptroller's website, at: <http://comptrollernyc.com/mymoneynyc/>, and then clicking on the *New York City Audit Committee* tab.

#### **IV. Proposed Resolution Regarding Non-Audit Services:**

Next on the agenda was a proposed resolution to make official a policy with regard to the Committee's approval of non-audit work by the City's independent auditors.

The resolution, as offered, would confirm the policy of the Audit Committee of The City of New York that any non-audit services that the City's independent auditor firm or firms propose to provide, or pursue the opportunity to provide, will be brought before the Committee for approval or disapproval by a majority vote of those members present and entitled to vote during the presence of a quorum, prior to a commitment by the auditors to conduct such work.

The resolution also proposed that, when such pre-approval by the full Committee is not practicable due to the necessary timing of the proposed non-audit services and that of the Committee's meetings, the Chairperson of the Committee, at his or her sole discretion, could approve such services in cases in which he or she believes that no inappropriate conflict, or appearance of a conflict, would be posed by the proposed non-audit work. In addition, the Chairperson would notify the members of the Committee of his or her decision as soon as practicable. In such cases where the Chairperson alone gives approval, notice would be given to the full Committee at its next meeting.

In an explanation of why this matter is being brought forward, Ms. Levine indicated her belief that this is the policy that has effectively been in place for some time. However, Ms. Levine noted that it was not previously recorded in the minutes.

Following Ms. Levine's remarks, the Chairman opened the floor for discussion.

Mr. Kaplan suggested the establishment of a dollar-amount ceiling for individual non-audit items. He also recommended that, when pre-approval by the full Committee was not possible, the Chairperson should contact at least one or two members of the Committee. Mr. John Grathwol suggested that research should be done to ascertain what the practices and/or thresholds for approval by management and/or a Chairperson were used by other organizations/audit committees

Subsequent discussion involved various issues and suggestions, including:

- Recommendations about establishing various dollar-amount ceilings for non-audit work which may be approved by the Chairperson, rather than the full committee, based on the dollar amount of non-audit fees and/or their proportion to the annual audit fees.
- Larger-sized/higher dollar-amount non-audit services would generally involve a longer procurement process and, as such, would not likely require pre-approval solely by the Chairperson (i.e. the full Committee would have sufficient opportunity for pre-approval).
- A question was raised about what to do if Chairperson is not available; there was consensus that the longest-serving private member of the Committee who could be reached would act in the place of the Chairperson.
- Several members suggested the use of teleconferences for votes by the committee. The question about whether Executive Sessions and votes could be taken outside of live, public meetings could not be answered by those present. Ms. Levine agreed to reach out to the Law Department's open meetings experts on this matter. *[Note: Subsequent discussion with the Comptroller's General Counsel's Office in consultation with the*

*City's Law Department yielded their advice that no votes could be taken in Executive Sessions, and that any formal decisions of the Committee must be voted upon in live sessions.]*

- Several members underscored the need to determine the dollar-amount and/or percentage ceilings used by entities similar to the City; suggestions that the policies must be aligned with other cities, as well as the need to consult legal counsel.
- Mr. Grathwol mentioned the need for research on Best Practices. He also suggested that we should speak with the Law Department about whether they have dealt with this issue. Mr. James Curry and Ms. Levine expressed concern about the likely unavailability of such benchmarks.
- There was discussion about the unavailability of records tracking the requests for permission to perform non-audit services by the City's auditors; BOA was requested to maintain such records.
- There was discussion about tracking the cumulative total amount of non-audit services approved, including as a proportion of annual audit fees. BOA was requested to maintain such records.
- Mr. Curry suggested conducting a "quick survey" of the top few component units for which he is not the auditor. *[Note: Subsequently, Ms. Levine reports having spoken with appropriate officials at the NYC Economic Development Corporation ("EDC"), the NYC Health and Hospitals Corporation ("HHC"), and the NYC Housing Authority ("NYCHA"). She will make a full report to the Committee at its next meeting. However,*

*she indicates that these Component Units' practices may not be useful in the Committee's decision.]*

- Ms. Levine agreed that BOA would re-write the resolution after consulting with City component units such as HHC, EDC and NYCHA and legal counsel.
- General agreement that there is more work to be done on the matter. Ms. Levine asked all present to please email her with any thoughts or ideas that would help to move the issue forward.

The Chair asked if any members wished to bring up new business for the public meeting at this time. No new business was raised.

The Chair asked for a motion for the Committee to enter the Executive Session to discuss procurement and contracting matters, and other issues for the non-public session. The motion was made by Mr. Kaplan and seconded by Mr. Spitzer; the vote was noted as unanimous, and the Committee went into Executive Session, at 10:10 a.m.

After exiting the Executive Session, being no further business, the Chair asked for a motion to adjourn. The motion was made by Ms. Levine, the motion was seconded by Mr. Kaplan, no objections were raised, and the meeting stood adjourned at 12:10 p.m.