



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
WEDNESDAY, DECEMBER 7, 2016  
AT THE OFFICE OF THE COMPTROLLER**

**ATTENDANCE**

<b>Chair</b>	Bernard Rosen
<b>Private Members</b>	Mark Kaplan Bud Larson Michael Spitzer
<b>Public Members</b>	<b>Representing the Mayor</b> – John Grathwol <b>Representing the Comptroller</b> – Michele Mark Levine <b>Representing the Public Advocate</b> – Lawrence Schimmel
<b>Secretary</b>	Jacqueline Thompson
<b>Independent Auditors</b>	<b>Grant Thornton LLP</b> – Marla Hummel, Cosmo Saginario <b>Ernst &amp; Young LLP</b> – Lou Roberts, Christopher Sullivan <b>EisnerAmper LLP</b> – James Connors, Eldean Wilson <b>Toski &amp; Co. LLP</b> – Joseph Kehm, Robert Zielinski
<b>Others</b>	<b>New York City Economic Development Corporation</b> – Fred D’Ascoli, Spencer Hobson, Raafat Osman, Kim Vaccari <b>New York City Industrial Development Agency</b> – Fred D’Ascoli, Spencer Hobson, Kim Vaccari <b>New York City Land Development Corporation</b> – Fred D’Ascoli, Spencer Hobson, Kim Vaccari <b>Build NYC Resource Corporation</b> – Fred D’Ascoli, Spencer Hobson, Kim Vaccari <b>New York City Neighborhood Capital Corporation</b> – Fred D’Ascoli, Spencer Hobson, Kim Vaccari

**Brooklyn Public Library** – Miriam Katowitz, Brett Robinson, Amadu Wagie

**Queens Borough Public Library and Affiliate** – Johanna Richman

**New York City Mayor’s Office of Operations** – Florim Ardolli, George Davis

**New York City Office of Management & Budget** – Ryan Chan, Enid Ellis, Nicole Fleming, Xiaochao Jin, Raphael Schwartz

**New York City Comptroller’s Office** – Camille Arezzo, Susan Cornwall, Peter Flynn, Berta Lara, Preston Niblack, Katrina Stauffer

**New York City Independent Budget Office** – Jonathan Rosenberg

## Audit Committee Meeting– December 7, 2016

### **I. Call to Order and Roll Call**

Mr. Bernard Rosen, Audit Committee Chairman, called the meeting to order at 9:30 a.m. and wished everyone a happy holiday season. Audit Committee Secretary Ms. Jacqueline Thompson took roll call; a quorum was present.

### **II. Review of the Draft Minutes of the Audit Committee Meeting Held October 25, 2016**

The first agenda item was the approval of the draft minutes of the October 25, 2016 Audit Committee Meeting. Chairman Rosen inquired if there were any comments on the draft minutes as presented. Hearing none, Chairman Rosen called for a motion to approve the minutes subject to the non-substantive editorial comments submitted to Ms. Thompson, the Committee approved the draft minutes of the October 25, 2016 meeting.

### **III. Review of the Financial Statements and Management Letters (where applicable) for the following entities:**

- New York City Economic Development Corporation
- New York City Industrial Development Agency
- Build NYC Resource Corporation

- New York City Land Development Corporation
- New York City Neighborhood Capital Corporation
- Brooklyn Public Library
- The Queens Borough Public Library and Affiliate

### **New York City Economic Development Corporation**

The next agenda item was the review of the financial statements of the New York City Economic Development Corporation (EDC) for the fiscal year ended June 30, 2016. Ms. Kim Vaccari, Chief Financial Officer at EDC, introduced the other representatives of EDC present and Mr. Louis Roberts, Audit partner and representative of Ernst & Young, LLP, independent auditors for EDC; the New York City Industrial Development Agency (IDA); the Build NYC Resource Corporation (Build NYC); and the New York City Land Development Corporation (LDC); and Mr. Angelito Ballo, from Ballo & Co, independent auditors for the New York City Neighborhood Capital Corporation (NYCNCC).

Ms. Vaccari noted the review will include financial reports for EDC, IDA, Build NYC, NYCNCC, and LDC.

Mr. Fred D'Ascoli, Controller at EDC, began his presentation with an overview of EDC's financial statements. EDC received an unqualified ("clean") opinion on its financial statements for fiscal year 2016. There were assets of \$1.027 billion, with liabilities of \$600 million, for a net position of \$426 million. The income statement includes \$600 million from the City, federal government,

and/or other grantors that are then routed to programs and reflected in the project and program expenses. The line item for rentals income includes \$191 million for the management of properties owned by the City. The income statement's bottom line for the fiscal year is \$100 million, as a favorable result of operations, and flowed through to the \$426 million net position. There were no exceptions noted upon review of internal controls.

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

- There were no deficiencies weaknesses found in the internal controls and, therefore, no management letter was issued.
- Proceeds from the property management operations flow through EDC, a portion of which are by contracts returned to the City through quarterly payments.
- With regards to the accuracy of rounded numbers, Ms. Michele Mark Levine advised the board that the Government Finance Officers Association recommends rounding to thousands.
- Most grant sources are from City capital grants.
- Account balances are secured through government security sweep accounts on a daily basis.
- The Brooklyn Queens Connector (BQX) program is currently in the study phase and those study costs are part of the regular expense for this fiscal year.
- EDC manages the Brooklyn Army Terminal for the City, and the property is 99 percent leased.

- EDC also manages the Seaport on behalf of the City.
- EDC employees are not eligible to participate in New York City Employers Retirement Systems (NYCERS) and are instead offered a defined contribution plan.

There being no further questions Chairman Rosen moved to the next entity on the agenda.

### **New York City Industrial Development Agency**

The next agenda item was the review of the financial statements of the New York City Industrial Development Agency (IDA) for the fiscal year ended June 30, 2016.

Mr. D'Ascoli stated that IDA received an unqualified ("clean") auditor's opinion. IDA has \$1.9 billion in assets, and \$1.88 billion of liabilities, \$1.85 billion of which are for the Stadia Projects. Income for fiscal year 2016 has decreased by \$3 million, primarily as a result of IDA not participating in Liberty bonds. The decline is also attributable to the payments for the special City projects that were undertaken during the year. The auditors noted there were no findings of deficiencies in the internal controls of the IDA.

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

- Investments held are in compliance with the board authorized investment policies.
- Any refinancing for the stadia would be at the request of the Yankees or the Mets and a refunding would be done through IDA.
- Regarding credit risk, it was explained that government money market and mutual funds are considered to be less risky than non-governmental investments.

There being no further questions Chairman Rosen moved to the next entity on the agenda.

### **Build NYC Resource Corporation**

The next agenda item was the review of the financial statements of Build NYC Resource Corporation (Build NYC) for the fiscal year ended June 30, 2016.

Mr. D'Ascoli noted that Build NYC also received an unmodified, (“clean”) audit opinion from the auditors. Build NYC is primarily issuing conduit debt and, as a result, generating associated fees.

Ms. Vaccari reminded the board that Build NYC was created when IDA lost its ability to issue conduit debt on behalf of not-for-profit organizations.

Assets are \$11.5 million, with liabilities of \$100,000, leaving net position at \$11.4 million. A new section on the balance sheet was added under the noncurrent asset section to present investments with maturities greater than a year. The income statement reflects an increase of \$3.1 million in Net Position. Operating expenses increased by \$500,000 for the period as a result of a shift in management fees from IDA to Build NYC. All investments are within the guidelines of the board's adopted investment guidelines.

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

- There are no employees of BUILD NYC, as EDC provides all services.
- EDC is an issuer of conduit debt, meaning that it issues bonds on behalf of the borrowing entities, and each entity is responsible for its respective debt. There is a list of projects and recipients posted on the website [www.nycedc.com/build-NYC](http://www.nycedc.com/build-NYC).

- Ms. Vaccari verified to the Audit Committee members that Build NYC would not be necessary if IDA still had the ability to do financing for not-for-profit organizations.

There being no further questions Chairman Rosen moved to the next entity on the agenda.

### **New York City Land Development Corporation**

The next agenda item was the review of the financial statements of New York City Land Development Corporation (LDC) for the fiscal year ended June 30, 2016.

Ms. Vaccari noted that the LDC was created to facilitate the transfer of properties between the City and EDC. The amount that comes into the corporation as revenues is by virtue of a grant from EDC to pay for operating costs, which are essentially the audit fees associated with the financials. There has been little or no activity this fiscal year, and the net position remains \$4,999 for the past several years. LDC received an unqualified (“clean”) opinion on its 2016 financial statements from the auditors.

There being no questions Chairman Rosen continued to the next entity on the agenda.

### **New York City Neighborhood Capital Corporation**

The next agenda item was the review of the financial statements of New York City Neighborhood Capital Corporation (NYCNCC) for the fiscal year ended June 30, 2016.

Mr. D’Ascoli explained this entity was created for the purpose of applying for New Market Tax Credit allocations. In fiscal year 2017, NYCNCC was awarded \$55 million in New Market Tax Credits from the Federal Government. This will be reflected in fiscal year 2017 financial



statements. There has been little to no activity for fiscal year 2016 and the auditors have issued an unqualified (“clean”) opinion of its 2016 financial statements.

There being no further questions Chairman Rosen thanked the representatives of EDC, IDA, Build NYC, LDC and NYCNCC for their participation at today’s meeting.

### **Brooklyn Public Library**

The next agenda item was the review of the financial statements and management letter of the Brooklyn Public Library (BPL) for the fiscal year ended June 30, 2016. Mr. Brett Robinson, Executive Vice President for Finance Administration of BPL introduced the other representatives of BPL present, and Mr. James Connors, the representative of EisnerAmper LLP, BPL’s independent auditors. Ms. Levine welcomed the Brooklyn Public Library as a new component unit in 2016 for the City and noted it's been a pleasure working with BPL throughout the first year.

Mr. Robinson reviewed the history of the institution going back to 1902, and noted that BPL’s branch properties are owned by the City and are occupied by BPL under its 1903 agreement with the City to provide library services to the people of Brooklyn. It is the fifth largest library system in the United States, with an operating budget over \$117 million; 1,100 full-time employees; 250 part-time employees; over 4 million materials; over 100,000 digital books; and 1,600 public computers. The system consists of 60 libraries, five learning centers, and occupies approximately 1.1 million square feet of real estate, mostly City-owned buildings, with a few leased from private landlords. BPL branches are open six days a week. BPL’s financial statements are prepared on a FASB basis and received an unqualified (“clean”) opinion on its financial statements for fiscal year 2016.

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

- BPL serves more than 2,500,000 Brooklynites.
- Cash and cash equivalents are not FDIC insured and balances are kept in CDs and money market accounts. Ms. Levine noted that the same footnote disclosures are not required by FASB and suggested adding in future reports.
- The funding from the City is operating money largely tied to services BPL guarantees, and receives capital from the City as well.
- The level of services provided is based on the original 1903 operating agreement.
- Mr. Robinson reviewed the Brooklyn Heights real estate transaction to sell the development rights and utilize the proceeds to fund a new library as well as invest funds in the capital program. The transaction also included renting and outfitting an interim library to avoid interruption of service.
- Mr. Robinson discussed the agreement with the New York Public Library to merge the logistics operations. The two systems now have unified book acquisition department with regimented cost allocation procedures.
- There are 60 libraries throughout Brooklyn in 59 buildings, with five leased branches and the balance owned by The City of New York. The City does provide some capital funding.

- Library space used for non-profit organizations is usually at no charge, but some space is rented for private events on a sliding scale through a governed set of fees.

There being no further questions Chairman Rosen thanked the representatives of BPL for their participation at today's meeting.

### **The Queens Borough Public Library and Affiliate**

The next agenda item was the review of the financial statements of The Queens Borough Public Library and Affiliate (QBPLA) for the fiscal year ended June 30, 2016.

Ms. Johanna Richman, Chief Financial Officer and Senior Vice President of QBPLA, explained that she has only been with the library for a very short time that and Mr. Robert Zelinski of Toski and Company, independent auditors for QBPLA, will provide the financial review. The supplementary report is included to provide additional detail to the board. As the library is a recipient of federal funds, the audit included a check for uniform guidance. QBPLA's financial statements are prepared on a FASB basis and received an unqualified ("clean") opinion on its financial statements for fiscal year 2016.

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

- The Affiliate of QBPLA that is referred to in the financial statements is The Queens Library Foundation, Inc. and results of the Foundation's financial year are included in the consolidated financial statements.

- In *Note 2 - Concentration of Credit Risk Arising from Investments in Cash and Cash Equivalents and Marketable Securities in Excess of Insured Limits*, the language should read “Certain investments in marketable securities and money market accounts with the Foundation’s broker dealers are insured up to \$500,000 for securities and \$250,000 for cash by Securities Investor Corporation (SIPC) insurance.”
- There are 63 library branches in Queens.
- The audit contract with Toski and Co. is for a five-year period, and an engagement letter is issued every year. Ms. Levine noted that the *City Directive 22 – Accounting, Financial Reporting and Audit Requirements for Entities included in the Financial Reporting Entity of the City of New York* states that a Request for Proposal (RFP) should be done every four years.
- There is no management letter.

There being no further questions Chairman Rosen thanked the representatives of QBPLA for their participation at today’s meeting.

#### **IV. Executive Session**

There being no further business for the public session, Chairman Rosen asked for a motion to enter Executive session. Mr. Bud Larson made a motion to go into Executive session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

Following the conclusion of the Executive Session, Ms. Levine made a motion to adjourn the December 7, 2016 public session of the Audit Committee, the motion was unanimously approved.