



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, MARCH 22, 2017, IN THE
COMPTROLLER'S OFFICE BOARDROOM**

ATTENDANCE

Chair	Bernard Rosen
Private Members	Mark Kaplan (via conference) Bud Larson Michael Spitzer
Public Members	Representing the Mayor – Nicole Fleming Representing the Comptroller – Michele Mark Levine Representing the Public Advocate – Lawrence Schimmel
Secretary	Jacqueline Thompson
Independent Auditors	Ballo & Co. – Angelito Ballo Deans•Archer & Company – Tunde Oniyide Grant Thornton LLP – Marla Hummel, Hassan Khan, John Morana, Michael Ryan, Cosmo Saginario Marks Paneth LLP – Xixi Dong, Hope Goldstein, Joseph Kanjamala
Others	New York City Business Relocation Assistance Corporation (BRAC) – Ismail Mohamed, Lyn Roberts, Andrew Schwartz Brooklyn Navy Yard Development Corporation (BNYDC) – Wimal Ariyawansa, John Madonia The Trust for Governors Island (TGI) – Michael Samuelian, Irena Sobko Brooklyn Bridge Park (BBP) – Amanda Dimaio, David Lowin, Jelani Watkins

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

New York City Office of Management & Budget – John Grathwol, Xiaochao Jin, Raymond Lee

New York City Comptroller's Office – Camille Arezzo, Minyu Chen, Sabrina Chow, Leonel Ferreira, Berta Lara, Katrina Stauffer

Audit Committee Meeting – March 22, 2017

I. Call to Order and Roll Call

Mr. Michael Spitzer, Acting Audit Committee Chairman, called the meeting to order at 9:30 a.m. Audit Committee Secretary Ms. Jacqueline Thompson took roll call; a quorum was present.

II. Nominations for Chairman and Secretary of the Audit Committee

Mr. Spitzer asked that nominations for the Chairman and Secretary be postponed until the next meeting.

III. Adoption of the Bylaws

Mr. Spitzer asked that the adoption of the Bylaws be postponed until the next meeting.

IV. Approval of the Draft Minutes of the Audit Committee Meeting held February 22, 2017

The first agenda item was the approval of the draft minutes of the February 22, 2017 Audit Committee Meeting. Mr. Spitzer inquired if there were any comments on the draft minutes as presented. Hearing none, Mr. Spitzer 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 February 22, 2017 meeting.

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

- Brooklyn Navy Yard Development Corporation
- New York City Business Relocation Assistance Corporation
- The Trust for Governor's Island
- Brooklyn Bridge Park

Brooklyn Navy Yard Development Corporation

The next agenda item was the review of the financial statements and management letter of the Brooklyn Navy Yard Development Corporation (BNYDC) for the fiscal year ended June 30, 2016. Mr. John Madonia, Chief Financial Officer at BNYDC, introduced the other representative of BNYDC and Mr. Tunde Oniyide, representative of Deans•Archer & Company, BNYDC's independent auditors.

Mr. Madonia reported that in fiscal year 2016 BNYDC realized operating revenue in excess of \$7 million before depreciation and amortization. BNYDC has over 250 tenants, employing approximately 7,000 people. The employment center has placed more than 350 local residents in jobs and has instituted shuttle service to A, C, and F trains to assist with access for employees. There was a \$60 million increase in property and equipment attributable to Green Manufacturing Center in Building 77. In fiscal year 2016 BNYDC received over \$55 million in City Capital funds, primarily for Building 77 and infrastructure improvements, and \$5 million in Federal and State sources. Private sector development was strong, in addition to PB/Rudin and Boston properties (a partnership between Boston Properties and the Rudin Organization), Dock 72 will house office and creative space and Admirals Row will house a Wegmans store with retail and industrial space.

Steiner Studios has begun construction of an expansion along Kent Avenue and will create New York City's first outdoor streetscape backlot, which will add a tourism component while easing disruption in iconic neighborhoods used for film and television shoots.

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

- If reports are to be submitted in accordance with Governmental Accounting Standards Board (GASB) all effective GASB standards must be followed. BNYDC is still assessing the impact of the GASB pronouncements and will be reflected in fiscal year 2017 financial statements.
- Documentation will be submitted to the Secretary for an explanation of the financing agreement of New Market and Historic Tax Credits. [Material was received and distributed to the Committee Members on April 4, 2017.]
- BNYDC has a board that is appointed by the Mayor.
- BNYDC has its own Audit Committee.

There were no management letter findings reported in fiscal year 2016.

There being no further questions, Mr. Spitzer thanked the representatives of BNYDC for their participation at today's meeting.

[Mr. Bernard Rosen, arrived at 10:00 a.m. and assumed his role as Committee Chairman.]

New York City Business Relocation Assistance Corporation Authority

The next agenda item was the review of the financial statements and management letter of the New York City Business Relocation Assistance Corporation Authority (BRAC) for the fiscal year ended June 30, 2016. Mr. Ismail Mohamed, Executive Director of Budget for Small Business Services

(SBS), and Assistant Treasurer for BRAC introduced Mr. Angelito Ballo, representative of Ballo and Company, BRAC's independent auditors.

Mr. Mohamed reported that a corporation dissolution has been filed through the New York State Attorney General and is almost complete. The funds were transferred to the New York Business Assistance Corporation (NYBAC) at the end of fiscal year 2016.

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

- In fiscal year 2016, there is very little activity in the financial statement. \$255 in expenses that were incurred and generated \$210 in interest.
- The audit was paid for by NYBAC
- Ms. Michele Levine thanked the representatives of BRAC for all of their work on behalf of the City.

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

Trust for Governors Island

The next agenda item was the review of the financial statements and management letter of Trust for Governors Island (TGI) for the fiscal year ended June 30, 2016. Mr. Michael Samuelian, President and CEO of TGI, introduced the other representative present and Ms. Hope Goldstein, representative of Marks Paneth LLP, TGI's independent auditors.

During fiscal year 2016, 585,000 New Yorkers visited Governor's Island within the four month season resulting in a 26 percent increase over the previous year. The third phase of park construction was completed in 2016 and infrastructure improvements have been made. In 2017, the park will

open on May 1st with a goal to expand the season to 365 days of operation. Part of that plan is a phase of redevelopment and a tenant has signed a lease for a day spa. The park provides space for free arts programming and last year hosted 80 organizations and 500 different programs. This year, plans are to add more visual arts with music and performances. Plans are to increase the amount of food and beverage options available.

The operating funding is 90 percent from the City, and the remainder comes from permitting fees; 100 percent of capital comes from the City, with some degree of private philanthropy to help subsidize park construction.

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

- TGI owns the ferry with New York Waterways as a subcontractor, which runs a Brooklyn service on weekends in the summer and supplementary service from Manhattan. The ferry runs 365 days to accommodate high school students. The Request for Proposal process is underway for the procurement of an additional ferry.
- The New York Harbor High School is located on Trust land and serves 480 students.
- As of July 1, 2016, TGI has entered into an agreement with The LiRo Group to provide facilities management and construction management services.
- Of the 172 acres, TGI controls 150 acres; the National Park Service controls 22 acres.
- Maintenance expenses are included in the facilities' management contract.
- TGI should consult with the Office of Management and Budget to ensure the accounting for the returned funds was handled correctly.
- TGI has approximately 25 employees.

- Exensis Holdings, LLC is the retirement plan sponsor and plan administrator for TGI's employees. The employer contribution is determined by employees' years of service.
- The Governing Board has 13 members; eight are appointed by the Mayor and the five remaining by other public officials.

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

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, 2016. Mr. David Lowin, Acting President for BBP, introduced the other representatives of BBP present, and Ms. Hope Goldstein, representative of Marks Paneth LLP, BBP's independent auditors.

Mr. Lowin provided a handout to the Committee showing the progress of BBP. He reported that BBP is approximately 85 acres. BBP is about 80 percent complete. The uplands for Pier 5 and Pier 3 are under construction, and the uplands of Pier 2 has been funded and is going through design phase. The Brooklyn Bridge Plaza under the bridge is the last phase to get funded and built. Openings in 2016 included Brooklyn Children's Museum satellite facility at 1 John Street; Pier 6 outboard adding about 3.5 acres; a bouldering facility under the Manhattan Bridge; and the Brooklyn Bridge Park Marina. Final documents have been submitted for the 2017 reopening of Squibb Park Bridge, scheduled to open in April. Pier 5 is expected to open mid-summer and Pier 3 is expected to open in summer 2018.

Five development sites have been approved; two are open, which includes One Brooklyn Bridge Park, and 1 John Street is a 42-unit condominium with Brooklyn Children's Museum on the ground floor. Empire Stores is partially opened; it is a 400,000 square foot office and retail facility. Pier 1 is a mixed-use facility that includes a 200-room hotel and a 100-unit condominium complex, which is approximately 80 percent sold. Pier 6 development is awaiting resolution of a lawsuit and it will include 126 condominiums, 100 units of affordable rental housing, and 40 units of market rate rental housing.

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

- BBP Corporation has been in existence since 2010.
- BBP has approximately 50 employees, which includes seasonal staff.
- It is recommended reporting for nonoperating revenues in Federal Emergency Management Agency (FEMA) reimbursement be reviewed in accordance with GASB 33 – Accounting and Financial Reporting for Nonexchange Transactions.

There were no management letter observations and recommendations in fiscal year 2016

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

VI. City of New York Draft Single Audit Report and Corrective Action Plans

Mr. Cosmo Saginario, representative of Grant Thornton LLP, presented a summary of the Single Audit Report for June 30, 2016. A summary of highlights has been distributed to the Committee.

The fiscal year 2016 Single Audit encompassed 13 City agencies, which expended federal funds, including the Department of Education (DOE), Health and Hospitals Corporation (HHC), and

Economic Development Corporation (EDC). While Grant Thornton audited certain major programs and related federal expenditures of HHC and EDC, it does not audit the financial statements of these component units. Total federal expenditures were approximately \$26.2 billion; \$18 billion relates to Medicare funding and pass-through funding from New York State. The amounts presented in the schedule of expenditures of federal awards are approximately \$18 billion, and the auditors are in agreement with the judgment that the city maintains eligibility requirements. There were 28 Federal programs audited as major in 2016; 21 met the Type A Program threshold of \$39.4 million or above, and seven met the Type B Program threshold of \$9.8 million and above. In addition, there are requirements by the State of New York over transportation programs; four major programs were audited following State Codification Rules and Regulations Part 43. Under risk assessment, the inherent risk determination usually made by auditors has been removed under the new Uniform Guidance. The objective of this new risk assessment protocol is to enhance audit coverage of smaller programs that may have never been subject to audit. Audits will change to three-year cycles, and a roadmap for the next two years had been prepared to audit 28 programs.

As a result of the Single Audit, reports will be issued on internal control over financial reporting and compliance and other matters in accordance with *Governance Auditing Standards*, reports on compliance for each major Federal Program and compliance reports with respect to the State Programs.

There were a total of nine findings. Over the last five years, the number of findings is on the decline. There was seventeen prior year findings. Twelve of the seventeen have been corrected and considered remediated.

Areas of the Housing Preservation and Development noncompliance issues are due to difficulties of conducting work inspections within the 90-day period because of lack of access to residences. There is documented evidence of attempts to gain access, as well as completed inspection reports of inspections conducted outside of the 90 days.

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

- It will be verified and reported back to Ms. Levine whether errors found with the Adoption Assistance Program are related to older cases.
- Grant Thornton feels that the database system implemented for capital grants, and soon to be implemented for expense grants in fiscal 2018, will provide greater insight and should address previous concerns raised by Deloitte.

Ms. Levine made a motion that the Audit Committee accept the auditor's report on the single audit for fiscal year ended June 30, 2016, and approve the submission of this to the required federal oversight agencies and to the public. The motion was approved.

There being no further questions, Chairman Rosen thanked everyone involved with the Single Audit for their participation at today's meeting.

VII. Executive Session

There being no further business for the public session, Chairman Rosen asked for a motion to enter Executive session. Ms. Levine 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 March 22, 2017 public session of the Audit Committee; the motion was unanimously approved.