



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
TUESDAY, NOVEMBER 13, 2018  
AT THE OFFICE OF THE COMPTROLLER**

**ATTENDANCE**

<b>Chair</b>	Michael Spitzer
<b>Private Members</b>	Bud Larson
<b>Public Members</b>	<b>Representing the Mayor</b> – John Grathwol <b>Representing the Comptroller</b> – Jacqueline Thompson <b>Representing the Public Advocate</b> – Umair Khan
<b>Secretary</b>	Katrina Stauffer
<b>Independent Auditors</b>	<b>Grant Thornton LLP</b> – Dan Barron, Brian Guastella, Marla Hummel, Hassan Khan, Michael Ryan, Cosmo Saginario  <b>Deloitte &amp; Touche LLP</b> – Michael Fritz, Megan Martin, Jill Strohmeyer
<b>Others</b>	<b>New York City Housing Authority</b> – Anil Agrawal, PV Anantharam, Rassoul Azarnejad, Dan Frydberg, Hyacinth Jeffers, Kelly MacNeal, Shibu Mammen, Cathy Pennington, Tricia Roberts  <b>Department of Education of the City of New York</b> – Richard Carlo, Maria Conklin, Barry Elkayam, Suzette Irish, Tisa Lapadula, Marisol Martinez-Williams, Dan Stone, Desmond White, Margaret Whittaker  <b>New York City Mayor’s Office of Operations</b> – Florim Ardolli, George Davis  <b>New York City Office of Management &amp; Budget</b> – Raymond Lee  <b>New York City Comptroller’s Office</b> – Camille Arezzo, Stephen Corson, Leonel Ferreira, Jessica Sanchez, Joan Stapleton, Susanna Tregor

## Audit Committee Meeting – November 13, 2018

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

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

### **II. Motion to Accept Draft Minutes of the Audit Committee Meeting held October 24, 2018.**

The first agenda item was the approval of the draft minutes of the October 24, 2018 Audit Committee meeting. Chairman Spitzer inquired if there were any comments on the draft minutes as presented. Subject to any non-substantive editorial comments submitted to Ms. Stauffer, the Committee approved the draft minutes of the October 24, 2018 Audit Committee Meeting.

### **III. Presentation of the Financial Statements and Management Letter for the New York City Housing Authority**

The next agenda item was the review of the financial statements and management letter of the New York City Housing Authority (NYCHA) for the fiscal year ended December 31, 2017.

Mr. P.V. Anantharam, Chief Financial Officer (CFO), introduced other representatives of NYCHA present, and representatives of Deloitte & Touche, LLP, NYCHA's independent auditors.

This is a follow-up to the meeting in June since, at that time, not all members had received the NYCHA's financial statements. Ms. Tricia Roberts noted that the financial statements also include results of LLC1 and LLC2, which are the blended component units under NYCHA. The auditors issued an unqualified clean opinion of the annual financial statements and issued a management letter.

NYCHA's loss before capital contributions for 2017 was \$329 million, compared to a loss of \$361 million for 2016. This favorable variance of \$32 million was comprised of favorable variances of \$21 million in operating revenues, \$10 million in non-operating revenues, net, and \$1 million in operating expenses.

The decrease in operating expenses of \$1 million was attributed to an increase in housing assistance payments of \$46 million due to 1,395 additional units from the Ocean Bay (Bayside) Rental Assistance Demonstration Program and an increase in the cost per unit from \$960 to \$1,000.

An increase in utilities of \$20 million was due to price increases in electricity and heating gas consumption increases. A decrease in maintenance and operation of \$36 million was due to lower pollution remediation costs because of the completion of the 2013 Capital Fund Financing Program in June 2017, as well as operational initiatives such as vendor work orders, pest control, and tree pruning.

A decrease in Other Postemployment Benefits (OPEB) costs of \$31 million was due to the interest rate change from 3.71 percent to 3.16 percent resulting from the implementation of GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. An increase in non-operating revenues of \$10 million was due to an increase in subsidies and grants of \$30 million. A Section 8 HAP subsidy of \$28 million was due to the increased need for housing assistance payments. In 2017 FEMA provided subsidy of \$28 million to cover excess fuel costs for mobile boilers related to Superstorm Sandy and there was a decrease in federal operating subsidy of \$22 million to lower subsidy URL offset by HUD proration increase to 93 percent.

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

- Liability relating to lead only has to do with lead being exposed during the course of modernization work as opposed to a structured approach to addressing lead systemwide.
- The Committee expressed various concerns regarding the liability numbers for lead not being clearly identified in the financials and there doesn't seem to be any recognition of this issue as far as a description of what may be going on or what NYCHA may be doing in order to address it. NYCHA stated it would include the expenditures for lead remediation, inspecting and testing in future reports; however, the amounts may be more easily identifiable in the budget documents, as it is a multi-year effort.
- The Consent Decree currently under review by a judge includes provisions for a monitor and NYCHA to work together to come up with action plans for remediation work in the areas of lead, heat, and other health and safety concerns. The Southern District is

currently reviewing applications and conducting interviews for this position. All work associated with the Consent Decree would be done by NYCHA but the monitor will have the authority to cut through the procurement procedures to obtain resources to address issues surrounding the Consent Decree. There should be a better idea of work to be performed within six months of hiring the monitor.

There being no further questions, Chairman Spitzer thanked the representatives of NYCHA for their participation in today's meeting.

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

There being no further business for the public session, Chairman Spitzer asked for a motion to enter into Executive Session. A motion was made 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.

#### **V. Adjournment**

There being no further business before the Committee, a motion was made to adjourn the November 13, 2018 Audit Committee meeting; the motion was unanimously approved.