



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, DECEMBER 11, 2019
AT THE OFFICE OF THE COMPTROLLER**

ATTENDANCE

Chair	Michael Spitzer
Private Members	Larian Angelo Mark Kaplan Bud Larson
Public Members	Representing the Mayor – Raymond Lee Representing the Comptroller – Jacqueline Thompson
Acting Secretary	Man Hon Cheung
Independent Auditors	Grant Thornton LLP – Marla Hummel, Michael Ryan, Cosmo Saginario BDO LLP – Ritesh Lall, Jeremy Meisel EisnerAmper LLP – Candice Meth, Eldean Wilson
Others	Brooklyn Public Library – Karen Sheehan, Amadu Wagie Queens Borough Public Library and Affiliate – Vishnu Dawah, Michael Tragale New York City Mayor’s Office of Operations – Florim Ardolli, George Davis New York City Office of Management & Budget – Enid Ellis New York City Comptroller’s Office – Camille Arezzo, Leonel Ferreira, Jessica Sanchez, Susanna Tregor New York City Financial Information Services Agency – Neil Matthew, Peter Reddy Queens College Government and Not-for-Profit Accounting – 6 Students

Audit Committee Meeting – December 11, 2019

I. Call to Order and Roll Call

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

II. Motion to Accept the Draft Minutes of the Audit Committee Meeting held November 12, 2019

The first agenda item was the approval of the draft minutes of the November 12, 2019 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 Mr. Cheung, the Committee approved the draft minutes of the November 12, 2019 Audit Committee Meeting.

III. Presentation of the Financial Statements and Management Letters (where applicable)

The next agenda item was the review of the financial statements and management letters of the following entities for the fiscal year ended June 30, 2019:

- Brooklyn Public Library
- The Queens Borough Public Library and Affiliate

Brooklyn Public Library

Ms. Karen Sheehan, Executive Vice President, Finance and Administration, and Chief Financial Officer of the Brooklyn Public Library (BPL) introduced the other representative of BPL, Mr. Amadu Wagie, Vice President, Finance, and the representatives of EisnerAmper LLP, BPL's independent auditors.

In Fiscal Year 2019, BPL's circulation, including print and electronic media, totaled 12.9 million. In addition, BPL is the borough's largest provider of free computer and internet access, hosting 1.6 million computer sessions. While computer sessions decreased, wireless connections increased, from 508,000 in Fiscal Year 2018 to 1.5 million in Fiscal Year 2019, as patrons brought their own devices for WiFi access.

In addition, over 2,000 volunteers provided a total of 94,000 hours of service to the library, and BPL branches hosted 7.9 million visits as measured by door count. The library hosted 73,000 programs attended by more than 1.1 million people.

BPL had approximately five million printed materials; it also provides its patrons with access to over 1.1 million e-books and 472,000 audio books, compared to 1.1 million and 363,000, respectively, the year before. Also, BPL had 11 million visits to its website and responded to 4.2 million electronic reference inquiries.

To address the significant deferred maintenance needs of its facilities, BPL partnered with the City to undertake some renovations. The initial project is a \$23 million renovation of the Greenpoint library branch, which is expected to reopen this winter. BPL is also currently working on a \$38 million renovation to the Central Library and expects the effort to continue for

the Brooklyn Heights and Sunset Park libraries, both of which were disposed of by the City and are to be redeveloped as mixed-use facilities.

The library adopted the mandatory change to the presentation format of its financial statements required of all non-profit entities by the Financial Accounting Standards Board (FASB). The primary changes included the classification of net assets, expenses categorization, liquidity, and available resources disclosure.

The BPL's auditors, EisnerAmper LLP, issued an unmodified opinion of the library's financial statements for the year ending June 30, 2019, with a comparison for June 30, 2018. The statements of financial position and activities are presented in the new FASB-required format, with Fiscal Year 2018 restated to conform with the current year's formats.

As of June 30, 2019, the BPL had total assets of \$151.1 million, up approximately \$13.7 million from the previous year. This is comprised of:

- Cash and cash equivalents, the year-end balance of which increased by \$3.5 million year-over-year.
- Receivables, which increased by \$9.1 million, primarily due to uncollected receivables from the City for city capital grant projects (in particular Greenpoint, at \$4.9 million, and the Central library phase one, at \$6.1 million).
- Investments decreased \$1.8 million, primarily due to the liquidation of a CD held at Iberia Bank. The fair value of the portfolio managed by Rockefeller Capital Management increased by \$400,000, net of the annual operating payout of \$1.9 million, due to the performance of the financial markets.

- Prepaid and other assets increased by \$689,000 year-over-year, due to the prepayment of certain expenses to take advantage of early payment discounts.
- Property and equipment increased by approximately \$2.8 million, primarily due to the cost of construction-related projects.
- Accounts payable and accrued expenses increased by \$5.8 million as a result of the timing of payment of year-end invoices, including construction-related bills for the Greenpoint and Central Library projects.
- Accrued wages and related liability increased by \$2.8 million, due to a \$1.3 million increase in the library's terminal leave obligations and the timing of the last payroll of the fiscal year.
- Following the adoption of the new financial statements format, net assets without donor restrictions were \$86.3 million, and net assets with donor restrictions were \$30.5 million, including \$2.7 million held in perpetuity.
- Total operating revenues and support were \$179.7 million, up \$8.7 million over Fiscal Year 2018. Changes were primarily due to the net impact of City's revenue being up \$6.7 million year-over-year, because of additional funding for operations, health insurance, and collective bargaining settlements, and the federal revenue being up \$377,000, due to three new \$125,000 literacy grants.
- Total operating contributions were up approximately \$1.4 million over last year, in part due to a \$2.4 million donation from the Stavros Niarchos Foundation.
- Total operating expenses increased by \$8.7 million, to \$175.7 million, over Fiscal Year 2018, mainly due to a \$4.7 million increase in salary and related expenses driven by the general increase in health insurance costs and cost-of-living adjustments, including

retroactive collective bargaining payments. Professional fees were also up \$3 million, primarily due to the programmatic cost of an artist in residence program funded by the Stavros Niarchos Foundation.

- Non-operating activities include grants and capital contribution revenue of approximately \$15 million, including \$1.8 million from a New York State Education Department construction grant for Greenpoint, \$1.8 million from the National Fish and Wildlife Foundation for Greenpoint, and \$11.5 million from a New York City capital grant for the same program (\$5.3 million) and Central Library phase one (\$6.2 million).
- Investment income not used in operations for the year was approximately \$1 million versus \$700,000 for Fiscal Year 2018.

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

- The term “underwater” in the financial statements is associated with the Financial Accounting Standards Board’s Accounting Standards Update 2016-14.
- The completion of the Greenpoint renovation is estimated to be at the beginning of February 2020.
- ‘BookOps’ is a partnership between BPL and the New York Public Library to distribute both libraries’ materials, which BPL states is a superior system for distribution.
- The line-of-credit agreement detailed on page 24 of BPL’s financial statements has been cancelled.

- The Committee noted that there is a new City mandate for duplex printing.

[Although double-sided printing is a preferable practice from environmental and economic perspectives, currently there is no legal requirement for agencies to print double-sided.]

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

The Queens Borough Public Library and Affiliate

Mr. Michael Tragale, Chief Financial Officer and Senior Vice President of The Queens Borough Public Library (Queens Library) introduced the other representative of Queens Library, Mr. Vishnu Dawah, Controller, and the representatives of BDO LLP, Queens Library's independent auditor.

The Queens Library's visitor count was 10.9 million, its circulation of materials was 11.6 million, its collection contains 5.4 million items, and the library hosted public access to 2.7 million computer sessions.

Queens Library's operating budget was \$168.5 million. The library ran 87,600 programs through the year, with program attendance of 1.65 million. The library has 6,900 public access computers, down slightly because Queens Library had to discard some obsolete equipment, which will be replaced. Wireless use at the library was at about 500,000.

In the past year, the Queens Library was able to cut its line of credit from \$8 million to \$4 million by controlling the growth of personal service. Queens Library had to pay \$3 million in collective bargaining, some of which was covered by the City. The Program to Eliminate the Gap (PEG) notification from the City in the February Plan helped prepare Queens Library to

implement contingency planning to address both the prior year's line of credit and a potential PEG reduction of \$2.5 million in Fiscal Year 2020, which did not materialize.

Queens Library's Notes to the Consolidated Financial Statements for investments were improperly displayed in the prior year's financial summary; currently, the fixed income portion of the investments are indicated at a level that is in line with the library's finance and investment committee policy.

In addition, cyber security was an issue last year. For the past two years, Queens Library has hired a consultant firm to perform a network penetration test to identify any critical concerns. Both tests received positive results and the library has quickly remediated any critical or high issues. Queens Library has also engaged a company to guide the library on cyber security and that company will also perform another intrusion test.

Queens Library has reintroduced network compliance and controls on network traffic and segmented the public computer access from the staff computer access to limit crossover and intrusions from the public devices. The library has also upgraded its Windows environment.

The Library's auditors, BDO LLP, issued an unmodified opinion on the audited financials; there were no new findings this year in the management letter comments. One change this year was the adoption of the new accounting principle for the presentations of financial statements, commonly referred to as ASU 2016-14.

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

- Queens Library explained that the different line of credit figures are due to the library being self-insured and part of its workers' compensation covenant is related to the line of credit. The amount wasn't actually used, but it was an offset in terms of the self-insurance program. The library said it could clarify the matter further in the future.
- A question was raised concerning whether Queens Library is part of the NYC Other Postemployment Benefits (OPEB) Plan. The Committee believes that Queens Library should be covered by the City's OPEB plan, and recommended that Queens Library investigate the issue.
- Queens Library will add text that indicates it monitors its bank accounts.
- The Committee recommended that on page 18, under "Funding Policies," the financial statement specify that "the Comptroller" refers to the New York State Comptroller.

There being no further questions Chairman Spitzer thanked the representatives of the Queens Library for their participation at 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

After returning from Executive Session, there being no further business before the Committee, a motion was made to adjourn the December 11, 2019 Audit Committee Meeting; the motion was unanimously approved.