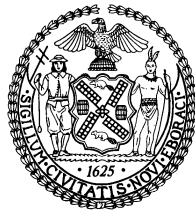


**ANNUAL REPORT**  
**OF THE**  
**AUDIT COMMITTEE**  
**OF THE**  
**CITY OF NEW YORK**



**March 1, 2011 – February 29, 2012**

## EXECUTIVE SUMMARY

This is the thirty-third annual report of the Audit Committee of The City of New York (the Committee). This report covers activities of the 2012 Committee Year, which ended on February 29, 2012.

The Committee reviewed and evaluated the audit approach and monitored the progress of the audit of The City of New York's (The City's) financial statements which were performed by the independent certified public accountants. Based upon a representation from the auditors and its own review, the Committee is satisfied that the audit was performed in accordance with generally accepted auditing standards and *Government Auditing Standards* and that The City's financial statements are presented in conformity with generally accepted accounting principles (GAAP) for governments.

The Committee is pleased with the cooperative efforts between The City and its independent certified public accountants, Deloitte & Touche LLP, in the audit of The City's financial statements. The Committee congratulates the Comptroller of The City of New York and his staff on being awarded, for the thirty-first consecutive year, the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for The City's Comprehensive Annual Financial Report for Fiscal Year 2010. The Committee also congratulates the Executive Directors and staffs of the following entities for being awarded the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting:

- New York City Employees' Retirement System
- Teachers' Retirement System of The City of New York - Qualified Pension Plan
- New York City Board of Education Retirement System Qualified Pension Plan
- New York City Police Pension Fund
- New York City Fire Pension Fund
- New York City Water and Sewer System
- New York City Deferred Compensation Plan
- New York City Housing Authority

During the year, the Committee continued its review and evaluation of the audit process of the various City component units, covered organizations and Business Improvement Districts (BIDS). Such involvement includes reviewing the audited financial statements and management letters of these entities. Additionally, the Committee met with the managements and the independent auditors of various component units, covered organizations and BIDS.

On June 22, 2011 the Committee introduced Mr. Michael Spitzer, who was appointed to serve as a private member of the Audit Committee by Mayor Bloomberg. Mr. Spitzer's appointment is for the remainder of a two-year term which began on March 1, 2011 and will expire on February 28, 2013. Moreover, the committee acknowledged Mr. Bud Larson, for his valuable contributions to the work of the Committee until his retirement.

On October 24, 2011 Mr. Bud Larson was appointed to serve as a private member of the Audit Committee by Mayor Bloomberg with the recommendation of The City Comptroller John C. Liu. Mr. Larson's appointment is for the remainder of a two-year term which began on March 1, 2011 and will expire on February 28, 2013. The committee thanked and acknowledged Mr. Patrick Toner who served as Secretary to the Committee, for his valuable contributions and insight to the Committee until his retirement. The Committee also acknowledged Mr. Stuart Klein who served as the Mayor's representative on the Audit Committee, for his dedicated service to the committee until his retirement.

On December 14, 2011 Ms. Michele Mark Levine, and in her absence, Mr. John P. Grathwol, was appointed by Mayor Michael Bloomberg to serve as the Audit Committee representative for the Mayor's Office. Additionally, Ms. Maria Tavares was appointed as Secretary to the Audit Committee. Moreover, a resolution was made to change the methodology of selecting the BIDs to appear before the Audit Committee. As a result the Committee will only review the BIDs which issue bonds and those that Small Business Services believes require further analysis.

Respectfully submitted,

Private Members

Bernard Rosen  
Mark N. Kaplan  
Michael Spitzer  
Bud Larson

Public Members

Michael R. Bloomberg  
John C. Liu  
Bill DeBlasio

February 29, 2012

## SECTION I

**RESPONSIBILITIES AND OPERATIONS**

The Audit Committee of The City of New York is established by, and functions pursuant to, Section 97 of the City Charter, (see Appendix A). The Committee was created in 1979 by the Mayor's Executive Order No. 29. In 1987, the Committee was reorganized by Executive Order No. 111, which superseded the prior order.

The seven-member Committee is constituted as follows:

Private Members:

Two individuals with expertise in finance  
Two individuals with expertise in accounting

Public Members:

The Mayor  
The Comptroller  
The Public Advocate

The Mayor appoints the four private members, two upon the recommendation of the Comptroller. Private members serve two-year terms and continue in office until their successors have been appointed and qualified.

The private members are:

Finance:

Mr. Bernard Rosen  
Financial Consultant  
Term End: February 29, 2012

Mr. Mark N. Kaplan  
Of Counsel, Skadden, Arps, Slate, Meagher & Flom, LLP  
Term End: February 28, 2010

Accounting:

Mr. Michael Spitzer  
Financial Consultant  
Term End: February 28, 2013

Mr. Bud Larson  
Term End: February 28, 2013

### **Responsibilities and Accomplishments**

The Committee performed the following activities in the 2012 Committee year:

- Reviewed the Report to the Mayor and the City Council on City Comptroller Audit Operations for fiscal year 2010
- Reviewed and advised on the independent auditor's audit plan for The City
- Reviewed the progress of the audit of The City's financial statements
- Provided comments on The City's financial statements
- Reviewed and accepted The City's financial statements and received explanations for items included in the financial statements
- Reviewed and evaluated the independent auditors' management letter for The City and the New York City Department of Education (DOE), including management's responses
- Reviewed and accepted The City of New York Single Audit Reports for the fiscal year ended June 30, 2010
- Published an annual Committee report

### **Responsibilities Not Assumed**

The Committee did not assume responsibility comparable to the above activities with respect to the audits of certain component units, covered organizations, Business Improvement Districts (BIDS) and the various fiduciary funds maintained by The City. The Committee, however, as more fully discussed in SECTION VI, has extended its purview to include involvement with respect to certain of these organizations.

The Comptroller is obligated by the City Charter to undertake audits and investigations of all financial operations of The City and to perform essentially the equivalent of an internal audit function. The Committee receives the annual report on the results of the Comptroller's audit activities. The independent auditors reviewed the Comptroller's audit reports to the extent necessary under generally accepted auditing standards. The Committee did not consider it necessary to make a further review of the Comptroller's activities.

## **Operations**

The Committee held seven public meetings and seven private executive sessions during the Committee Year ended February 29, 2012.

In addition to the members of the Committee (or their representatives, in the case of the Public members), the public meetings were attended at all times by representatives of Deloitte & Touche LLP, the independent auditors for The City of New York.

Minutes of all meetings are on file at the Comptroller's Office and are available for public inspection.

## SECTION II

### **RELATIONSHIP WITH INDEPENDENT PUBLIC ACCOUNTANTS**

The firm of Deloitte & Touche LLP was The City's independent auditors for The City's fiscal year ended June 30, 2011. This firm was not engaged in any non-audit work for The City which would have been considered an impairment of their independence.

The Committee undertook a review of the audit scope, as outlined in the *Audit Plan for The City of New York for the Fiscal Year Ended June 30, 2011*, submitted by the independent auditors.

The Committee is satisfied that the independent auditors performed an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*.

## SECTION III

### **REVIEW OF THE ANNUAL FINANCIAL STATEMENTS**

The Committee reviewed the draft financial statements of The City for the year ended June 30, 2011 with representatives of the Comptroller's Office, the Mayor's Office of Management and Budget, and the independent auditors. The Committee considered the draft statements fairly presented. The independent auditors found The City's financial statements to be in conformity with generally accepted accounting principles and rendered an unqualified

opinion.

The fiscal year 2011 financial statements include component units and fiduciary funds. To include these component units and other entities in The City's financial statements, The City relied on the audit reports issued by the independent auditors of the component units and fiduciary funds. A detailed list of independent auditors and associated entities is included in the Audit Committee Schedule at the end of this Annual Report.

#### SECTION IV

##### **REVIEW OF ACCOUNTING ISSUES**

During the year there were no material accounting issues referred to the Committee.

#### SECTION V

##### **REVIEW OF THE INDEPENDENT AUDITORS' MANAGEMENT REPORT**

The City's independent auditors are required by contract to provide The City with comments and suggestions regarding internal controls in a management letter. Review of The City's management report for the fiscal year ended June 30, 2010 occurred at the April 06, 2011 Committee meeting. The auditors reported that no material weaknesses in internal control were found.

#### SECTION VI

##### **REVIEW OF COMPONENT UNITS AND FIDUCIARY FUNDS INCLUDED IN THE CITY'S REPORTING ENTITY, COVERED ORGANIZATIONS AND BIDS**

The financial reporting entity is defined in Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity".

GASB No. 14 defines component units as those units of government for which the elected officials of the governmental reporting entity have financial accountability. The Committee's scope also includes those units of government identified as "covered organizations"

in the New York City Emergency Financial Control Act.

In addition to the component units, and fiduciary funds listed in SECTION III, Committee involvement included the review of the financial statements and management letters of covered organizations and BIDS and also included discussions with the responsible management, when warranted.

The following schedule details the 2012 Committee year review of financial statements, management letters and other reports and presentations of the following:

- Covered organizations (COV) which are not component units of The City,
- Component units (CU),
- Fiduciary funds (F),
- Business Improvement Districts (BIDS).



**Audit Committee Schedule  
March 2011-February 2012**

<b>ENTITY TYPE KEY</b> COV - Covered Organization CU - Component Unit F - Fiduciary Fund BID - Business Improvement Districts					
			<b>Financial Statements presented for Fiscal Year ended</b>		
<b>Auditor</b>		<b>Entity Type</b>	<b>06/30/11</b>	<b>06/30/10</b>	<b>Audit Committee Meeting</b>
<b>Deans, Archer &amp; Co.</b>	Brooklyn Navy Yard Development Corporation (BNYDC)	CU		X	3/23/2011
<b>Deloitte &amp; Touche, LLP</b>	NYC Board of Education Retirement System - Qualified Pension Plan (BERS)	F		X	4/6/2011
	NYC Correction Officers' Variable Supplements Fund (COVSF)	F		X	4/6/2011
	NYC Department of Education (DOE)		X		1/18/2012
	NYC Employees' Retirement System (NYCERS)	F		X	4/6/2011
	NYC Fire Department Fire Officers' Variable Supplements Fund (FOVSF)	F		X	4/6/2011
	NYC Fire Department Firefighters' Variable Supplements Fund (FFVSF)	F		X	4/6/2011
	NYC Fire Pension Fund (FIRE)	F		X	4/6/2011
	NYC Housing Police Officers' Variable Supplements Fund (HPOVSF)	F		X	4/6/2011
	NYC Housing Police Superior Officers' Variable Supplements Fund (HPSOVSF)	F		X	4/6/2011
	NYC Other Postemployment Benefits Plan (the Plan)	F		X	4/6/2011
	NYC Police Department Police Officers' Variable Supplements Fund (POVSF)	F		X	4/6/2011
	NYC Police Department Police Superior Officers' Variable Supplements Fund (PSOVSF)	F		X	4/6/2011
	NYC Police Pension Fund (POLICE)	F		X	4/6/2011
	NYC Transit Authority (TA)	COV		12/31/2010	10/24/2011
	NYC Transit Police Officers' Variable Supplements Fund (TPOVSF)	F		X	4/6/2011
	NYC Transit Police Superior Officers' Variable Supplements Fund (TPSOVSF)	F		X	4/6/2011
	NYC Water & Sewer System (NYW)	CU	X		2/29/2012
	Staten Island Rapid Transit Operating Authority (SIRTOA)	COV		12/31/2010	10/24/2011
	Teachers' Retirement System of The City of New York -Qualified Pension Plan (TRS)	F		X	4/6/2011
	The City of New York Financial Statements - <i>draft</i>		X		10/24/2011
	The City of New York Financial Statements Audit Plan		X		6/22/2011
	The City of New York Management Report			X	4/6/2011
	The City of New York Single Audit Report - <i>draft</i>			X	3/23/2011
<b>Ernst &amp; Young, LLP</b>	NYC Capital Resource Corporation (CRC)	CU	X		12/14/2011
	NYC Economic Development Corporation (EDC)	CU	X		12/14/2011
	NYC Energy Efficiency Corporation (EEC)	CU	X		12/14/2011
	NYC Housing Authority (HA)	CU		12/31/2010	10/24/2011
	NYC Housing Development Corporation (HDC)	CU		10/31/2010	6/22/2011
	NYC Industrial Development Agency (IDA)	CU	X		12/14/2011

**Audit Committee Schedule  
March 2011-February 2012**

<b>ENTITY TYPE KEY</b> COV - Covered Organization CU - Component Unit F - Fiduciary Fund BID - Business Improvement Districts					
			<b>Financial Statements presented for Fiscal Year ended</b>		
<b>Auditor</b>		<b>Entity Type</b>	<b>06/30/11</b>	<b>06/30/10</b>	<b>Audit Committee Meeting</b>
<b>Israeloff, Trattner &amp; Co., P.C.</b>	NYC Educational Construction Fund (ECF)	CU	X		1/18/2012
<b>Johnson, Lambert &amp; Co., LLP</b>	WTC Captive Insurance Company, Inc. (WTC Captive)	CU		12/31/2010	6/22/2011
<b>KPMG, LLP</b>	34th Street Partnership, Inc.	BID		X	6/22/2011
	34th Street Partnership, Inc.	BID	X		2/29/2012
	Bryant Park Corporation and Bryant Park Management Corporation	BID		X	6/22/2011
	Bryant Park Corporation and Bryant Park Management Corporation	BID	X		2/29/2012
	Fiscal Year 2005 Securitization Corporation (FSC)	CU	X		2/29/2012
	NYC Health and Hospitals Corporation (HHC)	CU		X	6/22/2011
	Sales Tax Asset Receivable Corporation (STAR)	CU	X		2/29/2012
<b>Marks, Paneth &amp; Shron, LLP</b>	Brooklyn Bridge Park (BBP)	CU	X		12/14/2011
	Hudson Yards Development Corporation (HYDC)	CU	X		2/29/2012
	Hudson Yards Infrastructure Corporation (HYIC)	CU	X		2/29/2012
	The City of New York Deferred Compensation Plan (DCP)	F		12/31/2010	10/24/2011
	NYC Transitional Finance Authority (TFA)	CU	X		2/29/2012
	The Trust for Governors Island (TGI)	CU	X		12/14/2011
	TSASC, Inc. (TSASC)	CU	X		2/29/2012
<b>Padilla &amp; Company, LLP</b>	NYC Business Relocation Assistance Corporation (BRAC)	CU	X		1/18/2012
<b>PriceWaterhouseCoopers, LLP</b>	New York City School Construction Authority (SCA)	CU	X		1/18/2012
<b>Skody, Scot &amp; Co., CPAs, P.C.</b>	Fashion Center District Management Association, Inc.	BID		X	3/23/2011
	Grand Central Partnership, Inc., Grand Central District Management Association, Inc.	BID		X	3/23/2011
	Grand Central Partnership, Inc., Grand Central District Management Association, Inc.	BID	X		2/29/2012
	Hudson Square District Management Association, Inc.	BID		X	4/6/2011
	Lincoln Square District Management Association, Inc.	BID		X	3/23/2011
	Union Square Partnership District Management Association, Inc.	BID		X	3/23/2011
	Village Alliance District Management Association, Inc.	BID		X	4/6/2011

**Audit Committee Schedule  
March 2011-February 2012**

<b>ENTITY TYPE KEY</b> COV - Covered Organization CU - Component Unit F - Fiduciary Fund BID - Business Improvement Districts					
			<b>Financial Statements presented for Fiscal Year ended</b>		
<b>Auditor</b>		<b>Entity Type</b>	<b>06/30/11</b>	<b>06/30/10</b>	<b>Audit Committee Meeting</b>
<b>Toski, Schaefer &amp; Co., P.C.</b>	New York City Tax Lien 1998 - 2 TRUST	F	X		2/29/2012
	New York City Tax Lien 2008 - A TRUST	F	X		2/29/2012
	New York City Tax Lien 2009 - A TRUST	F	X		2/29/2012
	New York City Tax Lien 2010 - A TRUST	F	X		2/29/2012
<b>OTHER</b>	Annual Report of the Audit Committee (FY 2010-2011) - <i>draft</i>		2/28/2011		3/23/2011
	Report to The Mayor and City Council on City Comptroller Audit Operations for Fiscal Year 2010			X	3/23/2011

APPENDIX A

BY-LAWS  
ADOPTED APRIL 4, 1991

ARTICLE I

ESTABLISHMENT OF AN AUDIT COMMITTEE OF  
THE CITY OF NEW YORK

**SECTION 1.** An Audit Committee of The City of New York (the "Audit Committee") has been established pursuant to Section 97 of the City Charter approved by the voters on November 7, 1989, which is incorporated herein and attached hereto.

**SECTION 2.** The operational guidelines of the Audit Committee ("By-Laws") are set out herein.

ARTICLE II  
MEMBERSHIP

**SECTION 1. MEMBERS.** The Audit Committee will consist of the Mayor, the Comptroller, the President of the City Council\*, each of whom serve ex-officio (collectively the "City Members"), and four other persons (the "Private Members").

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• On January 1, 1994 the office of the City Council President became the office of the Public Advocate.

**SECTION 2. SELECTION OF PRIVATE MEMBERS.** The four Private Members will be appointed by the Mayor, two of whom will be appointed upon the recommendation of the Comptroller. The Private Members will include (i) two individuals with expertise in finance, and (ii) two individuals with expertise in accounting.

**SECTION 3. TERMS OF PRIVATE MEMBERS.** Two Private Members, one of whom will be recommended by the Comptroller, will serve for two year terms commencing March 1, 1990; and two Private Members, one of whom shall have been recommended by the Comptroller, will serve for two year terms commencing March 1, 1991. Succeeding Private Members will serve for a two-year term. Private

Members will continue in office until their successors have been appointed and qualified.

**SECTION 4. DESIGNATION OF REPRESENTATIVES TO ATTEND AUDIT COMMITTEE MEETINGS ON BEHALF OF CITY MEMBERS.** The City Members, who will serve on the Committee as part of their official responsibilities, may designate representatives to attend Audit Committee meetings on their behalf.

**SECTION 5. COMPENSATION OF PRIVATE MEMBERS.** Private Members will serve without salary. Each Private Member will be entitled to reimbursement for his actual and necessary expenses incurred in the performance of his official duties as a Private Member of the Committee and a per diem allowance of \$150 when rendering services as a Private Member provided that the aggregate per diem allowance to any one Private Member in any one annual term of office will not exceed the sum of \$1,500.00.

### ARTICLE III AUDIT COMMITTEE RESPONSIBILITIES

**SECTION 1.** The Audit Committee shall advise the City in connection with:

- a. the selection of an independent certified public accounting firm or consortium of firms which shall perform the annual audit of the City's financial statements and;
- b. the establishment of the scope of the aforesaid audit;
- c. the suspension or withdrawal of authority delegated to an agency pursuant to subdivision H of Section 93 of the City Charter; and
- d. the selection of the independent actuary to perform the actuarial audit required by Section 96 of the City Charter.

**SECTION 2.** It is recognized that the City's independent auditors shall have final responsibility for determining whether the City's financial statements have been prepared in accordance with generally accepted accounting principles, provided, however, that the Audit Committee may review the progress of the audit and be available for consultation in connection with accounting issues which may arise during the course of the audit.

- a. The City anticipates that any issues referred to the Audit Committee will have first been reviewed by the Office of Management and

Budget and the Office of the Comptroller.

- b. Subsequent to the aforesaid review, the Audit Committee shall review the issue and advise the auditor as to its views on said issue.

**SECTION 3.** The Audit Committee shall review the financial statements and the accompanying auditor's reports of the City and its component units, and where appropriate, shall comment on any material in the financial statements or in the accompanying auditor's reports.

**SECTION 4.** The Audit Committee shall review the auditor's management letter and any City and component units' response thereto and where appropriate, shall comment on said letter and the City's and component units' responses.

**SECTION 5.** The Audit Committee shall be entitled to receive an explanation of any item included in the financial statements, or proposed to be included in the financial statements from the Comptroller, the auditors, or both, and the managements, the auditors, or both, of the component units.

**SECTION 6.** The Audit Committee may rely on the conduct of an audit committee of a component unit.

**SECTION 7.** The Audit Committee shall not have the authority to establish accounting policy for the City or the component units and shall not conduct its activities in such a manner as to create the appearance or impression that it has the authority to so establish accounting policy.

**SECTION 8.** The Audit Committee shall publish an annual report no later than February 28 of each year detailing the activities and decisions of the Audit Committee for the prior twelve (12) months. Members shall have the privilege to dissent and express their dissent or dissents in this report.

**SECTION 9.** All actions of the Audit Committee shall be on a majority vote unless otherwise specified.

#### ARTICLE IV MISCELLANEOUS PROVISIONS

**SECTION 1. AUDIT COMMITTEE MEETINGS.** The Audit Committee will meet in the beginning of each year for organizational purposes and at such other times as it shall determine are necessary for the fulfillment of its duties and responsibilities. A majority shall constitute a quorum. An agenda will be prepared for each meeting and sent to each member of the Audit Committee in advance of

such meeting.

**SECTION 2. MINUTES OF AUDIT COMMITTEE MEETINGS.** The Committee will keep and maintain written minutes of each of its meetings.

**SECTION 3. ADOPTION OF BY-LAWS.** The Audit Committee, at its initial meeting, or as soon thereafter as is practical shall adopt the aforesaid by-laws to govern its organization and internal management. The Audit Committee may, from time to time, amend said by-laws.

NEW YORK CITY CHARTER EFFECTIVE JANUARY 1, 1990

Section 97 Audit Committee:

a. There shall be an audit committee which shall consist of the Mayor, the Comptroller, the President of the Council\*, and four private members appointed by the Mayor, two of whom shall be appointed upon the recommendation of the Comptroller. The members of the committee shall elect a private member as chair for an annual term commencing on the first day of March.

b. The private members of the audit committee shall include (i) two persons with expertise in finance, and (ii) two persons with expertise in accounting. Two private members, one of whom shall have been recommended by the Comptroller, shall serve for two-year terms commencing on the first day of March, nineteen hundred ninety; and two private members, one of whom shall have been recommended by the Comptroller, shall serve for two-year terms commencing on the first day of March, nineteen hundred ninety-one. Private Members shall continue in office until their successors have been appointed and qualified. Private members shall serve without salary but shall be reimbursed for expenses actually and necessarily incurred in the performance of official duties and shall also receive a per diem allowance when rendering services to the committee.

c. The Audit Committee shall:

- (1) approve or disapprove the Comptroller's suspension or withdrawal of authority delegated to an agency pursuant to subdivision H of section ninety-three;
- (2) select a firm or firms of certified public accountants to perform the annual audit of the City's accounts required by section ninety-five;
- (3) assist in the determination of areas of inquiry for, review the progress of, and evaluate the results of, the annual audit required by section ninety-

- five;
- (4) approve the selection of the independent actuary to perform the actuarial audit required by section ninety-six; and
  - (5) perform such other functions as are agreed to by all of the members.

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\* On January 1, 1994 the office of the City Council President became the office of the Public Advocate.