



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

**March 1, 2019 – February 29, 2020**

## EXECUTIVE SUMMARY

This is the forty-first annual report of the Audit Committee of The City of New York (the Committee). This report covers activities of the 2020 Committee Year, which ended on February 29, 2020.

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 that were performed by the City's 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 (GAAS) and *Government Auditing Standards (GAS, or Yellow Book)* and that the City's financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) for the United States state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB).

The Committee is pleased with the cooperative efforts between the City and its independent certified public accountants, Grant Thornton LLP, in the audit of the City's financial statements, and Marks Paneth LLP in the audit of the City's five Pension Systems. The Committee congratulates the Comptroller of The City of New York and his staff on being awarded, for the thirty-ninth consecutive year, the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report for Fiscal Year 2018. The Committee also congratulates the Executive Directors and staffs of the following entities for being awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting:

- New York City Employees' Retirement System
- Teachers' Retirement System of The City of New York
- 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 various City component units. Such involvement includes reviewing the audited financial statements and management letters of these entities. Additionally, the Committee met with the appropriate levels of management and the independent auditors of various component units.

At the February 27, 2019 Audit Committee meeting, a motion was made for Mr. Michael Spitzer to Chair the Audit Committee. Mr. Spitzer was unanimously voted Chair of the Committee. A motion was then made to nominate Ms. Katrina Stauffer as Committee Secretary. By unanimous vote, Ms. Stauffer was re-elected as Secretary.

On May 29, 2019, Chairman Spitzer announced that the Mayor's Representative, Mr. John Grathwol, has retired and on behalf of the Mayor, the Audit Committee, and the people of The City of New York, he was thanked for his many years of service.

On October 23, 2019, Chairman Spitzer made a motion to name Mr. Man Hon Cheung as the Acting Secretary in Ms. Stauffer's absence. Also, Chairman Spitzer announced the retirement of Mr. Bernard Rosen, the longstanding Committee Chairman. The Comptroller's First Deputy, Ms. Alaina Gilligo, presented Mr. Rosen with a Commendation on behalf of Comptroller Scott M. Stringer. Ms. Gilligo commended Mr. Rosen's many years of service to the City and, specifically, to the Comptroller's Office, citing his "tremendous" contributions.

Respectfully submitted,

<i>Private Members</i>	<i>Public Members</i>
Michael Spitzer	Bill DeBlasio, Mayor
Mark N. Kaplan	Scott M. Stringer, Comptroller
Bud Larson	Jumaane Williams, Public Advocate
Larian Angelo	

February 29, 2020

## SECTION I

### **RESPONSIBILITIES AND OPERATIONS**

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The Audit Committee of The City of New York was 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:**

Dr. Larian Angelo

Financial Consultant

Term End: February 28, 2020

*\*Dr. Angelo will continue to serve until her successor has been appointed and qualified.*

Mr. Mark N. Kaplan

Of Counsel, Skadden, Arps, Slate, Meagher & Flom, LLP

Term End: February 28, 2020

*\*Mr. Kaplan will continue to serve until his successor has been appointed and qualified.*

**Accounting:**

Mr. Michael Spitzer

Financial Consultant

Term End: February 28, 2021

Mr. Bud Larson

Financial Consultant

Term End: February 28, 2021

## **RESPONSIBILITIES AND ACCOMPLISHMENTS**

The Committee performed the following activities in the 2020 Committee year:

- Reviewed and accepted The City of New York Single Audit Draft Report for the fiscal year ended June 30, 2019.
- Reviewed and advised on the independent auditor's audit plan for the City.
- Reviewed the Report to the Mayor and the City Council on City Comptroller Audit Operations for Fiscal Year 2018.
- Reviewed the progress of the audit of the City's financial statements.
- Provided comments, reviewed, and accepted the City's Draft financial statements for the fiscal year ended June 30, 2019.
- Reviewed and provided comments for the Department of Education draft financial statements for the fiscal year ended June 30, 2019.
- Reviewed and evaluated the independent auditors' management letters for the City and the Department of Education, including management's responses.
- Published an annual Audit 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, 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 limited involvement with respect to financial statements for some 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 GAAS. The Committee did not consider it necessary to make a further review of the Comptroller's activities.

## **OPERATIONS**

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The Committee held nine public meetings and seven private executive sessions during the Committee Year ended February 29, 2020.

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 Grant Thornton LLP, the independent auditors for the City.

Minutes of all meetings are on file at the Comptroller's Office and are available on the NYC Audit Committee website <http://nycauditcommittee.org/> for public review.

## **SECTION II**

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

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The firm of Grant Thornton LLP served as the City's independent auditors for the City's fiscal year ended June 30, 2019. This firm was not engaged in any non-audit work for the City.

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, 2019*, submitted by the independent auditors.

The Committee is satisfied that the independent auditors performed an audit in accordance with GAAS and GAS.

## **SECTION III**

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

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The Committee reviewed the draft financial statements of the City for the year ended June 30, 2019 with representatives of the Comptroller's Office, the Mayor's Office of Management and Budget, and the independent auditors. In Fiscal Year 2019, the City adopted two new GASB statements:

- Statement No. 88 – *Certain Disclosures Related To Debt, Including Direct Borrowings And Direct Placements.*
- Statement No. 90 – *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61.*

The Committee considered the draft statements to fairly present the financial position of The City of New York. The independent auditors found the City's financial statements to be in conformity with GAAP and rendered an unmodified (clean) opinion.

The Fiscal Year 2019 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 that presented before the Committee is included in the Audit Committee Schedule at the end of this Annual Report.

## **SECTION IV**

### **REVIEW OF FINANCIAL RELATED ITEMS**

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During the year, the Committee met with representatives from the City's Office of Management and Budget to receive an update on the Hurricane Sandy Recovery progress and the Build It Back Program. The presentation outlined total amount spent and total amount received in FEMA grants, including other financial resources.

## **SECTION V**

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

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The City's independent auditors are required by contract to provide the City with comments and suggestions regarding internal controls in a management letter. The letter was presented to the Committee during the February 19, 2020 Audit Committee meeting.

## SECTION VI

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

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The financial reporting entity is defined in Governmental Accounting Standards Board (GASB) Statement No. 14 – *The Financial Reporting Entity*, which has subsequently been amended by GASB Statement No. 80 – *Blending Requirements for Certain Component Units*. During Fiscal Year 2019, the City identified and included Public Realm Improvement Fund Governing Group, Inc. as a component unit of the City.

The Committee's scope also includes those units of government identified as 'covered organizations' in the New York City Emergency Financial Control Act.

The Audit Committee schedule details the 2019 Committee year review of financial statements, management letters, and other reports and presentations:

- Component units (CU);
- Fiduciary funds (F)



## 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 Public Advocate, each of whom serve ex-officio (collectively the City Members), and four other persons (the Private Members).

**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.

### *ARTICLE III*

#### **AUDIT COMMITTEE RESPONSIBILITIES**

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

- a) 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) Establishment of the scope of the aforesaid audit; and
- c) Suspension or withdrawal of authority delegated to an agency pursuant to subdivision H of Section 93 of the City Charter; and
- d) 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**

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**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 of members 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 DECEMBER 18, 2009**

Section 97 Audit Committee:

- a. There shall be an audit committee which shall consist of the Mayor, the Comptroller, the Public Advocate, 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.