



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, FEBRUARY 24, 2022
REMOTELY VIA ZOOM MEETING**

ATTENDANCE

Chair	Michael Spitzer
Private Members	Larian Angelo Mark Kaplan Bud Larson
Public Members	Representing the Mayor – Paul Tymus Representing the Comptroller – Jacqueline Thompson
Secretary	Katrina Stauffer
Independent Auditors	Grant Thornton LLP – Kyle Chuber, Marla Hummel, Kevin Morris, Michael Ryan Marks Paneth LLP – Philip Marciano, Daniel McElwee, Warren Ruppel
Others	Department of Education of The City of New York – Richard Carlo, Maria Conklin, Barry Elkayam, Amy Huang, Suzette Irish, Demond Water, Desmond White, Marisol Williams New York City School Support Services – Stephan Brennan, John Cruz, Brooke Jenkins-Lewis, Phil Napolitano, John Shea New York City Educational Construction Fund – Jennifer Maldonado, Cynthia Wong New York City School Construction Authority – Marianne Egri, Yi-Wen Wang New York City Mayor’s Office of Operations – Florim Ardolli New York City Comptroller’s Office – Camille Arezzo, Marjorie Henning, Jessica Sanchez, Joan Stapleton, Susanna Tregor New York City Office of Management & Budget – Enid Ellis, William Kennelly, Raymond Lee, Mujeeb Shinwa

Audit Committee Meeting – February 24, 2022

I. Call to Order and Roll Call

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

II. Nomination for Chairman

The first agenda item was the appointment of the Audit Committee Chairman. Ms. Katrina Stauffer asked for a nomination for Chairman. Mr. Michael Spitzer was nominated and, by unanimous vote, was re-elected as Audit Committee Chairman.

III. Nomination for Secretary

The next agenda item was the appointment of the Audit Committee Secretary. Chairman Spitzer asked for a nomination for secretary. Ms. Stauffer was nominated and, by unanimous vote, re-elected as Audit Committee Secretary.

IV. Adoption of Committee By-Laws

The next agenda item was the adoption of the Audit Committee By-Laws in accordance with Article IV, Section 3. A motion was made to adopt the by-laws; the by-laws were adopted, subject to minor modifications. However, the Committee noted an inconsistency in one section of the Charter text when compared to the text of the by-laws. The Committee will examine the issue further.

V. Approval of the Draft Minutes of the Audit Committee Meeting held January 26, 2022

The next agenda item was the approval of the draft minutes of the Audit Committee Meeting held January 26, 2022. A motion was made to accept the minutes. The Committee approved the minutes of the January 26, 2022 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

VI. Approval of the Annual Report of the Audit Committee of The City of New York

The next agenda item was the approval of the Audit Committee of The City of New York's Annual Report. A motion was made to accept the Report. The Committee approved the draft of the Annual Report, subject to any non-substantive editorial comments submitted to the Secretary.

VII. Presentation of the Department of Education Management Report

The next agenda item was the review of the Department of Education (DOE) Management Report. Mr. Michael Ryan, Managing Director of Grant Thornton, introduced the other members of Grant Thornton present. Grant Thornton is the DOE's independent auditing firm.

The report identified five findings assessed as control deficiencies. Two findings were specific to the financial reporting and accounting processes, and three findings were specific to DOE's information technology (IT) environment. The first relates to the general controls over the financial reporting and accounting process. The auditors observed that the processes and

controls related to the gathering, preparing, and reviewing all of the required financial information in a timely manner were not operating effectively.

The auditors noted that dependencies on other city departments and agencies to gather information, and the staffing component in the distribution of work among the accounting department, was what led to some inefficiencies and delays. The recommendation was for the DOE to perform an evaluation of the closing procedures with an emphasis on any accounts where better and more efficient communications might assist in a timely close.

Another recommendation was for the overall staffing component and distribution of work to be reviewed to enable an appropriate allocation for those roles and responsibilities.

The DOE stated that it is on track to address the deficiencies by summer. The DOE also noted that staffing issues affected the achievement of best practices, but that new staff have since then been hired.

The second deficiency was related to the time entry system. Although there are policies in place that require timely submission and supervised review of timesheets, they are not consistently being followed. The DOE noted that it has been reinforcing policies more diligently, as well as providing staff training. In addition, a new monitoring process is being implemented to review outstanding approvals.

The auditors then presented their IT comments. The first involved privileged access within the security management domain. There were four system accounts shared between two individuals in IT, and a number of people who were not in IT that had administrative access, which allows them to add, modify, or delete users.

The individuals have been instructed to limit their access to perform specific types of tasks to support business users. DOE confirmed that access is logged on a daily basis.

DOE confirmed that the change deadline date of 2024 allows the IT team to address over 400 applications. The team will be able to complete the applications noted in the report first, but the overall project will be time consuming for all applications. Manual reports will be run in the meantime to address deficiencies until the automated process can be running. The DOE confirmed that it would provide a status report to the Committee in June 2022.

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

VIII. 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, 2021:

- New York City School Support Services
- New York City Educational Construction Fund
- New York City School Construction Authority

New York City School Support Services

The next agenda item was the review of the financial statements of School Support Services. Ms. Brooke Jenkins-Lewis, Chief Financial Officer of the New York City School Support Services (NYCSSS), introduced other representatives of NYCSSS present, and the representatives of Marks Paneth LLP, NYCSSS' independent auditors.

NYCSSS had a clean audit for the fourth year in a row.

NYCSSS supports the NYC DOE with centralized custodial services to all New York City schools under one umbrella and have streamlined the management and payroll processes, as well as computerized systems to track and deploy data for the approximately 1,300 school buildings throughout the five boroughs.

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

- Efficiencies in the management and payroll processes have improved since the creation of the NYCSSS.
- A report, *Is the Overhaul of Custodial Services in City Schools Delivering Savings?*, identified savings by the use of centralized custodial services.

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

New York City Educational Construction Fund

Ms. Jennifer Maldonado, Chief Executive Officer of the New York City Educational Construction Fund (ECF), introduced the other representative of ECF present, and the representatives of Marks Paneth LLP, ECF's independent auditors.

ECF generated \$13.7 million in Fiscal Year 2021 in operating income. Rental income and tax equivalency revenues from existing properties grew to \$33.6 million from \$31.3 million in Fiscal Year 2020. In March 2021, ECF refunded \$122.8 million in outstanding 2011 bonds, achieving a high level of net value. In June 2021, ECF issued \$118.4 million in 2021B Direct

Purchase bonds to fund the 80 Flatbush schools project, which will see the construction of a new Khalil Gibran High School and a new district K-5 school in Brooklyn.

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

- COVID was not mentioned in the report due to the lack of significant impact on finances.

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

New York City School Construction Authority

Ms. Marianne Egri, Vice President of Finance and Human Resources of the New York City School Construction Authority (SCA), introduced the other representative of SCA present, and the representatives of Marks Paneth LLP, SCA's independent auditors.

SCA completed 11 new schools and additions as of September 2021, which created 3,773 seat openings for the 2021/2022 school year. The SCA's operations are funded by appropriations made by the City. All of the SCA's net position is the property of the City.

Appropriations are based on a five-year capital plan. Construction contracts were awarded for 22 new schools with a construction value of \$1 billion. Construction contracts for capital improvement projects were awarded for 453 projects. There are currently 58 new capacity projects and 539 capital improvement projects.

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

- The expansion of pre-K and 3-K is a large responsibility and will be added to the report.
- The SCA legal team will have to look at the language stating that the management letter is not for public use.

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

IX. Adjournment

There being no further business before the Committee, a motion was made to adjourn the February 24, 2022 Audit Committee Meeting; the motion was unanimously approved.