



**AUDIT COMMITTEE OF THE CITY OF NEW YORK  
MINUTES OF THE AUDIT COMMITTEE MEETING  
MONDAY, OCTOBER 23, 2023  
AT THE OFFICE OF THE COMPTROLLER**

**ATTENDANCE**

**Chair**

Michael Spitzer

**Private Members**

Larian Angelo  
Mark Kaplan  
Marcia Van Wagner

**Public Members**

**Representing the Mayor** – Paul Tymus  
**Representing the Comptroller** – Jacqueline Thompson  
**Representing the Public Advocate** – Wesley Paisley

**Secretary**

Katrina Stauffer

**Independent  
Auditors**

**Grant Thornton LLP** – Kyle Chuber, John Edinger, Marla Hummel,  
Richard Kohn, Michael Ryan

**Deloitte & Touche LLP** – Jill Strohmeyer

**Others**

**New York City Housing Authority** – Anil Agrawal, Patti Bayross, Judith Francis,  
Jonathan Gouveia, Brad Greenburg, Brian Honan, Vilma Huertas, Annika Lescott-  
Martinez, Jeffrey Lesnoy, Arlene Nieves, Georgiana Okoroji, Amita Patel, David  
Rohde, Roger Shields, David Sunshine, Eva Trimble

**New York City Office of Management & Budget** – Man Hon Cheung, Anthony  
Odunsi

**New York City Office of the Actuary** – Frankie Chen, Anderson Huynh, Tom  
O’Hara

**New York City Comptroller’s Office** – Camille Arezzo, Francesco Brindisi, Lynne  
Fleischman, Daniel Haas, Jay Olson, Giovanna Quezada, Jessica Sanchez, Joan  
Stapleton, Christopher Tinerva, Susanna Tregor, Marina Verba

## Audit Committee Meeting – October 23, 2023

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

Mr. Mark Kaplan, Interim designated 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. **Motion to Accept Minutes of the June 20, 2023 Audit Committee Meeting**

The first agenda item was the approval of the draft minutes of the Audit Committee Meeting held June 20, 2023. The Committee approved the minutes of the June 20, 2023 Audit Committee Meeting, subject to any non-substantive editorial comments submitted to the Secretary.

*[Audit Committee Chairman Michael Spitzer arrived at approximately 9:40 a.m., during the New York City Housing Authority's presentation.]*

### 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).

Jeffrey Lesnoy, Vice President and Controller of NYCHA introduced the other representatives of NYCHA present and the representative of Deloitte & Touche, NYCHA's independent auditors.

NYCHA noted that there were three predominant topics affecting NYCHA's financial statements.

First, GASB-87 was initiated in Fiscal Year 2022. GASB-87 established a uniform approach for lease accounting based on the principle that leases were essentially financing. From an office lessee perspective, there were \$824 million right-to-use capital assets in Fiscal Year 2021, and \$846 million of corresponding lease liability. Amortized capital assets were \$782 million at the end of December 2022, and the corresponding lease liability was \$824 million. There was minimal impact from a lessor perspective, with \$26 million of lease receivables, and a similar amount in the deferred inflow of resources.

The restated net position for Fiscal Year 2021 was reduced by \$23 million, a result of the change in assets and liabilities. Revenue and expense recognition were changed significantly in terms of timing and line items reflected within financial statements. In addition, there were presentation changes in the Statements of Cash Flow. No other GASBs had a significant impact on the Fiscal Year 2021 or Fiscal Year 2022 financial statements.

The second principal topic regarded rent collection. The Fiscal Year 2019 pre-COVID total was \$1.1 billion and \$873 million in Fiscal Year 2022. Tenant arrears were \$111 million in Fiscal Year 2019 and \$439 million in Fiscal Year 2022. NYCHA estimates \$128 million in rental assistance applications for approximately 33,000 households were submitted through the New York State Emergency Rental Assistance Program (ERAP). After an initial delay, in May 2023 the New York state legislature passed a budget bill to cover NYCHA's ERAP applications in addition to \$35 million incremental rent support.

As a result, NYCHA reflected a \$116 million reduction in the allowance for uncollectable accounts leaving a balance of \$285 million through the end of December Fiscal Year 2022. While there are many moving parts that could change individual claims, NYCHA is working towards the ERAP fund target by the end of Fiscal Year 2024.

The third main effect was the pollution remediation obligation, primarily due to lead paint, which increased from \$3.1 billion in Fiscal Year 2021 to \$3.7 billion in Fiscal Year 2022, including abatement, remediation, and testing costs. Due to tightening of standards required by NYC Local Law 66 (effective December 2021), this will cause an increase in the number of apartments which will require lead abatement. In addition to the requirement that all units are tested upon move-out, NYCHA initiated a program to aggressively test and abate every unit housing a child under age six. Through the end of April 2023, 18 percent of apartments had been tested and lead was identified in 35 percent of such units, compared to 27 percent with lead findings using the previous standard, which increased the expense of pollution remediation and was the primary driver of the Fiscal Year 2022 Special Item of \$721 million on the Statement of Revenues and Expenses.

Operating revenues increased by \$74 million, to \$1.1 billion, including a \$116 million increase in tenant revenues that were previously recorded as allowance for uncollectable accounts but now deemed collectable due to ERAP. Excluding the impact of the ERAP adjustment, operating revenues decreased by \$42 million. Rent transactions demonstrated stability between Fiscal Year 2021 and Fiscal Year 2022, excluding the impact of PACT transactions.

Operating expenses in Fiscal Year 2022 were \$4.7 billion, a \$372 million increase (9 percent) from Fiscal Year 2021. Contributing to this operating expense increase was \$133 million increase in Rent for Leased Dwellings due to higher housing assistance payments and increased

voucher units. (This expense was partially offset by a \$60 million increase in Section 8 housing subsidy. Due to timing differences in processing the housing assistance subsidies, the variance is usually offset over time.) A second factor contributing to the operating expense increase was general administrative expenses which rose by \$212 million due to an increase in pension expenses resulting in changes in pension plan investment income and due to an increase in future claims expectations within the self-insured general liability program.

Additional factors contributing to the operating expense increase was a \$69 million increase in Maintenance and operations, and a \$49 million increase in utilities. Partially offsetting above mentioned increases were other post-employment benefits which decreased by \$99 million due to a change in discount assumption from 2.3 percent to 4.3 percent.

Non-operating revenues increased \$78 million (3 percent) to \$3.2 billion from 2021 to 2022, including \$130 million growth in subsidies and grants with major subcategories of public housing operating subsidies and Section 8 Housing Choice Voucher subsidies. The loss from change in fair value investments was \$42 million in Fiscal Year 2022, an increase of \$29 million due to rising interest rates.

Capital contributions increased by \$48 million from Fiscal Year 2021 to Fiscal Year 2022, and the largest capital contributions were from the Federal Capital Fund, the Federal Emergency Management Agency (FEMA), and The City of New York. The net position of \$1.2 billion at the end of Fiscal Year 2022 was a decrease of \$397 million from Fiscal Year 2021. Had the lead standard not changed, the Fiscal Year 2022 net position would have been \$300 million greater than Fiscal Year 2021.

Total cash and investments were \$1.3 million at the end of Fiscal Year 2022 versus \$1.6 million at the end of Fiscal Year 2021. The decrease was primarily attributed to continuing shortfalls in rent collection versus billed and timing differences in reimbursements from FEMA. Accounts receivable net increased by \$219 million, with \$116 million due to reversal of the allowance on tenant receivables and most of the remainder due to growth in receivables from the City as of December 31, 2022, which have since been collected in 2023.

Capital assets include \$782 million net right-to-use assets per GASB-87 in Fiscal Year 2022 and \$824 million in Fiscal Year 2021 restated results. As per a management letter comment in the Fiscal Year 2021 management letter, Current Liabilities in Fiscal Year 2022 reflected a \$92 million reclassification of OPEB liability from Non-Current Liabilities, which should be paid in the next 12 months.

Combined current and non-current unearned revenues did not change much from Fiscal Year 2021 to Fiscal Year 2022. Net pension liability increased by \$514 million due to a decrease in investment returns in Fiscal Year 2022 resulting from volatile markets. OPEB non-current liability decreased by \$672 million due to increase in discount rate from 2.25 percent to 4.31 percent, which also impacted deferred inflow of resources on OPEB by \$417 million.

Combined Current and Non-current pollution remediation liability increased by \$619 million primarily because of changed lead standards and a subsequent increase in lead positivity rates using the new standard.

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

- All five comments in the management letter were the lowest severity of deficiency. One comment relates to the net investment in capital assets (NICA) item related to Fiscal Year 2021, which management corrected in the Fiscal Year 2022 presentation. The other four comments were related to information technology.
- NYCHA confirmed the timelines for fixing the IT issues noted in the management letter were still on track.
- NYCHA stated that long-existing processing flaws related to the reporting NICA of were remediated for Fiscal Year 2022 and the future. In addition, NYCHA stated that it had evaluated the effect of the potential reclassification within the Fiscal Year 2021 financial statements and did not restate as it concluded that it was not material to the FY2021 financial statements. NYCHA also identified that Deloitte concurred with this conclusion.
- NYCHA noted that financials were typically published and approved by their board by June 30<sup>th</sup>. The Committee stated that it is important that NYCHA present their financials to the Audit Committee no later than June 30<sup>th</sup>, because there were no meetings over the summer. NYCHA acknowledged the timing challenge and NYCHA committed to evaluating the possibility of adjusting their schedule so the financial reports could be presented to the Audit Committee by June 30<sup>th</sup>.

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

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

Chairman Spitzer asked for a motion to enter Executive Session. A motion was made to enter Executive Session for the purpose of discussing non-public financial information about The City of New York. The motion was unanimously approved.

#### **V. Return to Public Session: Vote on 2023 Annual Comprehensive Financial Report**

Following the Audit Committee's return to Public Session, Chairman Spitzer called for a motion to accept the auditors' report on, and approve the issuance of, the 2023 Annual Comprehensive Financial Report (ACFR) of The City of New York, subject only to immaterial changes deemed necessary and submitted to the Secretary. The motion was made and unanimously approved.

#### **VI. Adjournment**

There being no further business before the Committee, a motion was made to adjourn the October 23, 2023 Audit Committee Meeting; the motion was unanimously approved.