



**AUDIT COMMITTEE OF THE CITY OF NEW YORK
MINUTES OF THE AUDIT COMMITTEE MEETING
WEDNESDAY, FEBRUARY 28, 2024
AT THE OFFICE OF THE COMPTROLLER
AND REMOTELY VIA ZOOM MEETING**

ATTENDANCE

Chair	Michael Spitzer
Private Members	Larian Angelo Mark Kaplan Marcia Van Wagner (Zoom)
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 – Sharon Campbell (Zoom), Marla Hummel (Zoom), Nicholas Lazzaruolo Mayer Hoffman McCann P.C. – Krystal Dong, Philip Marciano BTQ Financial LLC – Surjeet Sehra
Others	New York City School Bus Umbrella Services – Matthew Berlin (Zoom), Angelo Mayo New York City School Support Services – Stephen Brennan, John Cruz, Brooke Jenkins-Lewis, Phil Napolitano, Visha Patel New York City Educational Construction Fund – Elina Awadalla (Zoom), Jennifer Maldonado, Cynthia Wong New York City School Construction Authority – Stephen Maroney, Yi-Wen Wang New York City Mayor’s Office of Risk Management & Compliance – Doug Giuliano, Julian Ross (Zoom) New York City Comptroller’s Office – Nigelle Alleyne, Camille Arezzo, Grace Cheng, Jackson Li, Kiera May, Jessica Sanchez, Joan Stapleton (Zoom), Susanna Tregor (Zoom) New York City Office of Management & Budget – Man Hon Cheung (Zoom)

Audit Committee Meeting – February 28, 2024

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, was 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.

V. Approval of the Draft Minutes of the Audit Committee Meeting held January 23, 2024

The next agenda item was the approval of the draft minutes of the Audit Committee Meeting held January 23, 2024. A motion was made to accept the minutes. The Committee approved the minutes of the January 23, 2024, 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 for the year ending February 29, 2024. The Committee approved the draft of the Annual Report, subject to any non-substantive editorial comments submitted to the Secretary.

VII. Presentation of the Financial Statements and Management Letters

The next agenda item was the review of the financial statements and management letters (where applicable) of the following entities for the fiscal year ending June 30, 2023:

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

New York City School Bus Umbrella Services

Angelo Mayo, Budget Director at New York City School Bus Umbrella Services (NYCSBUS), introduced members of NYCSBUS present, and Phil Marciano of Mayer Hoffmann McCann P.C., the independent auditors for New York City School Bus Umbrella Services, New York City School Support Services, New York City Educational Construction Fund, and New York City School Construction Authority.

NYCSBUS noted that it is a nonprofit school bus company approaching its third year in operation, with a board appointed by the City School District of The City of New York's Chancellor and the Director of the New York City Office of Management and Budget. In 2021 NYCSBUS purchased 900 buses from Reliant, then signed a five-year contract with the City to provide school bus services.

NYCSBUS was incorporated for the purpose of providing transportation services to students who are served by The City School District of the City of New York, in connection with the provision of education and/or support services, to conduct any other activities and to perform any and all acts which may be necessary.

An example of NYCSBUS innovation was utilizing an \$8 million grant from the State to create a model electric school bus depot.

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

- NYCSBUS stated that “potential future pension liabilities” represents the difference between what was paid to Reliant versus the value of the buses; part of the DOE's contract is support of future pension liabilities, should they occur.

- NYCSBUS is ahead of the State and City mandate that prohibits the purchase of new internal combustion buses after 2027, with the goal of an all-electric fleet by 2035. The Environmental Protection Agency (EPA) will fully fund the purchase of electric buses and partially fund the charging station components, including the 10 percent of buses that require wheelchair lifts. The grants will take the pressure off the \$200 million in the NYCSBUS budget for the electrification of its fleet.
- NYCSBUS confirmed that the bus fleet will be replaced, not expanded, and the internal combustion buses will be scrapped, which was a condition of the two EPA grants. The buses will have front and rear heat and air conditioning in accordance with City law.
- NYCSBUS stated that the “capital reimbursements” were the amounts paid from the DOE in relation to the purchase of the buses, which are capital assets.
- Regarding the rise in salaries and employee benefits, NYCSBUS noted that, in Fiscal Year 2022, the organization was operating for only part of the year; Fiscal Year 2023 was the first full year of operations.
- NYCSBUS confirmed that many of the previous transition services payments done through Reliant were also counted as professional services, and most were one-time payments that did not recur in 2023.
- NYCSBUS noted that its Board currently functions as an audit committee and approved the investment policy. The Board will discuss in its second meeting whether there is a need to have a separate audit committee.
- NYCSBUS verified that conflict of interest forms were completed by the board members.

- A NYCSBUS accounting policies and procedures manual was approved by the management and auditors.
- The NYCSBUS CEO estimated the reimbursements owed to him totaled a few thousand dollars, and the costs were incurred by local travel and paying towing companies that only accepted cash. NYCSBUS also noted that no unapproved reimbursements have been made to the CEO.
- The Committee commented on the number of basic administrative items in the management letter, and that several issues from last year's management letter were unresolved. The Committee requested a report by March 31 on the status of every item on the management letter.

[NYCSBUS provided an updated management letter to the Committee on March 28, 2024.]

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

New York City School Support Services

The representatives of New York City School Support Services (SSS) present introduced to the Committee.

SSS noted that it was established in 2016 to circumvent custodian engineers hiring school employees. SSS' purpose is to hire, pay, and administer to the facilities group that work in the 1,400 New York City schools. SSS confirmed its finances stood at \$740 million and it pays between 7,500 and 8,000 employees biweekly, depending on the season.

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

- SSS noted that custodians take a civil service test.
- SSS confirmed that the 32BJ Pension Fund only appeared in the financials because SSS is the predominant employer under GASB 78 rules. The information regarding target allocations, target rates, and actuarial assumptions were all completed by the actuary.
- The Committee commended SSS for its improvement of the school custodian services.

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

New York City Educational Construction Fund

The representatives of New York City Educational Construction Fund (ECF) present introduced themselves.

ECF is a New York State public authority with a mission to build New York City public schools through mixed-use development projects. Presently there are 18 projects throughout the five boroughs, and one in the pipeline opening in September 2024 that includes two schools. Two existing school buildings, where the commercial portions were sold in the 2000s, were conveyed per statute to the DOE. The statute requires that after 40 years or after the bonds are repaid that DOE takes responsibility. The Norman Thomas and Murry Bergtraum buildings were considered commercial/residential except for the portions devoted to education.

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

- Regarding increased accrued expenses, ECF explained that, as ECF pays bills on a construction project in Brooklyn, a certain percentage of the bills are held in retainage. As construction proceeds, the amount owed in retainage increased, and it will be paid when work is complete, as required. ECF confirmed that the percentage of retainage was approximately 10 percent.
- ECF stated that the retainage is kept in an interest-bearing account; all the funds are held in Treasury bills or a very secure money market.
- ECF noted that investment income was lower for 2022 because accounting policy requires Treasury securities to be adjusted to market value, which fluctuates based on interest rates. ECF holds all Treasury securities to maturity, and in 2022 no dollars were lost.
- ECF confirmed that the first all-electric tower would comply with the Americans with Disabilities Act (ADA) standards, as would all school buildings and residential properties.
- ECF is hopeful that market conditions will improve to support development of DOE facilities.
- ECF's projects are contingent on finding available property to keep a school active while new construction is occurring.
- Regarding the development of Pre-K, 3-K, and childcare facilities, ECF stated that it could build any DOE facility, including charter schools, and DOE decides on their enrollment criteria. ECF is focused on the building need, not enrollment. ECF assists with any building requests made by the DOE, regardless of its intended purpose.

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

New York City School Construction Authority

Yi-Wen Wang, Director of Accounting Operations, introduced the other representative of the New York City School Construction Authority (SCA) present.

The SCA formed in 1988 as a public benefit corporation in charge of new construction and rehabilitation of New York City schools. Fiscal Year 2023 was the fourth year of SCA's five-year plan, which was valued at \$19 billion. In Fiscal Year 2023, the SCA committed \$4.7 billion to school projects, and awarded construction contracts for 19 new schools, at \$718 million, and 361 Capital Improvement Projects, at \$2.24 billion. In September 2023, the SCA opened 25 new schools, adding 6,532 new seats to the system. The SCA is on track to open 24 new schools by September 2024, adding 11,000 new seats to the system. The new five-year plan begins July 31st and is currently valued at \$17 billion. Regarding the electrification of DOE assets, the SCA is committed to removing all machinery fueled by gas and oil.

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

- SCA confirmed that both SCA and ECF manage their own building-related expenses.
- SCA's design process abides by New York City building code, which includes ADA compliance.
- The Committee acknowledged the noticeable improvement of school facilities in recent years, and commended the SCA for its work.

- The SCA reviewed the management letter comments with the Committee and noted SCA is on target to resolve the comments.
- SCA meets with New York City Cyber Command to review systems and services that can be leveraged to improve SCA's network security and posture.
- Pursuant to SCA policy, SCA employees can report whistleblower complaints to their supervisor, Human Resources, the General Counsel, or the Vice President and Inspector General. The Committee requested a follow-up report be submitted to the Secretary.

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

VIII. Adjournment

There being no further business before the Committee, a motion was made to adjourn the February 28, 2024 Audit Committee Meeting; the motion was unanimously approved.