

**MINUTES OF MEETING OF THE AUDIT COMMITTEE
OF
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION
February 13, 2020**

A meeting of the Audit Committee (the “Committee”) of New York City Economic Development Corporation (the “Corporation” or “NYCEDC”) was held on Thursday, February 13, 2020 at the Corporation, One Liberty Plaza, Conference Room 13A (Hunts Point), New York, New York 10006.

The following members of the Committee were present in person at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

- William Candelaria, Committee Chairperson
- James McSpirtt
- Betty Woo

In addition, the following members of NYCEDC staff were present:

- Finance:
 - Kim Vaccari – CFO
 - Spencer Hobson – EVP/Treasurer
 - Amy Chan – Deputy Controller
- Internal Audit (“IA”):
 - Jennie Wallace – EVP
 - Allison Richardson – VP
 - Tony Khoury – VP
- Legal:
 - Mark Silversmith – Special Counsel

Also present were representatives from Ernst & Young LLP (“EY”):

- Louis Roberts – Engagement Partner
- Danielle Hurlburt – Engagement Partner

The Meeting was called to order at 9:08 a.m.

1. Approval of the Minutes of the September 26, 2019 Audit Committee meeting

Mr. Candelaria asked if there were any questions or comments relating to the minutes of the September 26, 2019 Committee meeting as submitted. There being no questions or comments, Ms. Woo motioned to approve the minutes. Mr. McSpiritt seconded the motion and the minutes were approved.

2. Finance Update

Ms. Chan highlighted the new GASB Statement No. 84, Fiduciary Activities and GASB Statement No. 87, Leases. Ms. Chan mentioned that GASB No. 84 will be implemented for FY2020 Financial Statements. She stated that the objective of this statement is to improve accounting and financial reporting as it relates to fiduciary activities and to help identify these activities that need to be separately reported on NYCEDC's financials. Ms. Chan noted that these fiduciary activities will be reported in two new financial statements: Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Ms. Chan discussed the new GASB Statement No. 87, Leases. She stated that the objective of this statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. She stated that GASB 87 will eliminate the distinction between operating and capital leases and will bring substantially all leases onto the balance sheet. Ms. Chan mentioned that GASB No. 87 will be implemented for FY2021 Financial Statements; however, to generate comparative financial statements, it will be applied retroactively to the earliest period presented which will be FY2019's opening balance. NYCEDC is still evaluating the impact the restatement will have on the balance sheet but is certain there will be additional disclosures required.

After questions about the significant number of leases in NYCEDC's portfolio, Ms. Chan assured the Committee that there will be substantial coordination and communication between NYCEDC and the Comptroller's office as these new standards are implemented.

3. Internal Audit Activity Update

Ms. Wallace announced that the two open headcounts for Vice President of Finance/Operations and Assistant Vice President of Information Technology have been filled. Ms. Wallace introduced Allison Richardson, Vice-President of IA. Ms. Richardson described her extensive audit background to the Committee.

Ms. Richardson described the audit lifecycle and the updates that IA has been making to the team's methodology and approach. Ms. Richardson described the team's focus on standardization, audit efficiencies, developmental opportunities for the team, and more transparent alignment with IIA Professional Practice Standards.

Ms. Wallace discussed the FY2020 Audit Plan. NYCEDC has thirteen approved projects on the plan, most of which are either in process or wrapping up. Ms. Wallace stated that IA made a few changes to the audit plan, including combining some related audits into one project, and broadening the scope of another audit. Ms. Wallace explained that combining some audits will give a more comprehensive view of the risks and gaps in related processes.

Ms. Wallace presented the open issue status and stated that there are one hundred fifty audit issues dating back to FY2016. One hundred forty-one are closed, nine audit issues are open and ten issues have been closed since the previous Committee meeting in September.

Mr. Khoury gave an update on the activities performed by the Engineering Audit Unit (EAU) including number of change orders reviewed and the dollars saved in the change order review. Mr. Khoury informed the Committee that the EAU has become more involved in the initial stage in change order review, to provide more effective and efficient guidance to management. Additionally, Mr. Khoury stated that the EAU is on track with the construction and engineering audits on the FY2020 audit plan. Ms. Wallace discussed that the EAU has been performing best practices research, benchmarking against Engineering Audit Units for city agencies and quasi-governmental entities, and is planning to engage a consultant to perform an assessment of the EAU processes in an effort to continue to enhance the EAU's processes.

Ms. Wallace discussed some general department updates. She reminded the Committee that she had informed them at the September Committee meeting about an assessment she was performing of the audit function in order to identify areas within the function that could be enhanced for efficiency and effectiveness and to define long term goals for the department. She stated that the assessment had since been completed and that IA has begun implementing enhancements, including redefining methodology and approach with the goal of becoming a best in-class audit function. Ms. Wallace described the positive relationships that the IA team has built across the organization.

Ms. Wallace described the elements that will be considered in building the FY2021 Audit Plan, including the Enterprise-wide Risk Assessment. She specified that IA would soon begin the Enterprise-wide Risk Assessment and asked the Committee to inform her if it has any areas of concern or focus for the FY2021 Audit Plan.

4. **Session with External Auditors**

A private session with EY was held by the Committee.

5. **Session with Management**

A private session with Management was held by the Committee.

6. **Session with Internal Audit**

A private session with Internal Audit was held by the Committee.

7. **Adjournment**

There being no further business to come before the Committee, the meeting was adjourned at 11:14 a.m.

DRAFT