

**MINUTES OF MEETING OF THE AUDIT COMMITTEE  
OF  
NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION  
June 11, 2020**

A special meeting of the Audit Committee (the “Committee”) of New York City Economic Development Corporation (the “Corporation” or “NYCEDC”) was held virtually on Thursday, June 11, 2020.

The following members of the Committee were present by means of a conference call at the above indicated meeting of the Committee (the “Meeting”), constituting a quorum:

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

The following members of NYCEDC staff were present by means of a conference call:

- Finance:
  - Fred D’Ascoli – CFO
  - Spencer Hobson – EVP/Treasurer
  - Amy Chan – 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”):

- Kimberly Hancy – Engagement Partner
- Louis Roberts – Former Engagement Partner
- Nicole Rapport – Senior Manager

The meeting was called to order at 11:34 a.m.

## **1. Approval of the Minutes of the February 13, 2020 Audit Committee meeting**

Mr. Candelaria asked if there were any questions or comments relating to the minutes of the February 13, 2020 Committee meeting as submitted. There being no questions or comments, Mr. Schlein motioned to approve the minutes. Mr. McSpiritt seconded the motion and the minutes were approved.

## **2. Finance Department Update**

Ms. Chan stated that at the February Committee meeting, the Accounting Department gave an overview of the Governmental Accounting Standards Board (“GASB”) Statement No. 84, Fiduciary Activities and GASB Statement No. 87, Leases, which were ready for implementation. Ms. Chan advised that GASB recognized the hardships and the resource constraints faced by government entities over the past few months due to COVID-19; therefore, it has issued GASB Statement No. 95, which postponed the effective dates of GASB Statement No. 84 by one year and GASB Statement No. 87 by eighteen months.

Similarly, Ms. Chan stated that the New York State Authorities Budget Office (“ABO”) postponed reporting deadlines under PAAA; therefore, pursuant to the NYS Governor Executive Order No. 202.11, ABO would grant up to an additional 90 days beyond the original statutory deadline (i.e. September 30 for the Corporation) to public authorities including the Corporation to submit the required reports such as the audited FY2020 financial statements. Management is still planning to present the financials to the Committee and the Board at the end of September since no extension has been announced by the City.

(Post-Meeting Note) On July 7, 2020, ABO posted an updated guideline regarding the submission deadline extension. The NYS Governor Executive Order 202.48 amended the prior Executive Order 202.11 by reducing the extension period to 60 days beyond the original statutory deadline. This update became effective for public authorities with a July 1 fiscal year and thereafter.

Mr. D’Ascoli thanked Mr. Candelaria and the Committee members for their role in ensuring the efficient operation at NYCEDC. He mentioned that NYCEDC is facing its FY2021 budget process in a very uncertain time due to COVID-19, and the demands for institutional change. He stated that there has been a huge impact on the economy and the ability of the local business communities to operate and to generate income. Mr. D’Ascoli said that as a corporate entity and part of the larger community there will be a continual effort to address these priorities. He commented that rebuilding the City’s economy will be from an equity perspective.

Mr. D’Ascoli welcomed Ms. Hancy, the new EY audit partner on this engagement, and thanked Mr. Roberts, the former audit partner. He explained that Mr. Roberts rolled off this engagement after five years due to the PAAA requirement. Ms. Hancy thanked Mr. Roberts

along with the Finance team in making this transition as smooth as possible on the organization.

### **3. Ernst & Young Audit Plan**

Ms. Hancy highlighted the FY2020 Audit Plan:

- Financial statements of the Corporation
- Schedule of investments of NYCEDC
- Financial statements of the NYCEDC OPEB Trust

Ms. Hancy stated that in accordance with Government Auditing Standards, EY will test for any significant deficiencies or material weaknesses in internal controls over financial reporting. She noted that EY will issue written communication to Management and the Audit Committee and issue a Management letter including recommendations for improvements in controls and procedures.

Ms. Hancy stated that EY had conversations with Mr. D'Ascoli, Mr. Hobson and Ms. Chan related to tenant non-payment and rent deferrals as well as other cash flow aspects. Ms. Chan explained to the Committee that most of the tenant rents will be deferred and only a few forgiven. Ms. Chan indicated that the deferrals will be recorded as revenue in the period earned. Mr. D'Ascoli explained that there are protocols such as formal requests that need to be approved by the Internal Deferral Committee. He noted that in FY2020 all the amounts that were due and payable were recorded as revenue to the Corporation.

Ms. Rapport discussed the NYCEDC FY2020 Audit Plan and summarized EY's deliverables and services that are consistent with prior years. Ms. Rapport detailed the areas of audit emphasis and the summary of planned audit procedures.

Ms. Hancy stated that EY started working remotely on the NYCEDC interim procedures. She noted that it will evaluate its position in August and assess the timeline for execution of the year-end audit testing procedures. Ms. Hancy noted that although there has been a deadline extension, EY is planning to complete its audit by September 30, 2020.

### **4. Internal Audit Activity Update**

Ms. Wallace discussed the status of the FY2020 Audit Plan. Mr. Candelaria and Ms. Wallace had decided not to continue with status quo when the organization had changed direction in response to COVID-19. They made the decision to defer and/or cancel some audits from the FY2020 audit plan. Ms. Wallace presented the status of open issues and noted that due to COVID-19 priorities, IA worked with management and revised the target dates for some of the outstanding issues.

Mr. Khoury gave an update on the activities performed by the Engineering Audit Unit (“EAU”), including the number of change orders reviewed and other metrics. He updated the Committee on the status of FY2020 construction audits, and on some changes to the change order review process and how he partners on this with management.

Ms. Wallace discussed the Risk Assessment that was performed to create the FY2021 proposed Audit Plan. She discussed the methodology that the Internal Audit team followed and how the risks identified mapped to the FY2021 proposed Audit Plan.

Ms. Wallace detailed the FY2021 proposed Audit Plan. She mentioned that the Audit Plan is risk-based and dynamic and may change in response to the needs of the organization. Ms. Wallace noted that IA will periodically re-assess risk and make changes to the Audit Plan, as necessary.

Ms. Richardson discussed the COVID-19-related ad hoc projects that she has been working on with management from several divisions within the organization. Mr. Khoury then discussed his involvement with an industry group that reviews the impact of COVID-19 on construction and discussed how he has shared his learnings with management. Ms. Wallace and Mr. Khoury then discussed some guidance around change orders that they have been providing to management.

Ms. Wallace highlighted the department updates stating that she will continue to assess team structure to fulfill needs in the plan. She mentioned that IA has one open headcount, but will not be hiring due to the organization’s hiring freeze.

Ms. Wallace discussed how relationships across the organization have been going well, and that management has been proactively asking Internal Audit for guidance. Ms. Wallace expressed enthusiasm that IA will have opportunities to advise management on controls at the inception of projects, rather than after completion.

Mr. Candelaria asked if there were any questions or comments related to the FY2021 proposed Audit Plan as submitted. There being no questions or comments, Mr. Schlein motioned to approve the proposed Audit Plan. Mr. McSpiritt seconded the motion and the proposed Audit Plan was approved.

**5. Session with External Auditors**

A private session with EY was held by the Committee.

**6. Session with Internal Audit**

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

**7. Session with Management**

A private session with Management was not held by the Committee.

**8. Adjournment**

There being no further business to come before the Committee, the meeting was adjourned at 12:40 a.m.