

The Dormitory Authority of the State of New York Audit Committee Video Conference Meeting was held between DASNY's Albany Office, 515 Broadway, Albany, New York; New York City Office, One Penn Plaza 52nd Floor, New York, New York; and Buffalo Office, 539 Franklin Street, Buffalo, New York at 5:15 p.m. on Tuesday, November 12, 2019.

The Meeting was called to order by the Audit Committee Chair. Roll call was taken. Those Audit Committee Members present and absent were as follows:

Audit Committee Members Present – Buffalo

Jonathan H. Gardner, Audit Committee Chair

Audit Committee Members Present – New York City

John B. Johnson, Audit Committee Member
Beryl L. Snyder, Audit Committee Member
Paul S. Ellis, Audit Committee Member

Other Board Members Present – New York City

Gerard Ronski, Board Member
Joan M. Sullivan, Board Member

Other Board Members Present – Albany

Tracy Raleigh, Designated Representative of the Commissioner of Health, Member (ex officio)

Also Present – Dormitory Authority Staff – New York City

Paul G. Koopman, Vice President
Michael E. Cusack, Esq., General Counsel
Portia Lee, Managing Director of Public Finance and Portfolio Monitoring
Kathy Ebert, Director, Internal Audit

Also Present – Dormitory Authority Staff – Albany

Kimberly J. Nadeau, Chief Financial Officer
Caroline V. Griffin, Chief of Staff
Kimberly Ellis, Deputy Chief Financial Officer
Karen E. Ehlinger, Manager, Internal Control Analysis
Michael L. Johnson, Esq., Assistant General Counsel
Dena T. Amodio, Esq., Assistant General Counsel
David F. Perritano, Public Information Officer
Michael T. Corrigan

Also Present – via telephone

George J. Shemo, CPA, CGMA

G. Shemo Consulting Inc.

PUBLIC SESSION

Audit Committee Chair Gardner called the Audit Committee Video Conference Meeting to order. The Minutes of the June 18, 2019 Audit Committee Video Conference Meeting were reviewed and approved.

External Quality Assessment

Ms. Ebert stated that DASNY had advertised to procure for the services of an independent firm to undertake an external quality assessment (“EQA”) of DASNY’s Internal Audit Department (“IAD”). In accordance with the Institute of Internal Auditors (“IIA”) Standards and NYS Governmental Accountability, Audit and Internal Control Act, an external review is required once every 5 years. She noted that as a result of this procurement, G. Shemo Consulting Inc. was selected to perform an external quality assessment. Ms. Ebert stated that Mr. Shemo has extensive experience and insight in internal auditing and has performed numerous external reviews including for many other NYS entities. She noted that Mr. Shemo is a NYS licensed CPA and is the former Director of Internal Audit for the NYS Office of the State Comptroller, a position which he held for twenty years prior to his retirement.

Mr. Shemo informed the Committee that he has performed approximately 250 external reviews. He noted that he would give the Committee a brief overview of his Report. Mr. Shemo stated that this is the second review that he has conducted for DASNY, with the first occurring in 2014. He noted that this review resulted in a different outcome, as internal audit at DASNY is much different than it was five years ago. He noted that the IIA regulates internal auditing and provides standards and guidance. He described the IIA’s maturity model, and noted the advances made by DASNY’s IAD in staffing and proficiency since the prior 2014 review resulted in the DASNY IAD achieving level 4 under the IIA’s Internal Audit – Capability Model. He stated that this was an advanced level and opined that DASNY IAD completed in five years what may take up to ten years to complete in other organizations.

Mr. Shemo stated that as a result of his review, it was his overall opinion that as of October 24, 2019, DASNY’s IAD “Generally Conforms” with the IIA “Definition of Internal Auditing,” the *International Standards for the Professional Practice of Internal Auditing* (“Standards”) and the Code of Ethics. He noted that “General Conformance” is the highest level opinion available.

Mr. Shemo further stated that the EQA report concluded that IAD met the expectations of Executive Management and the Audit Committee, and noted that the report also provides recommendations that could be considered to enhance the internal audit function within the organization.

Mr. Shemo compared the 2019 EQA report to the 2014 report and noted that whereas the 2014 report included eight areas of “Partial Conformance”, only one area of “Partial Conformance” was identified in the 2019 report. He stated that this is a tremendous achievement for Ms. Ebert and IAD, and noted that the 2019 report included a recommendation to increase conformance for the individual IIA Standard that had been rated as “Partial Conformance”.

Mr. Shemo stated that the EQA report follows the scope and methodology for quality assessment in the IIA standards, and noted that interviews were a large part of this assessment. He thanked Executive Management and all parties for their outstanding level of cooperation with the process and noted that all parties made themselves available and were forthcoming in their points of view, which was extremely helpful in bringing his report to a conclusion.

Mr. Shemo then turned to his one recommendation for improvement, which concerned IAD regularly evaluating the governance processes within DASNY (including IT and ethics processes). He specifically noted that governance is included within DASNY’s annual audit planning activities, but that because it typically falls at a lower level of risk priority it is not included in the annual audit plan. Although perhaps a lower risk priority, he suggested that these governance processes should nonetheless be identified and reviewed at least once over the course of the five-year audit cycle.

He then summarized his recommendations for enhancement. His first recommendation concerned enhancing the Chief Audit Executive’s (“CAE’s”) interaction with DASNY senior management and executive staff, which he characterized as excellent, through regularly-scheduled meetings. His second recommendation is to enhance the appearance of IAD independence, including through interactions with the Audit Committee and documenting all required actions under the Audit Committee Charter including those related to budget and staffing. His third recommendation is to ensure the independence of work outside the traditional scope of IAD, where IAD does work, for example, relating to reviews of construction contracts and contractors. His remaining recommendations relate to information technology, specifically, to enhance the information technology proficiency of IAD staff, and to include a separate risk assessment for IT-related issues in the annual audit planning and risk assessment process so that additional IT-based audits are included where appropriate.

Mr. Shemo thanked all that were involved in the review and once again commended Ms. Ebert and her staff.

Mr. Gardner moved that the Committee go into Executive Session to discuss the financial and credit history of particular corporations, proposed, pending or current litigation, and the employment history of particular persons or matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of particular persons. Mr. Ellis seconded the motion, and the Members went into Executive Session.

EXECUTIVE SESSION

No action was taken in Executive Session other than to return to Public Session.

PUBLIC SESSION

Engagement of External Auditor

Ms. Nadeau reported that the Committee is continuing its review of responses on the Audit Services procurement and advised that a recommendation will be made to the Audit Committee at a future date.

Internal Audit Plan 2019-20 – Status Update

Ms. Ebert reported on the status of the internal audit plan. She highlighted the progress made to date, and also proposed a revised audit plan. Ms. Ebert stated that the revised plan is due to re-assessment of risk, increased scope within audits executed, and resource needs. Ms. Ebert asked that the Members approve the revised plan.

Ms. Snyder moved the approval, Mr. Gardner seconded and the plan was approved.

Ms. Snyder moved that the Meeting adjourn, Mr. Gardner seconded and the Audit Committee Meeting was adjourned at approximately 6:30 p.m.

Respectfully submitted,

Michael E. Cusack, Esq.
Assistant Secretary