

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; and New York City Office, One Penn Plaza 52nd Floor, New York, New York at 5:25 p.m. on Tuesday, January 7, 2020.

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 – Albany

Jonathan H. Gardner, Audit Committee Chair
John B. Johnson, Jr., Audit Committee Member
Joan M. Sullivan, Audit Committee Member

Audit Committee Members Present – New York City

Beryl L. Snyder, Audit Committee Member

Other Board Members Present – Albany

Alfonso Carney, Board Chair
Gerry Romski, Esq., Board Member
Tracy Raleigh, Designated Representative of the Commissioner of Health, Member (ex officio), Board Member

Also Present – Dormitory Authority Staff – Albany

Reuben R. McDaniel, III, Acting Executive Director
Paul G. Koopman, Vice President
Michael E. Cusack, Esq., General Counsel
Kimberly J. Nadeau, Chief Financial Officer
Kathy Ebert, Director, Internal Audit
Kimberly Ellis, Deputy Chief Financial Officer
Karen E. Ehlinger, Manager, Internal Control Analysis
Sara P. Richards, Esq., Associate General Counsel
Michael L. Johnson, Esq., Assistant General Counsel
Gerald Brouillette, Chief Info Security Officer
Karen Seiter, Asst Director, Accounting
Jenilee M. Flinton, Assistant Director, Internal Audit
Li Xu, Manager, Accounting
David F. Perritano, Public Information Officer
Michael T. Corrigan

Other Attendees

Maria Zimmerman, Lead Engagement Partner KPMG
Jeffrey Koch, Lead Engagement Senior Manager KPMG
Daniel White, Office Managing Partner KPMG

PUBLIC SESSION

Audit Committee Chair Gardner called the Audit Committee Video Conference Meeting to order. The Minutes of the December 10, 2019 Audit Committee Video Conference Meeting were reviewed and approved.

The Audit Committee Chair asked for a motion to 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.

Ms. Sullivan moved that the Members go into Executive Session, Mr. Johnson seconded the motion, and the Meeting went into Executive Session.

EXECUTIVE SESSION

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

PUBLIC SESSION

Presentation of 2019-20 Audit Plan

The Audit Chair introduced Ms. Zimmerman, and asked her to present KPMG's Audit Plan. Ms. Zimmerman introduced Dan White, Office Managing Partner, and Jeffrey Koch, Lead Engagement Senior Manager, and directed the Members to KPMG's presentation of the Audit Plan for the fiscal year ended March 31, 2020 which was distributed at the meeting.

Ms. Zimmerman reviewed KPMG's staffing plan for the DASNY audit engagement, noting a number of returning and new team members this year. Mr. White introduced himself to the Committee, and indicated that his main role as the OMP is to make sure that DASNY get the services and technical expertise that needed to complete the audit engagement. He noted he has an open office and encouraged people to reach out with any questions of concerns.

Ms. Zimmerman noted that KPMG's staffing plan also includes utilization of DASNY's Internal Audit Department for approximately 160 hours for this audit. She added that KPMG will also subcontract a portion of the audit engagement to a qualified Minority- and Women-Owned Business Enterprise ("MWBE"), to provide opportunities for participation in the audit engagement in accordance with New York law. She indicated that KPMG was currently evaluating two MWBE

firms for inclusion in the overall staffing plan: Long Island Financial Management Services and Katigbak CPA, PLLC (d/b/a Team Avaloria).

Ms. Zimmerman then summarized the objectives of the audit and the deliverables to be provided by the auditors, noting that the audit is planned and performed to obtain reasonable, but not absolute, assurance about whether the combined financial statements are free from material misstatement; discussed the auditors' responsibilities; and reviewed the basic scope of services to be provided. Ms. Zimmerman emphasized that the audit of the financial statements by external auditors does not relieve DASNY Management or the Audit Committee of their responsibilities.

Ms. Zimmerman outlined the key deliverables of the Audit Team. She noted KPMG will provide an audit opinion on DASNY's basic financial statements on or about June 24, 2020; along with that, there will be a Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with Government Auditing Standards; a Report on investments in accordance with the Requirements of Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York*; and the required Communications to the Audit Committee; and a Management Letter, if one is warranted. She stated that separate auditors' reports on an estimated 23 individual financial statements for bond resolutions will also be provided on or about September 30, 2020.

Mr. Koch summarized the key areas of the audit approach as set forth in the Audit Plan. He noted that the audit takes a risk-based approach where we leverage the understanding of DASNY to focus on higher risk areas.

Mr. Koch then reviewed the Audit Plan's areas of focus and the types of testing that will be utilized. He identified Cash and Investments, Leases and Loans Receivable, Bonds and Notes Outstanding, Interest on Bonds and Notes, Accounts Payable and Accrued Expenses as areas of focus which will be tested with a combination of confirmations from trustees and custodians, independent price testing, reviewing selected transaction details, performing a search for unrecorded liabilities and analytical procedures. Mr. Koch further stated that the auditors will perform substantive analytical procedures over Payroll and Human Resources expense. He indicated that this review would include an actuarial review of the calculation of DASNY's pension and OPEB obligations and related disclosures. He further noted that procedures over investments will be evaluated for compliance with the requirements of NYCRR Section 201.3.

Mr. Koch reviewed the cash, investment and debt confirmation audit approach. He noted that this year KPMG would be utilizing a tier and sampling approach to confirm cash, investments and debt confirmations, where 100% of any State related debt would be confirmed which includes State University of New York and City University of New York debt. He noted that KPMG follows the AU-C 530 guidance of Audit Sampling approach.

He also informed the Committee Members that specialists would also be used to perform control testing over DASNY's IT systems, and evaluate DASNY's tax-exempt status. Mr. Koch stated that with regard to the IT scope of the Audit, there are two systems being reviewed: JDE and Sungard. He noted that the approach is to look at the general IT security controls; change

management controls, program development controls; and computer operations controls, as well as any other IT automated controls that management is relying on.

With respect to Financial Statement Preparation and Disclosure, he noted that once again, KPMG would utilize third party confirmations through external counsel to ensure that all pending litigation matters are disclosed in the financial statements. He also noted that there is one new requirement this year, GASB Statement 88, which concerns certain disclosures relating to debt, including direct borrowing and direct placements.

Mr. Koch described the timeline of the Audit Plan, with planning beginning in the February timeframe and completion of the audit and presentation to the Board at the June Board Meeting.

Ms. Zimmerman then provided an overview of new and emerging accounting pronouncements, beginning with GASB Statement 88 Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements. She noted that since DASNY's footnote disclosure was fairly comprehensive this pronouncement was not expected to have a significant impact on DASNY.

Ms. Zimmerman then briefed the Board on GASB Statement 87, Implementation of Leasing, which establishes a single model for lease accounting and the right to use assets, noting that this would be more complex for DASNY to implement. She stated that while the pronouncement is not effective until March 31, 2021, because of accounting and transaction changes, it needs to be implemented effective April 1, 2020 (the beginning of DASNY's fiscal year).

Ms. Zimmerman then discussed the new GASB Statement 91, Conduit Debt, which changes the definition of conduit debt for financial reporting purposes. She noted that the new standard has three characteristics; one of which is having three parties involved none of which can be related entities. For this reason, she advised that DASNY State-supported debt would remain on the face of the financial statements, and other debt would only be reflected in the footnotes. She indicated that this is viewed as a more complex change for DASNY and is not effective until March 31, 2022.

Ms. Zimmerman indicated that the other two items, that were not listed here are GASB 90 – Minority Equity Interest – which does not apply to DASNY, and GASB 89 – Accounting for Interest and Cost During Construction – noting that while this does not apply to DASNY, it does apply to many of DASNY's clients.

The Board indicated that it had no questions on the KPMG Audit Plan, and the Audit Committee Chair thanked Ms. Zimmerman, Mr. White and Mr. Koch for their presentation.

The Audit Committee Chair asked for a motion to 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.

Ms. Sullivan moved that the Members go into Executive Session, Mr. Johnson seconded the motion, and the Meeting went into Executive Session.

EXECUTIVE SESSION

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PUBLIC SESSION

Internal Audit Plan 2019-20 – Status Update

Ms. Ebert reported on the status of the internal audit plan. She noted that they are making good progress with three additional engagements being added, four in process, two of which exit interviews are scheduled and two which will be started prior to the end of the fiscal year.

Ms. Sullivan moved that the Meeting adjourn, Mr. Johnson seconded the motion and the Audit Committee Meeting was adjourned at approximately 6:50 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Michael E. Cusack".

Michael E. Cusack, Esq.
Assistant Secretary