

A Video Conference Meeting of the Audit Committee of the Dormitory Authority of the State of New York (“DASNY”) was held at 4:00 p.m. on Tuesday, June 21, 2022 with Members participating via Zoom.

**CALL TO ORDER / ROLL CALL**

The Meeting was called to order by Jon Gardner, Audit Committee Chair, at 5:00 p.m. and a quorum was declared present. Board Chair Carney appointed himself as a Member of the Audit Committee for purposes of this meeting.

Sara Richards, Assistant Secretary, called the roll.

The following Board Members and Staff were present:

**Committee Members**

Jon Gardner, Esq., Audit Committee Chair  
Joan M. Sullivan, Committee Member  
Alfonso Carney, Board Chair, Temporary Committee Member

**Board Members**

Gerard Ronski, Esq. – Board Member  
Ken Evans, Designated Representative of the Commissioner of Health, Board Member (*ex officio*)

**Committee Members Absent:**

Beryl Snyder, Esq., Committee Member

**Staff Members Present**

Reuben R. McDaniel, III, President and Chief Executive Officer  
Paul G. Koopman, Vice President  
Kimberly A. Ellis, Chief Financial Officer  
Nadine Fontaine, Esq., General Counsel  
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring  
Ricardo Salaman, Esq., Deputy General Counsel  
Caroline V. Griffin, Chief of Staff  
Sara Potter Richards, Esq., Managing Senior Director, Governance and Administration  
Dena Amodio, Esq., Assistant General Counsel  
Jeffrey Gordon, Senior Director, Communications & Marketing  
Jenilee Flinton, Director, Internal Audit  
Geoffrey Arnold, Director, Budget & Operations  
Deborah Fasser, Director, Strategic Communications and Business Development

Nicholas A. Palas, Assistant Director, Internal Audit  
Steven R. Winters-Bona, Assistant Director, Financial Management  
Stanley J Reed, Assistant Director, Investments  
Li Xu, Assistant Director, Accounting  
Karen E. Ehlinger, Manager, Internal Control Analysis  
Antoinette M. Tomlin, Senior Financial Analyst  
Amanda Nazario, Confidential Legal Assistant

### **KPMG**

Marie Zimmerman, Lead Engagement Partner  
Jeff Koch, Audit Managing Director  
Ryan Kenyon, Lead Engagement Manager

Mr. Gardner welcomed Jenilee Flinton to her first meeting as the new Director of Internal Audit, replacing Kathy Ebert, who has left DASNY.

### **APPROVAL OF MAY 10, 2022 AUDIT COMMITTEE MEETING MINUTES**

Upon a motion by Ms. Sullivan and a second by Mr. Carney, the minutes of the DASNY May 10, 2022 Audit Committee Meeting were approved unanimously.

### **ANNUAL AUDIT**

Ms. Ellis summarized the results of the annual audit. She stated that KPMG expects to issue three unmodified opinions on DASNY's financials, the supplementary information included with the financials, DASNY's compliance with the State Comptroller's investment guidelines and DASNY's investment policy and guidelines. KPMG did not identify any significant deficiencies or material weaknesses in our internal controls; therefore, there will be no management letter issued.

Ms. Zimmerman, Lead Audit Partner, then addressed the Members. She confirmed that KPMG will be issuing an unmodified opinion over the auditor's report, in addition to a report on internal controls over financial reporting and compliance with other matters, based upon the audit of the financial statements performed in accordance with GAAP. Ms. Zimmerman stated that the report will note that no significant deficiencies or material weaknesses were found, and a clean unmodified opinion will therefore be issued. She further stated that KPMG will also issue a clean report for the supplementary information as well as a report regarding investment compliance examination. Finally, KPMG will also provide an unmodified opinion on the Dormitory Authority's compliance with section 201.3 of Title Two of the Official Compilation of Codes, Rules and Regulations of the State of New York. She noted that KPMG will need to receive management representation letters in order to provide the unmodified opinion.

Ms. Zimmerman introduced the rest of the KPMG Engagement Team. She stated that the MWBE team supported the auditors throughout the process, and that DASNY's Internal Audit team also assisted. Ms. Zimmerman informed the Members that the audit team was the same as that presented during the planning process and that no concerns were manifested during the process.

Mr. Koch stated that KPMG continues to seek out technology to provide a more efficient and effective audit experience for management as well as the auditors. He further stated that KPMG has implemented a new audit platform which is a risk-based platform that allows the auditor to focus attention on risks for DASNY specifically as well as more generally. Mr. Koch informed the Committee Members that KPMG will continue to research and implement technology to enhance the overall audit process.

Mr. Kenyon directed the Members' attention to the presentation included with the Board Materials and summarized the audit results relating to required communications and other matters. He stated that the auditors reviewed DASNY's non-GAAP policy for accruing payables subsequent to year end and determined that this was not material, both individually and in the aggregate, to the basic financial statements, taken as a whole. Mr. Kenyon informed the Committee Members that there are no other non-GAAP policies or practices of significance.

Mr. Kenyon stated that with respect to significant accounting policies and practices during fiscal year 2022, there were no significant transactions recorded which lacked authority or accounting guidance or consensus, and there were no changes overall to significant accounting policies or practices. He further stated that there are two significant accounting estimates that impact DASNY's basic financial statements: the actuarial assumptions related to total OPEB liability, as well as the valuation of investments. Mr. Kenyon informed the Committee Members that in the opinion of KPMG, the significant assumptions appear reasonable and in accordance with GASB 72 and 75. He added that there are no indicators of management bias.

Mr. Kenyon informed the Committee Members that there is no alleged or suspected illegal acts or fraud that came to their attention, nor any non-compliance with laws and regulations. He stated that KPMG has confirmed its independence with respect to DASNY, as well as confirmation that all required inquiries have been performed to date and no matters had been brought to our attention.

Mr. Kenyon stated that KPMG performed limited procedures over RSI (Required Supplementary Information) including testing for internal consistency, as well as vouching the amounts back to the financial statements to the audited account balances to ensure consistency. No other material inconsistencies were identified. He summarized that inquiries were made of management throughout the process and there were no reported, alleged or suspected fraud or non-compliance with laws and regulations.

Mr. Koch directed the Committee Members' attention to a link to KPMG's transparency report, which is an externally published document regarding KPMG's internal controls, as well as an overview of how those align with professional standards. He thanked DASNY management for their support throughout the audit. Mr. Koch stated that management provided the auditors with their full attention and there were no disagreements with management regarding the process. As a result, the Auditors were able to complete the audit in a timely fashion.

Mr. Carney noted that this is Ms. Zimmerman's last meeting as lead audit partner for DASNY and thanked her for her exceptional work on DASNY's audit over the past decade. He stated that he is grateful for her professionalism and complimented her understanding of complexities of

DASNY's business. Mr. Carney noted that DASNY is changing internal and external auditors at the same time, and stated he is excited to work more closely with Jeff Koch and his team. Ms. Zimmerman thanked the Members for their continuing support over the past 10 years and stated that she has a great deal of confidence in Mr. Koch, Mr. Kenyon and the rest of the KPMG team.

Chair Gardner thanked Ms. Zimmerman on behalf of the entire audit committee. Ms. Sullivan stated that she previously had responsibility for the overall New York State financial reports. She thanked DASNY staff and KPMG for their quality work. Ms. Sullivan stated that DASNY is one of the most complex component units in New York State and that New York State is able to complete its financial reports in a timely fashion as a result of the quality information received from the component units such as DASNY.

Ms. Ellis directed the Members' attention to the Board materials and highlighted some of the significant items included in this year's Financial Statements. She stated that DASNY issued approximately \$9 billion in debt, a slight decrease over last year's record-breaking year, which saw increased activity in response to the COVID pandemic. On the construction management side, DASNY continued work on FIT's new academic building, the new school of nursing at Lehman College, and the work at the Javits Center received a Temporary Approval for Occupancy for several projects, which allowed events to occur throughout the Convention Center.

Ms. Ellis stated that due to disruptions in the economy led by the pandemic, record-high inflation occurred over the course of the past year. She further stated that interest rates had been at historically low levels for the past two years, which impacted interest income earned on investments. At the end of the fiscal year, the Fed moved to taper inflation and institute measures to ease overall demand by raising its benchmark rate by 25 basis points for the first time since 2018 and signaling an additional 6 rate hikes for the remainder of 2022. Ms. Ellis reported that this policy shift led to volatility in the markets, with rates on government securities rising rapidly in March 2022, which in turn caused a significant market value adjustment to DASNY's investment portfolio.

Ms. Ellis reported that from an accounting standpoint, DASNY adopted GASB Statement 93, Replacement of Interbank Offered Rates. She explained that this relates to the cessation of LIBOR as a global reference rate, which had no impact on the financial statements. Ms. Ellis informed the Committee Members that overall, the Financial Statements reflect a decrease in DASNY's Net Financial Position of \$3 million, the majority of which is activity in Restricted Funds. DASNY's operations showed a loss of \$3.3 million, which reflects a \$3.5 million deficit on the public side largely related to the CUNY program, which was offset by a small surplus of \$238,000 on the private institution side, primarily due to a \$1.7 million surplus for financing and bond administration, offset by increased allocation of OPEB expense and increases for NYCO rent as a result of a rent holiday last year.

In terms of debt issuance, DASNY issued approximately \$9 billion of bonds last year. Ms. Ellis reported that approximately 70% of that amount came from new money and refundings, with nearly one-third coming from new money issued for public clients. In terms of distribution, 90%

of the issuances were on behalf of public clients. She stated that there were approximately \$8.3 billion in bond retirements for the year; approximately 35% from scheduled redemptions and 38% from bonds that were refunded by new DASNY bonds. The allocation by client type saw an increase to 86% for public clients, slightly up from 84% in the prior year.

Ms. Ellis informed the Committee Members that DASNY ended the year with nearly \$6 billion in outstanding bonds, an increase of \$669 million from 2021. She stated that the split between public and private bonds remained relatively stable at 73% and 27%, respectively. With respect to the Construction Management line of business, total construction and loan disbursements decreased approximately \$5.2 billion in 2022. Ms. Ellis explained that certified disbursements drove the decrease with \$5.2 billion in fewer disbursement requests, primarily due to activity related to the State's short-term note transaction. She stated that the proportionate share of total construction expenditures for private clients increased to 21% in 2022 from 9% in 2021.

Ms. Ellis reported that DASNY's Statement of Net Position remained relatively stable with a decrease of \$3 million in 2022, primarily due to reduced interest income as a result of the market value adjustments and the use of prior year surpluses to cover operating costs, offset by an increase in contributions of cash and investments and a decrease in the net pension liability. She explained that increases of approximately \$2.1 billion in assets and liabilities were largely driven by a net increase in bonds outstanding and the related increases in amounts held awaiting reimbursement to the State, in addition to increased accounts payable and accrued expenses. Ms. Ellis stated that the total investment balance of \$5.7 billion reflects an increase of approximately \$900 million, primarily due to new money bond issuance activity. In addition, money market funds saw a \$2.1 billion increase from the prior year, largely due to monies received for prepayment of debt service at the close of the fiscal year. She reported that DASNY's total investment portfolio has increased to approximately \$11.5 billion.

Ms. Ellis informed the Members that the Board materials include the supplementary information provided with the financials, including schedules that break out the Financial Statements between public and private clients and DASNY's operations, DASNY's budget and actual expenses for its operations, and a schedule of outstanding bonds and notes. She reminded the Members that DASNY must submit the Auditor's Report and Basic Financial Statements to the Office of the State Comptroller by June 30<sup>th</sup>. Ms. Ellis stated that the full Board will be asked to approve a resolution adopting the Basic Financial Statements as of and for the year ended March 31, 2022.

### **Annual Investment Report**

Ms. Ellis directed the Committee Members' attention to the Annual Investment Report, which DASNY is also required to file with the Office of the State Comptroller. She stated that the report includes DASNY's Investment Policy and Guidelines and summaries of investment income earned and fees paid for the year, along with a copy of DASNY's Financial Statements. There were no changes to the Investment Guidelines during the year. Ms. Ellis stated that investment income reflects a net loss of \$10.3 million for the year, \$2.8 million of which is attributable to construction funds, with the remaining \$7.5 million attributable to all other funds. She explained that the net

losses are primarily the result of the market value adjustment at the end of the year which reflects unrealized losses. Ms. Ellis reported that during 2022, DASNY paid approximately \$739,000 for trustee and custodial services.

Ms. Ellis thanked her staff for their hard work on the Annual audit, and stated that as in the past, she has been able to rely heavily on the experience, knowledge and dedication of the Finance staff to maintain DASNY's books and records accurately, to provide the necessary support to the independent auditors to ensure that DASNY continues to receive unmodified opinions, and to ensure that the Financial Statements are filed with the State in a timely manner. Ms. Ellis stated that in addition to the usual tight deadlines related to the audit, staff were charged with replacing the investment management system, which was completed in the last quarter of the fiscal year. Ms. Ellis informed the Committee Members that staff worked diligently to ensure all the investments were properly reconciled and accounted for in the new system, all while adjusting to the new Clearwater system as they prepared reports and schedules in connection with the audit.

Ms. Ellis specifically thanked Li Xu, Assistant Director of Accounting; Steve Winters-Bona, Assistant Director in the Debt Unit; Stanley Reed, Assistant Director, Investments; Geoff Arnold, Director of Budget & Operations; Kelly Ray, Manager of Accounts Payable; Tonette Tomlin, Senior Financial Analyst – Debt; and their respective teams; and Jia Wu from DASNY's Internal Audit team who supported KPMG during the audit process. She also thanked KPMG for their support and role in making the audit run smoothly, and for their continued professionalism in conducting the audit. Ms. Ellis stated that she has enjoyed working with Ms. Zimmerman, and looks forward to working with Mr. Koch, Mr. Kenyon, and the rest of the KPMG team.

President McDaniel stated that the Public Authorities Accountability Act also requires the submission of an Annual Report. He thanked Mr. Gordon and the Communications & Marketing team for their work on the Report. The President stated that the Annual Report contains a lot of information, but it has been distilled into a straightforward and relatively readable format. He informed the Committee Members that he is proud to send these quality Reports to the State in a timely fashion. President McDaniel thanked the KPMG team for their hard work and assistance. He wished Marie well and expressed his confidence in Mr. Koch and Mr. Kenyon as they continue on the DASNY team. The President thanked Ms. Ellis and her staff for their continued efforts on behalf of DASNY.

Upon a motion by Ms. Sullivan and a second by Mr. Carney, the Audit Committee Members decided unanimously to recommend approval of the Annual Audited Financial Statements for the fiscal year ending March 31, 2022 to the full Board.

Upon a motion from Ms. Sullivan and a second by Mr. Carney, the Audit Committee Members decided unanimously to approval of the Annual Investment Report for the fiscal year ending March 31, 2022 to the full Board.

Upon a motion from Ms. Sullivan and a second by Mr. Carney, the Audit Committee Members decided unanimously to recommend approval of the Public Authorities Accountability Act Annual Report to the full Board.

Board Chair Carney stated that Ms. Ellis and her staff have consistently produced extraordinarily high-quality financial statements. He explained that the Financial Statements are produced by DASNY and then audited by KPMG. Mr. Carney stated that the quality of the Financial Statements and receiving unmodified opinions over the years is a testament to Ms. Ellis' management, and he thanked her for her leadership.

Ms. Sullivan moved that the Committee Members go into Executive Session to discuss the financial history of a particular corporation and matters leading to the appointment, employment, promotion, demotion, discipline, suspension, dismissal or removal of a particular person or Corporation. Mr. Carney seconded the motion and the Members went into Executive Session.

### **EXECUTIVE SESSION**

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

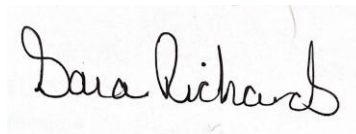
### **PUBLIC SESSION**

President McDaniel reported that he and Mr. Koopman conducted interviews for the position of the Director of Internal Audit in light of Kathy Ebert's departure and have recommended Ms. Flinton for the position.

Ms. Sullivan moved to approve Ms. Flinton for the position of Director, Internal Audit, the Board Chair seconded, and the Committee unanimously approved her appointment.

Ms. Sullivan moved to adjourn the meeting, Mr. Carney seconded, and the meeting was adjourned at 5:10 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sara Richards", is written over a light gray rectangular background.

Sara P. Richards  
Assistant Secretary