

The Dormitory Authority of the State of New York Audit Committee Meeting was held by videoconference technology among DASNY's Offices in New York City, 28 Liberty Plaza, New York, New York; 515 Broadway, Albany, New York; and 6047 Transit Road, East Amherst, New York at 4:00 p.m. on Tuesday, November 8, 2022.

**CALL TO ORDER/ROLL CALL**

The Board Chair appointed himself as a temporary member of the Audit Committee. Committee Chair Gardner was late due to travel delay and the Board Chair appointed Ms. Sullivan temporary Audit Committee Chair. Ms. Sullivan called the meeting to order at 4:10 p.m. and a quorum was declared present.

The following Board Members and Staff were present:

**Audit Committee Members Present**

Jon Gardner, Esq., Audit Committee Chair (Buffalo Office)  
Beryl Snyder, Esq., Committee Member (NYC Office)  
Joan M. Sullivan, Committee Member (Albany Office)

**Other Board Members Present**

Alfonso Carney, Board Chair (NYC Office)  
Janice McKinnie, Board Member (Buffalo Office)

**Staff Members Present**

Reuben R. McDaniel, III, President and Chief Executive Officer (NYC Office)  
Paul G. Koopman, Vice President (Albany Office)  
Kimberly A. Ellis, Chief Financial Officer (Albany Office)  
Nadine Fontaine, Esq., General Counsel (Albany Office)  
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring (Albany Office)  
Ricardo Salaman, Esq., Deputy General Counsel (NYC Office)  
Sara Potter Richards, Managing Senior Director, Governance and Administration (Albany Office)  
Jenilee M. Flinton, Director, Internal Audit (Albany Office)  
Dena Amodio, Esq., Assistant General Counsel (Albany Office)  
Deborah K. Fasser, Director, Strategic Communications and Business Development (Zoom)  
Matthew Bergin, Director, Public Finance (Zoom)  
Craig Schreivogl, Director, Portfolio Monitoring (Zoom)  
Li Xu, Assistant Director, Accounting (Zoom)  
Karen Ehlinger, Manager, Internal Controls Analysis (Zoom)  
Alex A. Sirdine, Financial Analyst (Zoom)  
Amanda Nazario, Confidential Legal Assistant (Zoom)

**Others (joining via Zoom)**

Jeffrey Koch, Audit Managing Director, KPMG  
Ryan Kenyon, Lead Engagement Manager, KPMG

**PUBLIC SESSION**

Ms. Richards stated that Section 3.7 of the DASNY By-laws was amended last month and as a result, DASNY may hold meetings in more than one physical location, with the locations joined by videoconference. She noted that members of the public may attend any of the physical locations or remotely via zoom.

The Minutes of the June 21, 2022 Audit Committee meeting were reviewed and approved unanimously. Audit Committee Chair Gardner arrived at the meeting at this time.

**KPMG Audit Plan Presentation**

Chair Gardner introduced Jeffrey Koch and Ryan Kenyon of KPMG and asked them to give the 2022-23 Audit Plan Presentation.

Mr. Koch delivered the Audit Plan Presentation, setting forth the process, content and anticipated timeline. He summarized the required communications and efforts at modernization, and noted the key audit areas, which are consistent with past practice.

Mr. Koch stated that DASNY will be adopting several new accounting pronouncements. He explained that GASB 91 relates to conduit debt obligations. He explained that conduit debt will no longer appear on DASNY's balance sheet within the financial statements and will now be disclosed within the footnotes. Mr. Koch stated that DASNY will also be adopting GASB 87 relating to leases and GASB 96 relating to SBITA(Subscription-Based Information Technology Arrangements). He noted that the Audit Plan has incorporated these changes.

Mr. Koch stated that Statement on Auditing Standards (SAS) 145 relates to understanding KPMG's role and its understanding of the DASNY environment generally as well as an assessment of the risk of material misstatement in the financial statements. He explained that this SAS relates to the way the auditors approach an audit and consider the areas of risk assessment procedures. He explained that as a result, there may be additional requests for information from Management as KPMG reviews the risk assessment procedures. Mr. Koch informed the Committee Members that KPMG has implemented a new audit tool to assist with the broader risk-based audit approach. He then displayed the entire audit team and summarized the outside consultants that will be utilized, including MWBE firms.

Mr. Koch summarized additional tools that KPMG has implemented to enhance the client experience and increase collaboration and communication with Management. He noted that KPMG will continue to focus on the areas of cyber security, ESG initiatives and diversity initiatives.

Mr. Kenyon discussed the required communications, process and deliverables. He stated that the audit of DASNY's basic financial statements will be performed in accordance with GAAP, including consideration of internal controls over financial reporting, not for the purpose of expressing an opinion on internal controls, but as a basis for developing audit procedures. Mr. Kenyon summarized the deliverables to be provided within the scope of the audit: an auditor's report with an opinion on the basic financial statements; a report of internal control over financial reporting; an auditor's report on the supplementary information; a letter to the Audit Committee; a management letter; and a report on the twelve individual financial statements for bond resolutions. He outlined the concept of materiality in the context of an audit; the four phases of the audit and associated timelines; the key areas of audit focus; and KPMG's approach to fraud risk.

Mr. Kenyon briefly addressed the issue of cybersecurity. He stated that the shift to remote work, online customer engagement and digital finance requires a robust review of cyber security and associated controls. Mr. Koch provided additional details regarding the new and emerging accounting pronouncements that will be adopted this year. He also briefly discussed transparency and independence and outlined the responsibilities of all parties.

The Board Chair asked how KPMG perceives the current cyber security environment as compared to last year. Mr. Koch responded that overall cyber security is always changing and becoming increasingly sophisticated. He stated that KPMG utilizes technology assurance consultants to review process in that area.

Mr. Carney inquired about how the new SESC subsidiary will be evaluated. He noted that the activities of the subsidiary will be rolled up into the overall DASNY audit and not evaluated separately. He asked whether there are different standards of audit for the subsidiaries.

Mr. Koch stated that when the audits are performed, KPMG relies on promulgated guidance. He explained that the audit is undertaken of DASNY on the whole, and then evaluates each of the components, including the subsidiaries.

Mr. Carney asked about KPMG's approach when evaluating the possibility of fraud. Mr. Koch replied that KPMG looks at the system of internal controls in place and makes inquiries of management in this regard. He stated that KPMG reviews how those specific controls work to help prevent the fraud from actually occurring before journal entries are made. He explained that KPMG does a thorough review of the entire journal population that makes up the DASNY financial statements, including looking for specific transactions where the possibility of fraud may be heightened. In such cases, KPMG would review with a higher degree of scrutiny.

Mr. Gardner asked how the subsidiary information will be presented and whether it will be part of the overall DASNY financials or presented separately. Mr. Koch responded that the relevant GASB pronouncements would view the DASNY/subsidiary relationship as a blended component unit and as such, the activities of the subsidiary will be combined with DASNY's activities. He noted that other disclosures could be made if DASNY chooses to do so and the activities could be combined in a more condensed manner.

Mr. Gardner stated that given the discrepancy in volume, the State debt that is reflected in DASNY's financials will dwarf that of the subsidiary and therefore an assessment of the subsidiary would be difficult. He indicated that he would like to see the subsidiary's activities set forth separately. Mr. Koch stated that management could elect to set forth more information about the subsidiary. Ms. Ellis stated that she has discussed this matter with Mr. Koch and is something that will be considered in future years. She noted that as this is a startup year for the subsidiary, there will not be much data to present in this year's financial statements but would consider this approach.

### **INTERNAL AUDIT UPDATE**

Ms. Flinton gave the Internal Audit Update. She stated that DASNY's Internal Audit Department Charter and the Standards for the Professional Practice of Internal Auditing require certain communications to be made to the Audit Committee on an annual basis. Ms. Flinton informed the Audit Committee Members that every year, the internal audit team members complete an independent and objectivity statement and affirm to the best of their knowledge whether they are aware of any potential threats that might impair their independence and objectivity and they acknowledge that they are required to report any future impairment if and when it occurs. This signed statement acknowledges that they have read and understand the Institute of Internal Auditing (IIA) standards on independence and objectivity, the IIA code of ethics and DASNY's code of ethics as well as DASNY's Internal Audit policies and procedures. She reported that there have been no impairments to date. Ms. Flinton summarized that the Internal Audit Department Charter reflects the Internal Audit department's purpose, authority and responsibility, and recognizes that the department is governed by the mandatory elements of the IIA's international professional practices framework.

Ms. Flinton informed the Committee Members that the purpose of the Internal Audit Department is to provide independent and objective assurance and consulting services to add value and improve DASNY's operations and to comply with Public Authorities Law Title 8 section 9 which says the Internal Audit function shall evaluate the Authority's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct those weaknesses.

Ms. Flinton directed the Committee Members' attention to the Internal Audit Plan presentation included with the Board materials. She reported that 11 audits have been completed and 7 are in process. She stated that there are 5 which have not yet started. Ms. Flinton further stated that there are 3 Information Security engagements on the plan, 2 of which have been completed. She noted that as part of the quality assurance improvement program, or QAIP, the Internal Audit governance portion has been completed and there were no concerns as a result of that review.

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

**EXECUTIVE SESSION**

**PUBLIC SESSION**

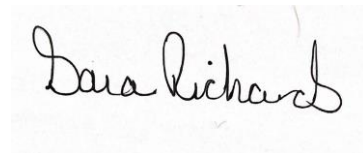
While in Executive Session no action was taken, other than to return to public session.

(The final agenda item regarding proposed amendments to the Audit Committee Charter and Internal Audit Charter was not addressed).

**ADJOURNMENT**

Ms. Sullivan moved to adjourn the meeting. The motion was seconded by the Board Chair and the meeting adjourned at 5:25 p.m.

Respectfully Submitted,

A handwritten signature in black ink that reads "Sara Richards". The signature is written in a cursive style and is centered within a light gray rectangular box.

Sara Richards  
Assistant Secretary