

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. Tuesday, October 10, 2023.

### **CALL TO ORDER/ROLL CALL**

The following Board Members and Staff were present:

#### **Audit Committee Members Present**

Joan Sullivan, Audit Committee Chair (Albany)  
Beryl Snyder, Esq., Committee Member (NYC)  
Alfonso Carney, Committee Member (NYC)  
Hon. Robert Rodriguez, Committee Member (NYC)

#### **Staff Members Present**

Kimberly A. Ellis, Chief Financial Officer  
Dianne Topples, Assistant Director, Accounting  
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring  
Sara Potter Richards, Managing Director, Executive Direction  
Matthew Moore, Esq., Deputy General Counsel (via Zoom)  
Ricardo Salaman, Esq., Deputy General Counsel  
Jenilee M. Flinton, Director, Internal Audit  
Karen Ehlinger, Manager, Internal Controls Analysis  
Amanda Nazario, Confidential Legal Assistant  
Deborah Fasser, Director, Strategy Communication and Business Development (Via Zoom)  
Jerry Brouillette, Director, Information Services (Via Zoom)

#### **Others Present**

Jeffrey Koch, Managing Director, KPMG  
Marie Zimmerman, Partner, KPMG

Several members of the public also joined the meeting via Zoom.

### **PUBLIC SESSION**

Audit Committee Chair Sullivan introduced Diane Topples, Assistant Director, Accounting, who recently joined DASNY. She then welcomed the Members and staff to the Audit Committee meeting and a quorum was declared present. Upon a motion from Ms. Snyder and a second from Mr. Carney, the minutes from the June 21, 2023 Audit Committee meeting were unanimously approved.

**KPMG Audit Plan Presentation**

Chair Sullivan introduced Jeffrey Koch, Audit Managing Director and Marie Zimmerman, Partner, of KPMG to present the 2023-24 Audit Plan Presentation.

Mr. Koch delivered the Audit Plan Presentation, setting forth the process, content, and anticipated timeline. Mr. Koch stated that KPMG will focus on 4 key elements for exceptional client experience: audit quality; the overall experience of the Audit Committee, DASNY Board, and DASNY Management; productivity and efficiency; and professional insights.

Ms. Zimmerman addressed the Committee Members and stated that she is pleased to join the meeting as the Managing Partner and Client Liaison for KPMG's Albany Office. The Committee Members congratulated Ms. Zimmerman on her new role.

Mr. Koch reported that KPMG's audit engagement team for this year is the same as last year, except that Ms. Zimmerman assumed the position of Client Relations Partner/Albany Office Managing Partner upon the retirement of Dan White, who formerly held this position. He stated that the KPMG Team's experience will enable them to provide a quality product in the required timeframe.

Mr. Koch added KPMG works with MWBE firms in connection with all four phases of the audit (planning, controls evaluation, substantive testing and completion). He noted that KPMG is currently collaborating with Long Island Financial Management Services. In response to an inquiry from Mr. Carney, Mr. Koch stated that KPMG strives to meet the 30% MWBE participation goal established by New York State.

He summarized the required communications, process and deliverables, which are consistent with past practice. Mr. Koch stated that the audit will be performed in accordance with auditing standards generally required in the United States and the standards applicable to financial statement audits contained in government auditing standards issued by the Comptroller General of the United States. He further stated that KPMG will perform some consideration over the internal controls over financial reporting, not for the purpose of expressing an opinion on internal controls, but as a basis for developing audit procedures. He explained that if KPMG identifies any material weaknesses or significant deficiencies under the requirements of government auditing standards, KPMG will issue the Yellow Book Report, which is provided to Management as well as the Audit Committee about any such matters.

Mr. Koch summarized the responsibilities of Management and KPMG in connection with the audit and stated that KPMG is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by Management with the oversight of the Audit Committee have been prepared, in all material respects, in accordance with the applicable financial reporting framework.

Mr. Koch informed the Committee Members that KPMG will perform the audit using a materiality threshold that is established, based on the overall financial statements and a number of other factors including overall dollar values, whether there were any material misstatements in prior years, or other material weaknesses or significant deficiencies. He stated that the materiality threshold involves consideration of both qualitative and quantitative considerations and relies on the judgement of the Auditor.

Mr. Koch explained the overall audit timeline, which begins in November. He stated that in June 2024, KPMG will present the audit results to the Audit committee. He stated that KPMG will perform audits of the 12 individual bond financial statements between July and September.

Mr. Koch stated that given the nature of DASNY's operations, KPMG has not identified significant risks at DASNY. He noted however, that KPMG will be evaluating the risk of Management override of controls, since this is an inherent risk in every organization. Mr. Koch explained that this risk will be considered as part of KPMG's audit procedures and will perform various procedures and examine the controls Management has in place to mitigate this risk, as well as review a sample of journal entries throughout the year and subsequent to year-end to evaluate appropriate support and documentation for the entries that are recorded in the financial statements.

Mr. Koch stated that KPMG plans to utilize approximately 160 hours of internal audit assistance in various areas as part of the engagement. Mr. Koch further stated that KPMG will also involve technology assurance professionals to help gain an understanding of the IT systems as well as testing of consideration of cybersecurity risks as it pertains to DASNY's basic financial statements. He informed the Committee Members that KPMG will also involve an actuarial specialist to review the post-employment and other employment benefits, obligations, and year-end OPEB liabilities to ensure conformity with the requirements of GASB 75.

Mr. Carney asked whether KPMG would be providing forward-looking advice with regard to cybersecurity matters. Mr. Koch replied that while KPMG may provide a comment in the Management Letter, the focus of the annual audit is to review what occurred during the fiscal year as part of the overall audit opinion. He noted that cybersecurity threats are always changing and the Auditors consider the processes for evaluating these risks as part of the audit approach.

Mr. Koch stated that there is one pronouncement applicable to DASNY this year: GASB 94, which relates to Public-Private and Public-Public partnerships. He further stated that GASB 94 is unlikely to impact DASNY's financial statements this year. Mr. Koch stated that there are two outstanding accounting pronouncements, both of which are expected to only minimally impact DASNY: GASB 100, relating to accounting changes and errors; and GASB 101, pertaining to compensated absences.

Mr. Koch directed the Members' attention to a standard list of inquiries that could be asked of Management as the audit is undertaken.

Upon an inquiry from Mr. Carney, Mr. Koch explained that KPMG works with DASNY's Internal Audit Team throughout the process, beginning with a discussion at the beginning of the

planning phase. He noted that the level of involvement, as well as the particulars, varies from year to year, but the input from the Internal Audit Team is helpful to make sure that KPMG is focusing on the appropriate areas. Mr. Koch informed the Committee Members that KPMG meets with Management throughout the process as well.

Chair Sullivan thanked Mr. Koch and Ms. Zimmerman and stated that DASNY looks forward to working with them.

### **Internal Audit Update**

Ms. Flinton stated that the 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, including confirmation of the Independence and objectivity of the Internal Audit Department, Conformance with the Institute of Internal Auditors Code of Ethics and Standards, and the purpose, authority, and responsibility of the Internal Audit Department.

Ms. Flinton advised that the internal audit team members complete an independence and objectivity statement annually, and affirm to the best of their knowledge whether they are aware of any potential threats that might impair independence and objectivity and acknowledge that they are required to report any future impairment if and when it occurs. She noted that there have been no impairments to date.

Ms. Flinton stated that the purpose, authority and responsibility of the Internal Audit Department is set forth in the Internal Audit Department Charter which was last updated in May 2020. She summarized that the purpose of the 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 states the internal audit function shall evaluate DASNY's internal controls and operations, identify internal control weaknesses that have not been corrected and make recommendations to correct those weaknesses.

Upon an inquiry from Chair Sullivan, Ms. Ehlinger explained that as the Internal Control Officer, she works with Management to implement a program of Internal Controls.

Ms. Flinton provided a high level overview of the internal audit report and a summary of the activity and key engagements completed over the past 6 months. Ms. Flinton commended her staff for the results of a survey during the year as part of the annual Quality Assurance Improvement Program. She informed the Committee Members that the results of the survey indicate that a majority of audit customers view Internal Audit staff positively for their professionalism, knowledge, demeanor, and willingness to listen. Ms. Flinton stated that the Internal Audit Department plays a critical role in assuring core processes and procedures are functioning as designed.

Ms. Flinton recognized Nick Palas and Mamadou Barry for recently completing the IT General Controls Certificate Program. She explained that this certificate program focuses on IT-related audit activities, including governance, risk, project delivery, and IT general controls. She stated that the Internal Audit staff continues to work on IT Education through various methods including self-training, webinars, professional practice guidance, and working with subject matter experts

including DASNY's IT consultants.

Ms. Flinton summarized the progress of the Annual Audit Plan. She stated that there are 12 engagements completed, 5 in process, and 5 not yet started. Ms. Flinton noted that there are two IT engagements on the plan and one advisory engagement. She informed the Committee Members that as part of the Quality Assurance Improvement Program, the Department completed a review of the Internal Audit Process and no significant concerns were raised as a result of that review.

### **EXECUTIVE SESSION**

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

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

### **PUBLIC SESSION**

#### **Audit Committee Charter – Annual Review / Internal Audit Department Charter – Annual Review**

Chair Sullivan informed the Committee Members that Staff is not recommending any changes to either the Audit Committee Charter or the Internal Audit Department Charter. The Committee Members unanimously agreed, and the Annual Review of the Charters was complete.

Mr. Rodriguez moved to adjourn the meeting, Mr. Carney seconded the motion, and the meeting was adjourned at 4:32 p.m.

Respectfully submitted,

Sara P. Richards  
Assistant Secretary