

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 10:03 a.m. Wednesday, November 6, 2024.

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

The following Board Members and Staff were present:

#### **Committee Members Present**

Joan Sullivan, Audit Committee Chair – (Albany)  
Alfonso L. Carney, Jr., Committee Member – (NYCO)

#### **Committee Members Absent**

Beryl L. Snyder, Committee Member

#### **Other Board Members Present**

Gerard Romski, Vice Chair – (NYCO)  
Janice McKinnie, Board Member – (Buffalo)  
Kent Syverud, Board Member – (Via ZOOM)  
Christina Coughlin, Designated Representative of the Commissioner of Education, Board Member (*ex officio*) – (Albany)  
Ken Evans, Designated Representative of the Commissioner of Health, Board Member (*ex officio*) – (Albany)  
Adrian Swierczewski, Designated Representative of the Director of Budget, Board Member (*ex officio*) – (Albany)

#### **Other Board Members Absent**

Lisa Gomez, Board Chair  
Wellington Chen, Board Member

#### **Senior and Presenting Staff Members**

Robert J. Rodriguez, President & CEO  
Charlie Williams, Vice President  
Kimberly Ellis, Chief Financial Officer  
Nadine Fontaine, Esq., General Counsel  
Portia Lee, Managing Director, Public Finance and Portfolio Monitoring  
Sara Potter Richards, Esq., Managing Director, Executive Direction  
Matthew Moore, Deputy General Counsel  
Ricardo Salaman, Deputy General Counsel  
Matthew Bergin, Director, Public Finance

Juan Reyes-Alvarez, Financial Analyst  
Jenilee Flinton, Director, Internal Audit  
Gregory Maisenbacher, Manager, Internal Controls Analysis  
Jia Wu, Senior Internal Auditor

## **PUBLIC SESSION**

### **Approval of the Meeting Minutes from June 18, 2024**

Audit Committee Chair Sullivan welcomed the Members and staff to the Audit Committee meeting. Vice Chair Ronski appointed himself a temporary member of the Audit Committee and a quorum was declared present. The minutes from the June 18, 2024 Audit Committee meeting were unanimously approved.

### **Audit Committee Charter – Amendment & Internal Audit Department Charter – Amendment**

Audit Committee Chair Sullivan introduced Ms. Jenilee Flinton, Director, Internal Audit, to explain the proposed revisions to the Audit Committee and Internal Audit Department Charters.

Ms. Flinton stated that the proposed revisions to the Charters reflect revisions to the Global Internal Audit Standards promulgated by the Institute of Internal Auditors, which go into effect in January 2025. She informed the Committee Members that Staff has reviewed the revisions together with the Charters and the proposed changes will align the Charters to the updated Standards.

Ms. Flinton stated that the proposed revisions are minor in nature, as the current Charters already reflect many of the principles reflected in the revised Standards, including in the areas of Risk Management, Governance, and Internal Controls. She noted that the Internal Audit Department Charter has not been amended since May 2020, and the revised language also better aligns the Charter with Public Authorities Law, Title 8 of Article 9.

Upon a motion from Mr. Carney and a second from Mr. Ronski, the Audit Committee Members unanimously agreed to recommend approval of the proposed changes to the Audit Committee Charter to the full Board.

Upon a motion from Mr. Ronski and a second from Mr. Carney, the Audit Committee Members unanimously agreed to recommend approval of the proposed changes to the Internal Audit Department Charter to the full Board.

### **Audit and Related Accounting Services – Resolution**

Ms. Ellis stated that DASNY's contract with KPMG for audit and related accounting services concluded with the completion of services for the fiscal year ending March 31, 2024 and that as a result, a Request for Proposals for such services was issued in the New York State Contract Reporter on August 13, 2024. She further stated that a six-member selection committee with representatives from the Finance Division, Budget and Operations, Procurement, and Internal Audit was established to review submitted Proposals.

Ms. Ellis reported that proposals were received from CliftonLarsonAllen LLP, KPMG LLP, and PKF O'Connor Davies. She stated that the selection committee thoroughly reviewed and ranked the proposals based upon factors including the experience of the firm and staff; the audit plan; commitment to diversity; and overall fee proposal. Ms. Ellis informed the Committee Members that the selection committee recommended the selection of KPMG based on the strength of the proposed team; proven experience and expertise in their respective fields; KPMG's extensive experience working with public entities in New York State; its comprehensive audit plan; a fair and reasonable fee; and a demonstrated commitment to diversity. She stated that she agrees with the selection committee's recommendation, especially with the continuity of proposed staff and DASNY's implementation of a new financial system by April 1, 2025.

Ms. Ellis informed the Committee Members that the 3-year engagement will be contingent upon KPMG, as well as any outside contractors, maintaining their status as a responsible vendor as determined by Procurement staff. She stated that there will be two one-year renewal options after the initial 3-year contract period. Ms. Ellis noted that Procurement staff has completed its review of KPMG and their 2 proposed partners, Long Island Financial Management and Team Avaloria, and has found them to be responsible vendors.

Ms. Ellis provided additional context to the responses received in response to the RFP. She explained that KPMG was not the lowest bidder from a cost perspective; but the selection committee felt that the number of hours proposed by the lowest cost bidder were insufficient to perform the required work within the required short time frame, especially as new auditors would need additional time to understand the DASNY organization and finances. Ms. Sullivan asked for additional details regarding the proposals by the other responding firms. Ms. Ellis replied that one firm proposed 500 hours below that proposed by KPMG and the other bidder recommended 230 hours below KPMG's proposal. She noted that the hours proposed by KPMG are consistent with their work undertaken in the past. For context, Ms. Ellis stated that KPMG has performed audit and related accounting services for DASNY for at least 25 years and the value proposed by KPMG this year is approximately 3-4% higher than last year. She further stated that DASNY typically receives 2-4 responses to each RFP for these services.

In response to a question from Mr. Carney, Ms. Ellis stated that KPMG dedicates approximately 6-8 staff members to the DASNY audit. Mr. Ronski asked whether the lead partner will change as a result of the new contract. Ms. Ellis stated that, consistent with past contracts, the lead partner must change at specified intervals. She informed the Committee Members that she will recommend that KPMG attempt to increase the hours given to Long Island Financial Management and Team Avaloria, the MWBE partners, as the MWBE hours were below expectations last year. Ms. Ellis reported that KPMG has struggled with this aspect over the past 2 years, mostly due to the MWBE firms not having enough staff to dedicate hours to the DASNY audit. She noted that Team Avaloria was added as a partner last year to help raise the number of hours performed by the MWBE partner.

Upon a motion from Mr. Carney and a second by Mr. Ronski, the Committee unanimously agreed to recommend to the full Board the approval of KPMG LLP to perform the Audit of DASNY's

financial statements and related accounting services for fiscal year ending March 31, 2025, with the ability to renew the contract through 2029.

### **Internal Audit Report**

Ms. Flinton delivered the Internal Audit Report. She stated that the Internal Audit Department Charter, as well as the Global Internal Audit Standards, requires that certain communications be made to the Audit Committee on an annual basis, including confirmation of the Internal Audit Department's independence and objectivity; conformance with the Institute of Internal Auditors Global Internal Audit Standards; and the purpose, authority, and responsibility of the Internal Audit Department.

Ms. Flinton informed the Committee Members that the Internal Audit team members complete an independent and objectivity statement on an annual basis. This statement affirms that, to the best of their knowledge, they are unaware of any potential threats that might impair their independence and objectivity, and they acknowledge that any future impairments are required to be reported. She reported that there have been no impairments to date.

Ms. Flinton reported that the Internal Audit Department's purpose, authority and responsibility is outlined in the Internal Audit Department Charter. She summarized that the Department is obligated to provide independent and objective services in order to add value and improve DASNY's operations and also to comply with Public Authority Law Title 8, Section 9, which states that the Internal Audit function shall evaluate the Authority's Internal Controls and Operations, identify any internal control weaknesses that have not yet been corrected, and make recommendations to correct those weaknesses.

Ms. Flinton addressed the questions raised at the last Audit committee meeting regarding the difference between the Internal Audit and Internal Control functions. She explained that, at a high level, Management is responsible for establishing and overseeing DASNY's Internal Control Structure. Ms. Flinton further explained that the Internal Control function reports to Management and is responsible for assisting Management in developing and maintaining that Internal Control structure. She informed the Members that the role of Internal Audit is to audit the Internal Control Structure and provide independent and objective assurance over the effectiveness of that Structure. Ms. Flinton further elaborated that, while Internal Controls and Internal Audit work collaboratively together to ensure the structure is working as intended, they are two distinct functional areas and must remain so in order to maintain the independence of the Internal Audit Department.

Ms. Flinton directed the Members' attention to the Audit Committee materials. She stated that the materials depict the "3 lines of defense model" developed by the Institute of Internal Auditors. Ms. Flinton explained that this portrays the different functional areas that contribute to Risk Management and Governance within an organization. She stated that the first line is Operating Management, which is responsible for the day-to-day operations of DASNY and for directly mitigating risk and implementing Internal Controls through policies, procedures, and processes. Ms. Flinton further stated that the second line represents DASNY's expertise and oversight functions and include the Risk Management and Compliance areas for DASNY as well as cost

control, information security, the Office of Professional Integrity; Safety; and the Internal Control function.

Ms. Flinton informed the Committee Members that the third line of defense is the Internal Audit department. She explained that Internal Audit assesses the effectiveness of controls and makes recommendations for improvement. Ms. Flinton stated that Management is ultimately responsible for implementing those recommendations and noted that the green arrow depicted between Management and Internal Audit represents alignment, communication, coordination and collaboration, which is an important component for effective Risk Management. Ms. Flinton added that Internal Audit obtains valuable insight from Management in operational areas in order to identify operational challenges and critical control points within DASNY. She noted that this collaboration supports the goal of providing relevant constructive recommendations, and also verifies that controls are effective and adaptable to evolving risks.

Ms. Flinton introduced Mr. Gregory Maisenbacher, DASNY's Internal Control Officer, to further describe his role in establishing and maintaining the internal control structure. Mr. Maisenbacher explained that his role represents the second line of defense, as he advises and assists Management in establishing the Internal Control Structure. He further explained that he oversees the Control Self-Assessment process. The Control Self-Assessments are department-level documents that identify all the activities of the department, identify potential risks, and describe the controls that exist to mitigate those risks. Mr. Maisenbacher informed the Committee Members that the Control Self-Assessments tie into the Annual Management Certifications that are obtained annually from every Management level employee. Each Certification requires the appropriate Manager to confirm that they are aware of the role that the CSAs play in DASNY's Internal Control Structure and to identify any potential risks, potential fraud, and/or material misstatement in DASNY's financial statements. Mr. Maisenbacher explained that these Management Certifications tie directly into DASNY's overall Internal Control Certification, which is an annual narrative-based document filed each June with the Authorities Budget Office.

Mr. Maisenbacher explained that he also assists Management by reviewing all policies and procedures to help identify control weaknesses and to make sure that risks are mitigated. He noted that he works closely with the Internal Audit Department to help Management implement appropriate actions to close any potential audit issues. Mr. Maisenbacher informed the Committee Members that, unlike the Internal Audit Department, he does not need to maintain the same level of independence and can assist Management by designing and implementing internal controls.

Ms. Flinton referred to the highlights set forth in her Internal Audit Report. She stated that the Report summarizes Internal Audit activities over the past 6 months and describes the audits currently in process. Ms. Flinton further stated that the Audit Cycle Time Average reports on the time it takes to complete an audit, which helps identify opportunities for increased efficiency and addresses any delays in the audit process. She explained that for each audit, the Department establishes a budget based on the specific scope of work, the complexity of the audit, and the anticipated risks, and then monitors each audit's progress against this initial plan. Ms. Flinton further explained that this process enables Internal Audit to measure actual time spent and resources used in connection with each audit. She noted that this helps to track the audits and provides valuable insights for future planning.

Ms. Flinton reported that 48% of the annual Audit Plan has been completed to date and thanked the entire Internal Audit Team for their dedication and hard work. She explained that the team has completed 10 audits; there are 6 in process including one recently added, and there are 5 that have not yet commenced, including an IT audit, which will be outsourced to an Audit IT firm.

Ms. Flinton recognized Jia Wu, Senior Internal Auditor, who recently completed her Certified Internal Auditor examination. She explained that this is a globally recognized certification awarded to Internal Audit professionals who demonstrate expertise in internal controls, risk management and governance. Ms. Flinton stated that the entire team has helped to onboard Jeff Klingbeil, who joined DASNY in May as a Senior Internal Auditor.

Ms. Flinton stated that, as part of DASNY's required Quality Assurance Improvement Program, the Internal Audit Department is currently undergoing an External Quality Assessment. She explained that the external assessment is required every 5 years, and it examines DASNY's conformance with the Internal Audit Standards and the quality of the Internal Audit function. Ms. Flinton informed the Committee Members that the results of the QAIP will be presented at the next Audit Committee meeting.

Ms. Flinton informed the Committee Members that they are being asked to approve a revised Internal Audit Plan for the remainder of the fiscal year. She explained that the revisions have been made to align audit activities with DASNY's operational objectives and priorities.

### **EXECUTIVE SESSION**

Mr. Ronski 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. Mr. Carney seconded the motion and the Members went into Executive Session.

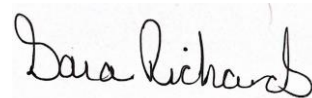
### **PUBLIC SESSION**

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

Upon a motion from Mr. Carney and a second by Mr. Ronski, the Committee unanimously agreed to approve the Amended Audit Plan as presented.

Mr. Ronski moved to adjourn the meeting, Mr. Carney seconded the motion, and the meeting was adjourned at approximately 10:52 a.m.

Respectfully submitted,



Sara P. Richards  
Assistant Secretary