

Audit & Finance Committee - December 11, 2018

Anthony Kendall: So I know that at the last Board meeting we began to discuss the (indiscernible 00:14) and discuss those today and then look at your three audit reports, so I'm going to now turn it over to (indiscernible 00:23) it's up to you. Your floor.

Chairman: Okay. Thank you very much. So I guess we'll briefly go through the pre-order plan and...

Martha Gallo: Yep. I'd rather than enter this before, so...

Pamela Frederick: It'll be a brief...

Chairman: Yeah. Okay. All right. So I won't point that out (indiscernible 00:46). Is that two? Is that number two?

Anthony Kendall: Um hum.

Chairman: And just to recap, the timing as I mentioned we're about to issue the six-month review of the financial statements and a question was asked last time as to why that's being done and that's to comply with some of the bond governance.

Pamela Frederick: Yeah, I saw that, that was our thinking.

Anthony Kendall: So a quick question.

Chairman: Sure.

Anthony Kendall: Pam and I did have that conversation that I know we'd like to do it, but if it wasn't required. I think we concluded we want to do it but it is not required.

Pamela Frederick: Yeah. A six-month statement is required, but it doesn't have to be reviewed.

Anthony Kendall: Right. Right. That's what it is. Okay.

Pamela Frederick: But we'd like (cross talk 01:27)...

Anthony Kendall: Right. But management wants to do it, but it is not required...

Pamela Frederick: (cross talk 01:31).

Martha Gallo: And I ask do you do any substantive testing? Or when you say you do a review...

Chairman: It's mostly analytical procedures, reviewing the Board Minutes, those sort of things.

Martha Gallo: Okay.

Anthony Kendall: It's different than an audit in terms...

Martha Gallo: Okay. Yeah, yeah, no, I got it.

Anthony Kendall: One level down.

Pamela Frederick: As long as there's some substance to it.

Martha Gallo: Oh yeah, that's very helpful.

Pamela Frederick: Okay.

Chairman: Yeah. And part of it, I mean a large part of it is going through the financial statements and reading them and...

Martha Gallo: Good.

Chairman: I mean your financial statements are fairly large, there's a lot of detail in them and we have to (cross talk 02:03).

Pamela Frederick: And just as an example, with the OPEC(ph) that we did this year as a new catchup basically and a lot of analytical work went into how to present those in the financial statements and the team worked closely with Mark Spanos(ph) gave us really great advice...

Martha Gallo: Great.

Pamela Frederick: and direction on how to best reflect that and so without that we could have issued a statement just based on our view and then all of that would have to be recast when we did the audit. So it's really helpful...

Anthony Kendall: If they're supported.

Pamela Frederick: Absolutely. And particularly given the fact that we only have a month in December to really get through the annual, so we really like to have things ready and now we're just changing to update the next six months.

Anthony Kendall: Right. So a quick question, because I know we're going to try to do this quickly, you just mentioned we only have a month, is there a reason why it's such a short timeframe?

Pamela Frederick: Yes.

Chairman: What we're going to review is the OPEC (indiscernible 02:58).

Anthony Kendall: I know to review, but not the audit because a month for the audit, as I look at this the time and amount of the audit, we issued a draft financial statement in January, then around a week later you wanted to get the finals done. Is it any way possible we can get a little more than a week or so?

Pamela Frederick: But our year end is October, and then...

Anthony Kendall: Right. But January, I know for myself is a tough time, so having time to properly review them, that's what I'm concerned with. And we also have the Meeting Authority Committee to review them before we want them to go final, so that's what I'm saying, is there any way to have more time?

Chairman: Yeah. I mean we're in the field now. I should have introduced Ann McAway(ph) and who she...

Anthony Kendall: Good meeting you.

Chairman: That are also in the, we're in the field now. They've really prepared the financials so...

Pamela Frederick: And they need to be filed with the State when the, 31st.

Male: The 31st of January.

Pamela Frederick: Yeah. Yeah. I've been through this process any number of times with these folks. They're very thorough, they give us a good whatever that is, M&D? M&D Management discussion document, etc., anything significant we talk about, etc., it's not going to take a lot of your time Tony.

Anthony Kendall: Well, there's enough pages.

Pamela Frederick: What?

Anthony Kendall: I said there is enough pages in the financial statement.

Pamela Frederick: Well, we've got a CFO...

Anthony Kendall: What's the soonest we can get a draft?

Pamela Frederick: But we've got to see it though -- yeah, yeah.

Anthony Kendall: But I want to read them in their entirety and make sure I understand them.

Pamela Frederick: Yeah.

Male: Usually what happens here is we have the auditors come in about this time. By the end of December we have had a first look at a draft and then usually by the first week of January we'll have a clean draft.

Anthony Kendall: (Indiscernible 04:33) getting it today.

Pamela Frederick: Yes. Absolutely. Yes.

Male: Because we like to have it done by the second week of January, so this way if there's any, so we have time to send it out to the Board members...

Pamela Frederick: But Tony, the other thing I would just say is anytime you've got an hour or two, you can look at last year's financial statements because they're very similar and these guys could explain them to you if there's any questions you have on those kind of accounting things.

Anthony Kendall: Okay. Just two other quick questions so we can move, I see we do a tax return but I didn't see that in the engagement letter. Is that a separate engagement letter?

Chairman: It's a separate engagement letter for the conservancy.

Pamela Frederick: And that's usually in February, around February.

Anthony Kendall: Yeah, I thought that, but, I just, when I saw the engagement I just saw it for the review and the audit. So could we next time put in also their engagement letter for the tax return too?

Pamela Frederick: Okay.

Chairman: Okay.

Anthony Kendall: And even us in the TUDA(ph) you think we should know...

Male: No, I mean we already talked about the OPEC implementation which was the big change in accounting standard which the effect was immaterial so we didn't do a prior, we didn't adjust it for, management doesn't adjust the prior statements and we concur with that. It was, you know, less than \$7 on the deferred influence and resource, deferred (indiscernible 05:47) resources and bottom line impact was less than a million so in this size organization it wouldn't be right to (indiscernible 05:53).

It said here the allowance for uncollectible receivables we can take a look at the aging, etc., we see that the allowance is put up as a million and five. Fair value of interest rates dropped. I was just looking at the, in the June statement you'll see there's a negative fair value actually turned around quite a bit because of the increased interest rates.

Covered period of private assets. That's just the depreciation calculation, and OPEC pensions. These are the estimates that are in the financials. The pension is not really much of an estimate because you got the number from the State, State Retirement System.

Anthony Kendall: So a quick question for you. We have crowd doing work around internal controls. Do you guys rely on any of that?

Male: I mean we read it, we're not, I won't say we rely on it but it's part of risk assessment, so if we see they do an audit and they report that the controls are operating effectively and you know we just take that as part of the inherent risk of whatever it is they've audited, but we haven't relied on them to the extent that you know looking into their background and getting reports of that...

Pamela Frederick: If there was a material weakness though that they determined you would pay attention.

Male: Oh absolutely. No we read all the reports and we take that into consideration in designing our audit.

Pamela Frederick: Yes. Yes.

Anthony Kendall: So no show audit is on a standard basis, you don't do an audit control reliance?

Male: No, no.

Anthony Kendall: Okay.

Male: Because it doesn't, the volume of transactions it doesn't pay given the size of the balance sheet.

Pamela Frederick: Right.

Male: And the balance sheet's pretty easy to order because a lot of it's PP&E, some of it's restrictive assets. Those are all, restricted assets are confirmable.

Pamela Frederick: Yeah.

Male: And on the liability side it's mostly debt, which is confirmable. Okay. So the audits run smoothly. We've got a really good cooperation with them, you know, really no disagreements, so I would say as we're saying here we'll report those to you as...

Martha Gallo: (Indiscernible 08:04) we have the review of the financial statements then. January, right before the filing? So it's the 29th?

Pamela Frederick: Correct.

Martha Gallo: Okay.

Pamela Frederick: And a question to the Chairman and members, if we have a statement earlier it's a little awkward to do the meeting so close to the Board. If you had something to respond to, so if you wanted to do it a different day or if we wanted to have a preliminary call or something like that I think is...

Anthony Kendall: I think we could organize that.

Pamela Frederick: Yeah.

Martha Gallo: That's a (indiscernible 08:38).

Anthony Kendall: That's what we did for (indiscernible 08:41).

Pamela Frederick: Okay.

Anthony Kendall: We did it before. And that makes sense.

Pamela Frederick: Yeah. Okay. So you know how it works, you might not want to rush it.

Chairman: So we kind of went off and spent a little time at the Board meeting with this is the front entry, so I just wanted to follow up with the Audit Committee members and ask you if you have any knowledge of suspicion of fraud at the Organization?

Anthony Kendall: I'm not aware of any, even that, and Lester, I'll ask Lester, I'll call Lester and then call you back. I'll ask him if he's available.

Chairman: Okay. And activities under the Whistleblower provisions that you have in place? I know there's a process in place to review this.

Anthony Kendall: I'm not familiar with any. Now if something was to come up, I know we have an 800-number, right? We have a hotline?

Pamela Frederick: With the State.

Female: It would be reported to us by Abby.

Anthony Kendall: So it would go through Abby and then Abby would report it. Okay. Got it.

Pamela Frederick: And it may even go to the secretary, Susie then Abby, I don't know how they split that, but she usually does most of those types of controls.

Anthony Kendall: Okay.

Chairman: And now we've discussed our order approach here, it's, we've already talked about it a little bit, but a couple of things to point out just for your benefit. For our public sector clients, on profits and governance we do things we should pay a little bit more attention to like employer reimbursements, credit card charges, that kind of thing, and that aren't going to be material to the financial statements, but we feel that there is the reputational risk for the Organization, so we look at the controls in place over those and review that to make sure that there is no...

Anthony Kendall: We haven't found anything over the years?

Chairman: No.

Anthony Kendall: Because...

Martha Gallo: Well, previously...

Chairman: Previously before...

Martha Gallo: There was a big claim...

Anthony Kendall: How long ago is previous? Is that six...

Martha Gallo: Five years ago.

Anthony Kendall: Oh okay, that's, I was nowhere around.

Martha Gallo: (indiscernible 10:31) year? How long have I been on the Board?

Chairman: I got here in 2009.

Martha Gallo: Was I here?

Chairman: I don't believe so. I think you came a little after.

Anthony Kendall: Okay. Because B.J. mentioned to us earlier that there is limited traveling for the staff anyway, so I would assume that there's limited reimbursement for expenses.

Multiple parties: Yeah. Yes.

Chairman: I think the process, the whole process was revamped based upon something that was prior...

Female: I think it was all playing dumb, yeah.

Anthony Kendall: Okay.

Chairman: And then we're also going to do some data analytics this year where we look at, you know, we'll take all the employees and match their home addresses up to the vendor addresses and look for journal entries recorded on the weekend and...

Female: Perfect.

Chairman: and you know do those types of things.

Anthony Kendall: But that P.O. Box you have they're not going to try to run...

Female: No.

Anthony Kendall: Okay.

Chairman: So that's something that's you know we'll...

Anthony Kendall: A little different.

Chairman: A little different and being introduced in the audit world.

Female: Good.

Chairman: There's a whole laundry list of new (indiscernible 11:31) standards that are included here?

Pamela Frederick: Yes. If Tony would like to go over those separately that would be fine with me.

Anthony Kendall: That was her way of saying...

Pamela Frederick: Move on.

Anthony Kendall: I don't have time today. I was going to go over and trust me I read them, but I'm okay with it.

Chairman: Yeah. I just found out that the leases one is going to be...

Anthony Kendall: Will be the most...

Chairman: Because that's for the Organization.

Pamela Frederick: Because we're still leasing and it's all good.

Female: Yep.

Anthony Kendall: But there's where I think the review will help when you do the review and it's for the summer and you're getting to look at this stuff before you get to the next year audit.

Pamela Frederick: Exactly.

Chairman: It's unlike the private sector where it's just the lessees that require the liability. They would, according to my source, all their revenue, I mean...

Anthony Kendall: Yes, we got you, that means generated. Yeah.

Chairman: So that's tag number two in a nutshell.

Pamela Frederick: Good.

Chairman: Satisfied then our engagement letter which you know it's been signed saying the easement of course with our proposal.

Anthony Kendall: And we just add on the next time and that would be...

Pamela Frederick: Oh, we'll add the tax. I'll have that sent to you to the committee just as an FYI.

Anthony Kendall: So do you submit the 990 to the audit committee for review before we file it?

Pamela Frederick: We can.

Anthony Kendall: Okay.

Multiple parties: (cross talk 12:48).

Pamela Frederick: We have this one.

Chairman: (Indiscernible 12:51) The Board and the Audit Committee have kind of operated together, jointly.

Male: For the third time we didn't have an audit committee so we went straight to the Board, but (cross talk 12:58).

Pamela Frederick: But yes, we did review it.

Chairman: Okay.

Anthony Kendall: So when will that be presented? That would be presented in February?

Chairman: Yes, February.

Anthony Kendall: And then for March, for March filing. Okay.

Chairman: That's become less, I mean a lot of the activities of the conservancy and stuff have been transferred over to the Authority, so what's in the 990 of the conservancy is...

Multiple parties: (cross talk 13:23).

Anthony Kendall: Okay. So it's better (indiscernible 13:26). Okay.

Pamela Frederick: And just to bring you up to date and I'd let the Mayor know, we've been looking at well, probably when you were on the Board is when we brought all the Parks employees over to the Authority...

Female: Right.

Pamela Frederick: And actually Nicole Salworth(ph) whose been working with the State AG just to look at what would it take not to have a conservancy, and so that process, thought process started, I'm not sure where B.J. is in terms of timing and if he wants to have that objective this year, but it is something that's kind of an ongoing review.

Female: Yeah. It doesn't agree with the management, oppose and today's eliminated separate overhead, etc.

Anthony Kendall: So what is the revenue for the conservancy? I don't know who that one is.

Male: It doesn't have revenue.

Anthony Kendall: So no revenue just expenditures?

Chairman: The Authority pays for everything.

Martha Gallo: Yes.

Pamela Frederick: So it's very minimal amount in there and...

Anthony Kendall: So if they have no revenue, why are we doing the 990?

Chairman: Well, they're, I mean to start with their expense and their asset number had been, I mean they do have revenues that cover their expenses, so.

Martha Gallo: It was funded by \$10 million or something of...

Chairman: Original.

Martha Gallo: Originally, but now that it's been merged there is only one...

Anthony Kendall: Yeah, I know, but do we still do...

Martha Gallo: Streams...

Anthony Kendall: Could we look into that?

B.J. Jones: I think it was like \$450 thousand or something. The revenue has come from...

Chairman: Yeah, we paid, I think that the last year we have about a million one that we contributed, you know...

Anthony Kendall: So only revenue is from Battery Park Authority.

Female: Yeah.

Anthony Kendall: Okay. And...

Martha Gallo: They don't like the admissions fees...

B.J. Jones: And they're a wholly owned subsidiary to us, so they just have consolidated in on...

Anthony Kendall: Yeah. So I'm wondering if we need to continue, well I'm looking on my side and you guys can look into that.

Chairman: I mean it would just be a question of changing the form to like an EZ or a post guide mailing, we would still have to have...

Anthony Kendall: Yeah, that, but I'm saying not to do a full Form 990.

Martha Gallo: Yeah, I don't know where B.J. is in that whole transition. You should...

Anthony Kendall: Yeah. Because if they're, all the funding is coming straight through the Authority I'm not sure, and it's reported through the State anyway because you have to show that, so I'm not sure we need to do that so.

Martha Gallo: There's a long history there.

Anthony Kendall: I'll talk to B.J. to see.

Martha Gallo: Controversy.

Chairman: Okay.

Pamela Frederick: In terms of donations, there has been in the past, I don't think we had any last year.

Martha Gallo: Limited.

Pamela Frederick: And I know there was one percolating. I don't know what the decision on the donor was this year, no action has been taken...

Martha Gallo: Nothing significant.

Pamela Frederick: But generally nothing is flowing through that.

Anthony Kendall: (indiscernible 15:56). And you guys only do the work. You haven't seen anything that would alarm you of how the expenses and revenue is being treated?

Chairman: No. Okay.

Anthony Kendall: So now monthly, are we going to read every page of the financial statements just to be sure...

Martha Gallo: You're going to be doing that on your own. So...

Anthony Kendall: Just to make sure that we are going through them.

Martha Gallo: So we, can I be the move that we close the committee...

Anthony Kendall: Well that's before we, can we do that, do you have any other questions for us?

Chairman: No, I would, in addition to the form, questions I do ask if you do have any input into the order process that go in to any particular areas that you'd like us to take a look at, you can communicate those to us now or you know whatever day they're (indiscernible 16:51) the reasons why we...

Anthony Kendall: I don't have any presently. Do you have any Martha? I'll also ask Lester that question. I think going forward we may because we just really began to reconstitute this committee...

Chairman: Right.

Anthony Kendall: This year we're probably not going to have a lot of input, maybe some input going forward.

Chairman: Sure. Understand.

Martha Gallo: We've had a lot of input on the internal control agenda. I don't know how many years we've been working on the audit together, so I understand the approach they take, etc. It will be good to have that pre-meeting though so that we can have a further discussion about the lease change, etc., the pension, the accounting, law.

Pamela Frederick: Well, the lease won't be reflected this year, but...

Chairman: Right.

Martha Gallo: Yes.

Pamela Frederick: Subsequently (indiscernible 17:37).

Antony Kendall: Anyone who's here have questions for our auditors?

Martha Gallo: Carl? No?

Carl: No, no questions.

Martha Gallo: Okie doke.

Anthony Kendall: Well then if there's no further questions we could adjourn the meeting if somebody wants to make a motion.

Martha Gallo: That would be me. I'll make the motion and I second it too.