Chairman Obergfell called the meeting to order at 9:03 a.m., noting the presence of a quorum.


Chairman Obergfell called upon John Antonelli, Deputy Director of the City University Construction Fund to explain the item. Mr. Antonelli said he would provide some context for the resolution, before introducing PKF Peter Spiess and Jonathan Zuckerman, partners at the firm of PKF O’Connor Davies, who will give a presentation.

This resolution seeks to obtain approval for the Annual Certificate. The Annual Certificate is accompanied by the CUCF Fiscal Year 2016 Financial Statements. The Certificate, under Education Law 6274 seeks to project, for the fiscal year ending June 2018, the amount of tuition that will be collected and transferred to the City of New York. Additionally, it projects the cost of administration of the Fund and it displays all the outstanding debt held by DASNY, prior to 2003 when there was capital project bonding. This amounts to about $1 billion in outstanding debt that will become due for payment in future years. Issuances after 2003 are paid by the State of New York (backed by personal income tax) which the Fund does not project.
The Certificate also projects the amounts that will be transferred to the City University of New York, which provides staffing for approximately 1/3 of the headcount at the Construction Fund. These amounts are projected on a go-forward basis. The financials deliver the financial results of the Fund for the past two fiscal years. The financials are submitted as backup to the Certificate.

Mr. Antonelli introduced Jonathan Zuckerman and Peter Spiess, Partners from PKF O’Connor Davies, the auditing firm. Mr. Zuckerman and Mr. Spiess gave a presentation explaining the process of auditing financial statements for the City University Construction Fund. Mr. Spiess discussed PKF’s role with respect to audit responsibilities, governance, audit scope and approach and required statements made to the Board, while also providing comments on internal controls.

Mr. Spiess explained that prior to the audit, a planning meeting took place with Mr. Antonelli, Dan Rothbaum, and their assistants, Andy Cheng and Vincent Bilello. At this meeting, they discussed financial results and any potential unusual events that may have occurred during fiscal year 2016. PKF’s fieldwork commenced on August 1, 2016 with a staff of 3 involved. Based on their audit results, PKF issued three reports: the independent auditors’ report on financial statements, the auditors’ communication to those charged with governance and the auditors’ communication on internal control as it relates to the financial statements; the last two reports are addressed in the handout provided to the Committee.

PKF’s responsibilities include forming and expressing an opinion about whether the information contained in the financial statements is fairly presented and in accordance with generally accepted U.S. accounting principles (GAAP). Also considered was the internal control environment in determining their audit procedures. Upon conclusion, it is their responsibility to communicate any significant matters that may have come to their attention.

Mr. Zuckerman explained CUCF management’s responsibilities and required communications.

He stated audits are planned to include a risk assessment process. He detailed the review of required communications, communication of internal control, including internal control over financial reporting and tax services provided by PKF. Interviews regarding risk of fraud were conducted with management and executive management. Mr. Spiess reported they found no fraud or any illegal transactions. Mr. Spiess noted that PKF did not encounter any significant difficulties nor did PKF have any disagreements with management.

In completion, they stated that although CUCF is a tax-exempt organization, CUCF is required to file a Form 990 with the Internal Revenue Service. PKF’s tax department has a tax-exempt organization group that is in the process of completing the Form 990. PKF noted that a three-month tax filing extension was filed with the IRS and the CUCF Form 990 will be filed before the February 15 deadline.

The auditors asked if there were any questions.
Chairman Obergfell asked if there were questions. Trustee Philip Berry asked why 2015 cash flow went up by 12.3, but now has gone down 30%. Those swings seem unusual – should this trouble us.

John Antonelli replied that some swings occur because of a downturn in debt service. Project funds, payments for projects managed by the CUCF, went up approximately $38 million. It is not an area of concern. Mr. Berry asked what the expectation would be in coming years. Mr. Antonelli said construction activity will drive this, and as large projects are taken on, it could be higher.

Chairman Obergfell asked if a projected cash flow could be obtained for next year. It was agreed that it could be provided. Ms. Bergtraum stated that in future an explanation of how cash flow is predicted could be provided. Currently in procurement process for 2 contracts worth $100 million each, which would impact cash flow, depending on what fiscal year those were done in.

Mr. Berry asked a question about the $1.3 million we cannot collect from a vendor – the net position detailed on page 2 of their report: what campus does it concern? Mr. Antonelli stated that this payment used CUCF funds to cover a construction Fund project, in a payment to a vendor. This was for the School of Public Health project, a one-time payment made, paid out of CUCF accumulated reserves.

Mr. Berry asked Senior Vice Chancellor Matthew Sapienza whether this is an item of concern. Mr. Sapienza said no, that there are funds appropriated for certain projects and sometimes there are expenses not included in those appropriations, so a decision is made to use another funding source. In this case, the CUCF reserves were used. School of Public Health is a high-priority project, making sure the school opened on time, making sure that stayed on target.

Chairman Obergfell asked if there were further questions about the calendar item under discussion. There being none, he called for the Resolution to be approved. On motion duly made and seconded, the Resolution was approved.

There being no further business before the Committee, the meeting was adjourned at 9:27 a.m.