



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

MEMORANDUM

To: Audit Committee

From: Mary Hom
Chief Risk Officer

Date: May 21, 2020

Re: 2019 Internal Audit Internal Assessment

In accordance with The International Professional Practices Framework (IPPF), the conceptual framework that organizes authoritative guidance promulgated by The Institute of Internal Auditors (IIA), HDC has conducted its 2019 Internal Audit Internal Assessment. This annual internal assessment is part of HDC's Quality Assurance and Improvement Program (QAIP) as dictated by the IPPF and helps to ensure that HDC's internal audit function operates effectively.

The attached assessment outlines the structure and activities of the internal audit function for calendar year 2019, including all audits completed, relevant departmental changes, governance and oversight activities, and updates regarding employee development and ongoing training that helps to ensure that staff remains current on all internal audit best practices.



INTERNAL AUDIT
Internal Assessment 2019

- **Background**

The International Professional Practices Framework (IPPF) is the conceptual framework that organizes authoritative guidance promulgated by The Institute of Internal Auditors (IIA). The IIA provides internal audit professionals worldwide with authoritative guidance. IPPF Standards dictate that a Quality Assurance and Improvement Program (QAIP) be developed and maintained that covers all aspects of the internal audit activity. As part of HDC's QAIP, an annual internal assessment of the Corporation's Internal Audit activity is performed. Additionally, an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Corporation. The last time an external assessment was performed at HDC was in 2017 by BDO USA, LLP.

- **Staff & Experience**

- Mary Hom, Chief Risk Officer (Chief Audit Executive or CAE)
 - 32 years Credit Risk/1 year Internal Audit
 - Joined HDC in 2004
 - B.A. Business Economics, Brown University
- Neil Saranga, Senior Internal Auditor
 - 11 years Internal Audit/5 years Accounting
 - Certified Fraud Examiner
 - Certified Information Systems Auditor
 - Joined HDC in 2019
 - B.S. Accounting, CUNY, College of Staten Island
- Patrick Ogoke, Internal Auditor
 - 13 years Internal Audit/14 years Accounting
 - Joined HDC in 2007
 - M.A. Economics/Finance, Long Island University
 - B.S. Accounting, Medgar Evers College

- **Departmental Restructuring**

- Vice President-Internal Audit and Senior Internal Auditor retired in December 2018
- Chief Risk Officer appointed January 2019 to oversee Internal Audit function and assume responsibilities as the CAE (Chief Risk Officer also oversees the Credit Risk unit)
- Hired a Senior Internal Auditor
 - Search process began in January 2019
 - Hired and commenced employment in late March 2019

- **Audit Activity**

- 2018 Audit Plan – Finalized three audits which were in process when the former CAE retired in December 2018, and performed three audits required by the 2003 Memorandum of

Understanding (MOU) with the New York City Department of Investigation (DOI) (-- all were part of the 2018 Audit Plan)

- Developer Disclosure
- Investments
- IT Third Party Vendor Management
- Employee Expenses (annual audit required by MOU with DOI)
- President’s Office Expenses (annual audit required by MOU with DOI)
- Petty Cash (annual audit required by MOU with DOI)

○ **2019 Audit Plan – COMPLETE**

Audit	No. of Recommendations
Mobile Device Security*	4
Electronic Fund Transfers*	3
Procurement*	3
Loan Servicing-Revenue Billing*	2
Income Certification*	4
Employee Expenses (required by MOU)**	2
President’s Office Expenses (required by MOU)**	5
Petty Cash (required by MOU)**	0
<i>*Final reports presented to Audit Committee in calendar year 2019.</i>	
<i>** Final reports to management in Jan/Feb 2020. To be presented to Audit Committee on May 21, 2020.</i>	

○ **Annual Audit Committee Report**

- Compiled and presented to the Audit Committee (January 2019)
- Mailed and emailed to the NYC Comptroller’s Office in accordance with Directive #22 (January 2019)

○ **Financial Integrity Statement 2018**

- Compiled, emailed, and mailed to the NYC Comptroller’s Office in accordance with Directive #1 (March 2019)

○ **Internal Audit Charter**

- Updated and presented to/approved by the Audit Committee (March 2019)

○ **Audit Committee Charter**

- Updated and presented to/approved by the Audit Committee (May 2019)

○ **Conflicts of Interest Policy & Code of Ethics**

- Updated policy
- Annual certification of employee reaffirmation/presented to the Audit Committee (December 2019)

○ **Risk Assessment Process/Audit Plan for 2020**

- Commenced in September 2019
- Discussions with department heads and middle management
- Engaged with each member of the Audit Committee individually
- Developed Audit Plan for 2020/presented to and approved by the Audit Committee (January 2020)

- **Ongoing Staff Training & Development**

- CAE
 - DOI/Conflicts of Interest Board Training (April 2019)
 - Communicating with Diplomacy & Tact (Dale Carnegie) (May 2019)
 - LGBTQ: The Power of Inclusion (e-learning) (May 2019)
 - Vision University (intensive three-and-a-half day off-site training in Boston conducted by The Institute of Internal Auditors (IIA) and targeted for CAE leadership) (June 2019)
 - NCSHA Annual Conference (two-day conference in Boston conducted by the National Council of State Housing Agencies) (October 2019)
 - Cyber Security Training (November 2019)
 - IIA journals
- Senior Internal Auditor
 - Virtual Summit: The Future of Data Privacy and Protection (March 2019)
 - 2019 Kevin Mitnick Security Awareness Training (April 2019)
 - Sexual Harassment Prevention (May 2019)
 - Certified Information Systems Auditor (CISA) certification (June 2019)
 - LGBTQ: The Power of Inclusion (e-learning) (June 2019)
 - Guide to Agile, Efficient, and Effective Policy Management (June 2019)
 - How Cybersecurity Risks Threaten Issuers (June 2019)
 - Special Event – NY IIA chapter discussion with Richard Chambers (IIA President & CEO) (June 2019)
 - A Holistic Approach to Cybersecurity Program Management (June 2019)
 - Agile Auditing – Rethinking the Audit Plan for Financial Services Organizations (July 2019)
 - Enhancing Internal Audit Processes with the New 2017 COSO ERM Framework (July 2019)
 - 4-Step Strategy to Boosting Internal Audit Efficiency and Effectiveness (August 2019)
 - Continuous reading of IIA, ISACA/CISA, and ACFE journals along with submission of quizzes to earn CPE's
- Internal Auditor
 - ERM and Audit Work Together - A Combined Assurance Approach Webinar (January 2019)
 - Office 365 – OneNote Training Video (February 2019)
 - DOI/Conflicts of Interest Board Training (April 2019)
 - 2019 Social Engineering Red Flags (April 2019)
 - Disaster Recovery Training (May 2019)
 - Communicating with Diplomacy & Tact (Dale Carnegie) (May 2019)
 - LGBTQ: The Power of Inclusion (e-learning) (June 2019)
 - IIA journals

- **Oversight and Collaboration**

- Quarterly Audit Committee meetings
- Bi-weekly meetings between the President and CAE
- Monthly meetings between General Counsel and CAE
- Annual one-on-one meetings between CAE and each member of the Audit Committee

- Weekly Internal Audit staff meetings
- Whistleblower Hotline
 - Monitored on an ongoing basis by the CAE and General Counsel
 - 2019 – No complaints received pertaining to fraud, mismanagement, violation of laws, abuse of authority, and internal controls. (Messages were received regarding housing lottery and asset management questions. These messages were forwarded to our Asset Management division, logged in their records, and responded to in a timely manner.)

Prepared By:

Mary H.

05/14/2020

Mary Hom, Chief Risk Officer

Date

Reviewed By:

J. E. M.

05/14/2020

Eric Enderlin, President

Date

Jim Quinlivan

05/18/2020

Jim Quinlivan, Chief of Staff and Senior Vice President-Administration

Date

Susannah Lipsyte

05/18/2020

Susannah Lipsyte, General Counsel

Date