



MEMORANDUM

To: Audit Committee

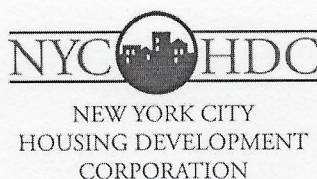
From: Mary Hom
Chief Risk Officer

Date: May 24, 2023

Re: 2022 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 2022 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 2022, including all audits completed, Internal Audit projects and initiatives, 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 2022

• **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 completed at HDC was in December 2017 by BDO USA, LLP. Through the Request for Proposals process, BDO USA, LLP was selected to perform the external assessment in early 2023.

• **Staff & Experience**

- Mary Hom, Chief Risk Officer (Chief Audit Executive or CAE)
 - 35 years Credit Risk (4 years Internal Audit)
 - Joined HDC in March 2004
 - B.A. Business Economics, Brown University
- Neil Saranga, Senior Internal Auditor
 - 14 years Internal Audit (5 years Accounting)
 - Certified Fraud Examiner (CFE)
 - Certified Information Systems Auditor (CISA)
 - Joined HDC in March 2019
 - B.S. Accounting, CUNY, College of Staten Island
- Sophia Klein, Junior Internal Auditor
 - Joined HDC in December 2022
 - M.P.A. Public & Nonprofit Management & Policy, New York University, Wagner Graduate School of Public Service (expected May 2023)
 - B.A. Public Policy (Honors), New York University, College of Arts & Sciences

• **Internal Audit Activities**

- 2022 Audit Plan – The 2022 Audit Plan was partially completed due to staffing issues – one of our internal auditors was transferred out of the Internal Audit department in March 2022, and a replacement auditor commenced employment in mid-December 2022.

2022 Audit Plan		
<u>Audit</u>	<u>Status</u>	
	<u>✓-Completed</u>	<u>Comments/Number of Recommendations</u>
	<u>X-Canceled</u>	
Corporate Culture	X	DEI consultant engaged

Construction Monitoring	✓	3
Property & Liability Insurance	Commenced	Restructure in process
Construction Loan Servicing	X	N/A
Equipment Delivery & Inventory	✓	5
Real Estate Loan Documentation	X	N/A
Budget Process	X	N/A
Bank Token Management (Agile)	X	N/A
Contract Administration (Agile)	X	N/A
Facilities Management–Access Cards (Agile)	✓	0
Termination/Separation from Service (Agile)	X	N/A
Investments (Continuous Monitoring)*	✓	0
Employee Expenses*^	✓	2
President’s Office Expenses*^	✓	2
Petty Cash*^	✓	0
*Final reports presented to Audit Committee in calendar year 2023.		
^Required by the 2003 Memorandum of Understanding with the NYC Department of Investigation (DOI).		

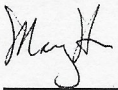
- **PII Working Group**
 - Internal Audit coordinates a working group that meets on a quarterly basis to address issues pertaining to Personally Identifiable Information (PII) to ensure the safeguarding of PII
 - Working group consists of members of the following departments:
 - IT (Chief Information Officer and VP-Enterprise Architecture)
 - Human Resources (Chief Human Resources Officer and Director-Payroll & Benefits)
 - Legal (Associate General Counsel-Chief Privacy Officer and Special Counsel)
 - Asset Management (AVP-Compliance)
 - Internal Audit (CAE, Senior Internal Auditor, and Junior Internal Auditor)
 - Coordinates with the NYC Department of Housing Preservation and Development (HPD) to share best practices around PII
- **Annual Audit Committee Report 2022**
 - Compiled and presented to the Audit Committee (January 2023)
 - Emailed to the NYC Comptroller’s Office in accordance with Directive #22 (January 2023)
- **Financial Integrity Statement 2021**
 - Compiled and emailed to the Mayor’s Office of Operations and the NYC Comptroller’s Office in accordance with Directive #1 (August 2022)
- **Audit Committee Charter**
 - Presented to and reviewed and re-adopted by the Audit Committee (minor edits) (June 2022)
- **Conflicts of Interest Policy & Code of Ethics**
 - No updates to the policy

- Annual certification of employee reaffirmation/reported to the Audit Committee (January 2023)
- **Risk Assessment Process/Audit Plan for 2023**
 - Commenced in September 2022
 - Discussions with department heads and teams
 - Engaged with each member of the Audit Committee individually
 - Transitioned to quarterly audit planning
 - Developed Audit Plan for First Quarter 2023/presented to and approved by the Audit Committee (November 2022)
- **Ongoing Staff Training & Development**
 - Mary Hom, CAE
 - S&P: US State & Local Government 2022 Sector Outlook (January 2022)
 - Gallagher: Top Cyber Risk Predictions for 2022 (January 2022)
 - S&P: US Housing 2022 Sector Outlook (January 2022)
 - IIA: 11th Annual Government Audit Conference (January 2022)
 - IIA: A Shift in Mindset: Internal Audit's Role in Privacy & Data Protection Compliance (February 2022)
 - ISACA: Building a Better Playbook for Incident Response (March 2022)
 - S&P: US Public Finance – ESG Indicators (March 2022)
 - ISACA: Virtual Summit 2022: Data Protection in an Evolving World (March 2022)
 - IIA: ERM & Internal Audit: Anticipating & Addressing Risk in 2022 (March 2022)
 - Kevin Mitnick Security Awareness Training (March 2022)
 - ISACA: State of Cybersecurity 2022 (March 2022)
 - S&P: US Public Finance Credit Spotlight (March 2022)
 - HDC: Cybersecurity Incident Response Training – Tabletop Exercise (April 2022)
 - S&P: The Balancing Act of UK Social Housing Providers (April 2022)
 - IIA: 2022 Annual Audit Conference (May 2022)
 - S&P: Cyber Risk Seminar (May 2022)
 - NYSAFAH: Annual Affordable Housing Conference (May 2022)
 - SHNNY Conference (June 2022)
 - S&P: Cyber Spotlight – Cyber Risk Seminar/Cyber Risk in Corporate Ratings (June 2022)
 - IIA: Managing Cybersecurity Risk Against Ransomware Attacks (July 2022)
 - AuditBoard: Internal Controls – A Primer for Private Company Owners & Executives (August 2022)
 - S&P: ESG – The New Differentiator (September 2022)
 - AuditBoard: 2022 Trends in Third-Party Risk Management (September 2022)
 - IIA: Hot Topics & Audit Soft Skills (September 2022)
 - DCAS: Everybody Matters – EEO Diversity & Inclusion (September 2022)
 - S&P: Cyber Spotlight – Cyber Risk Seminar/When Cyber Risk Moves the Rating and How Has the Cyber Threat Landscape Evolved in 2022 (October 2022)
 - AuditBoard: Five Risk Imperatives for 2023 (October 2022)
 - AuditBoard: Connect & Collaborate – The Emerging Future of Risk Management (October 2022)
 - AuditBoard: Bracing for Impact – ESG Strategies for an Era of Accelerating Risk (October 2022)

- AuditBoard: Leading the Way Through an Uncertain Future with Connected Risk (October 2022)
- AuditBoard: Audit & Beyond Virtual (October 2022)
- AuditBoard: How to Get the Most Out of Your Enterprise Risk Program in 2023 (November 2022)
- NYHC: New York Housing Conference Annual Awards (December 2022)
- IIA journals
- Neil Saranga, Senior Internal Auditor
 - IIA: 11th Annual Government Audit Conference (January 2022)
 - ISACA: Building a Better Playbook for Incident Response (March 2022)
 - ISACA: Virtual Summit 2022: Data Protection in an Evolving World (March 2022)
 - IIA: Fraud Risk After COVID (April 2022)
 - IIA: 2022 Annual Audit Conference (May 2022)
 - AuditBoard: Tackling Fraud in Today's Dynamic Risk Environment (July 2022)
 - AuditBoard: Risk Management Through Internal Controls for Private Companies (August 2022)
 - DCAS: Everybody Matters – EEO Diversity & Inclusion (September 2022)
 - IIA: Hot Topics & Audit Soft Skills (September 2022)
 - ISACA: Strategies for Conducting Your Cybersecurity Risk Assessments (September 2022)
 - HDC: Preparing for Leadership Training I (October 2022)
 - Audit Board: Audit & Beyond Virtual (October 2022)
 - IIA: Continuous Governance, Risk, and Compliance (November 2022)
 - HDC: Preparing for Leadership Training II (November 2022)
 - IIA: Hands On Data Analytics (three parts) (December 2022)
 - Continuous reading of IIA, ISACA/CISA, and ACFE journals along with submission of quizzes to earn CPE's
 - Maintaining certifications: Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE)
- Sophia Klein, Junior Internal Auditor
 - DCAS: Everybody Matters – EEO and Diversity & Inclusion (December 2022)
 - DCAS: Sexual Harassment Prevention Training (December 2022)
 - DCAS: LGBTQ – The Power of Inclusion (December 2022)
 - DOI: Corruption Prevention Awareness (December 2022)
 - COIB: NYC Conflicts of Interest Board Training (December 2022)
 - IIA journals
- **Oversight and Collaboration**
 - Quarterly Audit Committee meetings
 - Bi-weekly meetings between the President and CAE
 - Monthly meetings between the General Counsel and CAE
 - Monthly meetings between the Chief of Staff and CAE
 - Annual one-on-one meetings between the 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

- 2022 – 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:

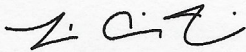


05/17/2023

Mary Hom, Chief Risk Officer

Date

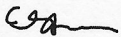
Reviewed By:



05/18/2023

Eric Enderlin, President

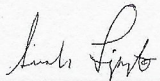
Date



05/18/2023

Elizabeth Strojan, SVP-Administration & External Affairs/Chief of Staff

Date



05/19/2023

Susannah Lipsyte, EVP-General Counsel

Date