



MEMORANDUM

To: Audit Committee

From: Mary Hom
Chief Risk Officer

Date: March 20, 2024

Re: Internal Audit Report

Since the last report to the Audit Committee on January 18, 2024, two internal audits were completed. A copy of each report is attached, and a summary is as follows:

2023 Employee Expenses (assurance)

Objective(s):

The objectives of this audit were to:

- Evaluate the effectiveness of internal controls over employee expense reimbursements and other related expenses to ensure they were appropriate, properly authorized, and accurately recorded; and
- Evaluate and test compliance with the Corporation's policies and procedures relating to employee and other related expenses.

Audit Results:

Upon completion of this audit, we noted no major matters involving internal control and its operation that we consider to be material weaknesses. In summary, we found the Corporation's guidelines were effective and that employee expenses were generally processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook.

2023 President's Office Expenses (assurance)

Objective(s):

The objectives of this audit were to:

- Determine accuracy of the President's Office expenses recorded in Oracle and ensure they are accurately reflected in the General Ledger; and
- Determine whether the expenses classified under the President's Office adhere to the applicable policies and procedures for employee expense reimbursements.

Audit Results:

Upon completion of this audit, we noted no major matters involving internal control and its operation that we consider to be material weaknesses. In summary, we found the Corporation's guidelines were effective and that the President's Office expenses were generally processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook.

NOTE: The Employee Expenses and President's Office Expenses audits are required to be performed each year pursuant to the 2003 Memorandum of Understanding between HDC and the City's Department of Investigation.

EMPLOYEE EXPENSES AUDIT 2023

Objective(s):

- Evaluate the effectiveness of internal controls over employee expense reimbursements and other related expenses to ensure they were appropriate, properly authorized, and accurately recorded
- Evaluate and test compliance with the Corporation’s policies and procedures relating to employee and other related expenses

Scope:

The audit period covered transactions from November 1, 2022 through October 31, 2023.

Background

The Corporation’s employees may incur expenses related to various policies outlined in the HDC Employee Handbook. The major policy initiatives where employees incur expenses are:

- Training & Conferences (local or out-of-town transportation, lodging, meals, and other expenses associated with attendance at relevant events, conferences, and seminars.)
- Membership Dues (recurring expenses paid on behalf of employees to be associated with professional organizations.)
- Employee Development (continuous learning by encouraging participation in work-related training classes, workshops, seminars, and tuition reimbursement; also includes professional memberships and work-related events.)

All employees are jointly responsible with HDC’s Treasury functions for the administration of, and compliance with, the Corporation’s policies and procedures. Department and Division Head approvals are required on all forms and vouchers seeking reimbursement and/or payment to vendors to ensure that incurred expenses have been verified, validated, and adhere to established policies and procedures.

Results:

We noted no matters involving internal controls and its operation that were considered material weaknesses. In summary, we found the Corporation’s guidelines were effective and that the employee expenses were generally processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook.

Internal Controls:

-Approval hierarchy

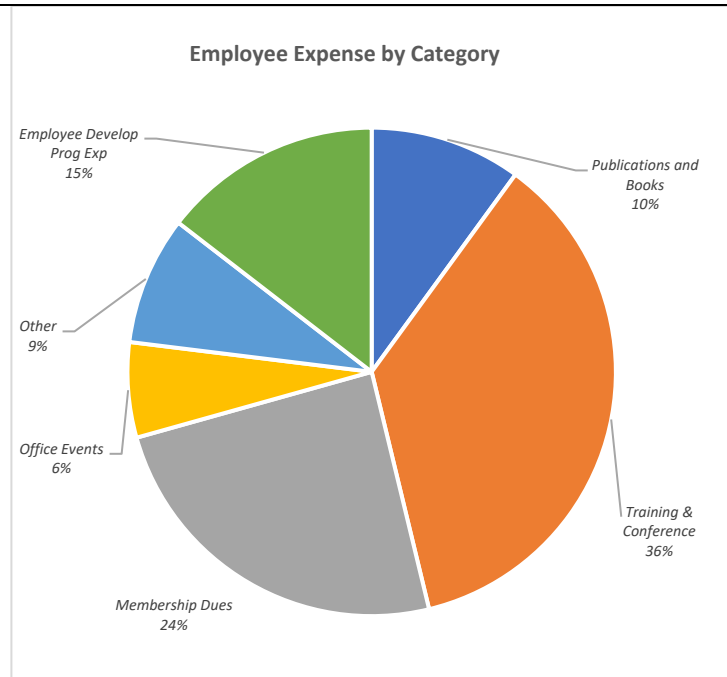
-Detailed expense reports required

-Original receipts required

-Policies & Procedures

-2003 Memorandum of Understanding with the NYC Department of Investigation (DOI)

Category	2022	2023	% Change
Health Club Reimbursement	\$ 3,129	\$ 4,507	44%
Publications and Books	\$ 49,144	\$ 38,940	-21%
Local Transportation	\$ 487	\$ 1,300	167%
Training & Conference	\$ 40,172	\$ 123,179	207%
Membership Dues	\$ 80,157	\$ 71,443	-11%
Miscellaneous	\$ 45,880	\$ 3,215	-93%
Flowers & Gifts	\$ 2,441	\$ 2,792	14%
Office Events	\$ 31,256	\$ 18,424	-41%
Working Meals	\$ 2,876	\$ 17,712	516%
Employee Develop Prog Exp	\$ 38,523	\$ 42,501	10%
Grand Total	\$ 294,067	\$ 324,014	10%



PRESIDENT’S OFFICE EXPENSES AUDIT 2023

Background:

The President's Office expenses are required to be audited by Internal Audit on an annual basis pursuant to a Memorandum of Understanding between HDC and the City’s Department of Investigation that was adopted by the HDC Board in 2003. President’s Office expenses are governed by employee expense guidelines and, where applicable, the guidelines of the Corporation's Travel Expenses Policy in the Employee Handbook.

Objective(s):

- Evaluate accuracy of the President’s Office expenses recorded in Oracle and ensure they are accurately reflected in the General Ledger; and
- Evaluate whether the expenses classified under the President’s Office adhere to the applicable policies and procedures for employee expense reimbursements.

Scope:

The audit period covered transactions from November 1, 2022 through October 31, 2023.

Results:

We noted no matters involving internal controls and its operation that were considered material weaknesses. In summary, we found the Corporation’s guidelines were effective and that the President’s Office expenses were generally processed with supporting documentation and correctly recorded according to the policies in the Employee Handbook.

Internal Controls:

- Expense reimbursement policies & procedures
- Required detailed expense reports
- Expense report review and approval authority
- Requirement of original receipts
- Established timeframes for use of car service after regular business hours
- 2003 Memorandum of Understanding with DOI

Category	2022	2023	% Change
Publication & Books	\$ 7,990	\$ 9,628	21%
Local Transportation	\$11	\$ 221	1,909%
Training & Conference	\$ 10,916	\$ 17,356	59%
Messenger Services	\$ 146	\$ 0	-100%
Promotional Materials	\$ 590	\$ 0	-100%
Working Meals	\$ 2,287	\$ 4,430	94%
Consultant Fees	\$112,500	\$0	-100%
Grand Total	\$ 134,440	\$31,635	-76%

EXPENSES BY CATEGORY

