



## MEMORANDUM

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To: Audit Committee

From: Mary Hom  
Chief Risk Officer

Date: May 21, 2020

Re: Audit Committee Charter

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I'm pleased to recommend that the Members approve the Audit Committee Charter attached hereto. The Corporation's Audit Committee Charter requires an annual review by the Committee to determine the Charter's adequacy. The last time the Audit Committee approved revisions to the Audit Committee Charter was May 30, 2019. There have been no changes since last year's revisions were approved by the Members.



NEW YORK CITY  
HOUSING DEVELOPMENT  
CORPORATION

**AUDIT COMMITTEE CHARTER**

*(Reviewed and Re-adopted May 21, 2020)*

The Audit Committee shall be composed of three (3) of the Corporation's public Members, one (1) of which will be the Corporation's Vice Chairperson and shall be elected at a duly called meeting of the Members of the Corporation. The Corporation's Vice Chairperson shall serve as the Audit Committee's Chairperson. Members of the Audit Committee shall not accept any consulting, advisory, or other compensatory fee from the Corporation, and shall not be an employee of the Corporation. Each Member shall have sufficient financial experience and ability to enable them to discharge their responsibilities as a Member of the Committee, and at least one Member shall be a financial expert.

**Purpose**

The purpose of the Committee shall be to assist the Board in its oversight of the integrity of the financial statements of the Corporation, of the Corporation's compliance with legal and regulatory requirements, the independence and qualifications of the independent auditor, and the performance of the Corporation's internal controls, internal audit function, and independent auditors.

**Authority and Responsibility**

In furtherance of this purpose, the Committee shall have the following authority and responsibilities:

1. To discuss with management and the independent auditor the annual audited financial statements and quarterly financial statements, including matters required to be reviewed under applicable legal and regulatory requirements.
2. To discuss with management and the independent auditor, as appropriate, financial information provided to analysts and to rating agencies.
3. To permit the independent auditor to examine the Corporation's accounts, controls, and financial statements. The Committee shall have the sole authority and responsibility to select, evaluate and, if necessary, replace the independent auditor. The Committee shall have the sole authority to approve all audit engagement fees and terms, and the Committee, or a Member of the Committee, must pre-approve any non-audit service provided to the Corporation by the Corporation's independent auditor.
4. To discuss with management and the independent auditor, as appropriate, any audit problems or difficulties and management's response, and the Corporation's risk assessment and risk management policies, including the Corporation's major financial risk exposure and steps taken by management to monitor and mitigate such exposure.

5. To review and approve the annual audit plan prepared by Internal Audit. To review and approve the Internal Audit staff functions, including: (i) purpose, authority, and organizational reporting lines; (ii) budget and staffing; and (iii) concurrence in the appointment, compensation and rotation of the Corporation's chief audit executive (CAE), currently the Chief Risk Officer.
6. To review the Corporation's financial reporting and accounting standards and principles, significant changes in such standards or principles, or in their application, and the key accounting decisions affecting the Corporation's financial statements, including alternatives to, and the rationale for, the decisions made.
7. To review with the Corporation's President, Chief Operating Officer (COO) or Executive Vice President (EVP), Treasurer, and the CAE, or such others as the Committee deems appropriate, the Corporation's internal system of audit and financial controls and the results of internal audits.
8. To obtain and review at least annually a formal written report from the independent auditor delineating: the auditing firm's internal control procedures; any material issues raised within the preceding five years by the auditing firm's internal quality-control reviews, by peer reviews of the firm, or by any governmental or other inquiry or investigation relating to any audit conducted by the firm. The Committee will also review steps taken by the auditing firm to address any findings in any of the foregoing reviews. Also, in order to assess auditor independence, the Committee will review, at least annually, all relationships between the independent auditor and the Corporation.
9. To set policies for the hiring of employees or former employees of the Corporation's independent auditor.
10. To review and investigate any matters pertaining to the integrity of management, including conflicts of interest, or adherence to standards of business conduct as required in the policies of the Corporation and state and local law. In connection with these reviews, the Committee will meet, as deemed appropriate, with the General Counsel and other Corporation officers or employees.

The Committee shall meet separately, at least quarterly, with management, with the CAE, and also with the Corporation's independent auditors.

The Committee shall have authority to retain such outside counsel, experts, and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

The Committee shall report its recommendations to the Board after each Committee meeting. The Committee shall review at least annually the adequacy of this Charter and recommend any proposed changes to the Board for approval.

## **Key Practices**

The Audit Committee has adopted the following key practices to assist it in undertaking the responsibilities set forth in its charter:

### **1. Meetings**

The Committee will meet at least quarterly, generally on the day of the regularly scheduled Board meeting and will allow sufficient time for in-depth discussion of all relevant issues.

### **2. Review of Financial Statements**

The Committee will review the Corporation's quarterly financial statements in detail with the President, the COO or EVP, or the Treasurer at a meeting following the close of each business quarter. The Committee will review the Corporation's financial statements in detail with the President, the COO or EVP, the Treasurer, and the Members at an extended board meeting following the completion of the annual audit. The Corporation's CAE and independent auditor will be present at this meeting.

### **3. Review of Information Provided to Analysts and Rating Agencies**

Prior to the event, the President, the COO or EVP, or the Treasurer shall review with the Committee, or the Members, the substance of any presentations to analysts or rating agencies that constitute a shift in Corporation strategy or outlook. In addition, the President, COO or EVP, or the Treasurer shall review subsequently with the Committee, or the Members, a summary of major presentations that have been given to analysts or rating agencies that do not constitute a shift in strategy or outlook.

### **4. Oversight of the Internal Audit Function**

Prior to the commencement of each calendar year, the Committee shall approve the audit plan and establish an internal audit schedule with the CAE. At each meeting of the Committee, the Members will review progress on the internal audit schedule and will review the internal audit reports completed since the last meeting. The Committee will ensure that management addresses any deviations from the Corporation's policies and procedures that are noted in such internal audit reports promptly.

### **5. Credit Surveillance and Risk Assessment Policies**

At least quarterly, the President, the COO or EVP, the Treasurer, or the Chief Risk Officer will report to the Committee on the Corporation's major risk exposures and the steps that management has taken to monitor and control such exposures.

### **6. Approval of Audit and Non-Audit Services**

In addition to approving the engagement of the independent auditor to audit the Corporation's financial statements, the Committee will approve all use of the Corporation's independent auditor for non-audit services prior to any such engagement, to the extent permissible by law or regulation. The Corporation will obtain such limited non-audit services from the Corporation's auditor only when the services offered by the auditor's firm are more effective

or economical than services available from other providers, and, to the extent possible, only following competitive bidding for such services.

**7. Hiring Guidelines for Independent Auditor Employees**

The Committee has adopted the following practices regarding the hiring by the Corporation of any partner, director, manager, staff, advising member of the department of professional practice, reviewing actuary, reviewing tax professional and any other persons having responsibility for providing audit assurance to the Corporation's independent auditor on any aspect of their certification of the Corporation's financial statements. "Audit assurance" includes all work that results in the expression of an opinion on financial statements, including audits of statutory accounts.

- a. No member of the audit team that is auditing the Corporation can be hired by the Corporation for a period of one year following association with that audit.
- b. No former employee of the independent auditor may be named an officer of the Corporation for two years following employment by the independent auditor.
- c. The Corporation's COO or EVP, and Treasurer must approve all hires from the independent auditor.
- d. The Corporation's COO or EVP, or Treasurer shall report annually to the Audit Committee the profile of the preceding year's hires from the independent auditor.

**8. Process for Handling Complaints about Accounting and Integrity Matters**

As part of the Member's procedure for receiving and handling complaints or concerns about the Corporation's conduct, the Committee has established the following procedures for: (i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by the Corporation's employees of concerns regarding questionable accounting or auditing matters.

- a. The Corporation has established and published on its website a special telephone number for receiving complaints regarding accounting, internal controls, or auditing matters.
- b. All such complaints shall be sent electronically to the CAE and the General Counsel upon receipt. The CAE will then report these complaints to each Member of the Committee.
- c. The Corporation's employees have been instructed that they should report any complaints to the New York City Inspector General.
- d. Complaints shall be reported to the New York City Inspector General in accordance with the Corporation's procedures.
- e. All complaints will be handled by the Corporation's internal audit, finance, and legal staffs in the normal manner, and progress with regards to investigating and resolving complaints will be reported regularly to the Committee by the CAE.
- f. The status of such complaints will be reported on a quarterly basis to the Audit Committee and, if they so direct, to the full Board.

- g. The Committee chair may request special treatment, including the retention of outside counsel or other advisors, for any complaint.

The Corporation's employment manual prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern. The Corporation's staff has received training regarding appropriate ethical behavior and each employee's responsibility to report behavior that falls outside of the Rules of the Conflict of Interest Board and Chapter 68 of the City Charter.

**9. Code of Ethics and Conflicts of Interest Policy**

The Corporation's employee manual includes a description of the Corporation's ethical code of conduct for employees. In addition, every employee has received Chapter 68 of the New York City Charter and the Rules of the Conflicts of Interest Board. These apply to all employees, including the President and the Corporation's financial professionals. Written acknowledgement of receipt of these materials is required upon initial employment with the Corporation. Annually, the Committee shall receive a report from the CAE that each employee has reaffirmed his or her acknowledgement of the Corporation's Code of Ethics and the Conflicts of Interest policy. Generally, each employee, including the President and senior financial officers, is required to resolve ethically any actual or apparent conflicts of interest, and to comply with all generally accepted accounting principles, laws, and regulations designed to produce full, fair, accurate, timely, and understandable disclosure in the Corporation's financial statements.

**10. Audit Partner Rotation**

The Committee shall ensure that the lead audit partners assigned by the Corporation's independent auditor to the Corporation, as well as the audit partner responsible for reviewing the Corporation's audit, shall be changed at least every five years.