



MEMORANDUM

To: Audit Committee

From: Mary Hom
Chief Risk Officer

Date: May 24, 2022

Re: 2021 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 2021 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 2021, 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.



NEW YORK CITY
HOUSING DEVELOPMENT
CORPORATION

INTERNAL AUDIT
Internal Assessment 2021

• **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)
 - 34 years Credit Risk/3 years Internal Audit
 - Joined HDC in 2004
 - B.A. Business Economics, Brown University
- Neil Saranga, Senior Internal Auditor
 - 13 years Internal Audit/5 years Accounting
 - Certified Fraud Examiner (CFE)
 - Certified Information Systems Auditor (CISA)
 - Joined HDC in 2019
 - B.S. Accounting, CUNY, College of Staten Island
- Patrick Ogoke, Internal Auditor
 - 15 years Internal Audit/14 years Accounting
 - Joined HDC in 2007
 - M.A. Economics/Finance, Long Island University
 - B.S. Accounting, Medgar Evers College

• **Internal Audit Activities**

- 2021 Audit Plan – The 2021 Audit Plan was substantially completed. One agile audit covering Other Assets was canceled.

2021 Audit Plan		
<u>Audit</u>	<u>Status</u>	<u>Number of Recommendations</u>
IT-Cyber Security/Incident Response	Completed	4
Month-End Reconciliation*	Completed	0
Portfolio Inspections	Completed	5
Reserve for Replacement	Completed	4

Payroll/Timekeeping (outsourced to BDO)*	Completed	3
Employee Benefits Administration (outsourced to BDO)*	Completed	0
Other Assets (Agile)	Canceled	Canceled
Underwriting Standards (Agile)	Completed	3
Fleet Management (Agile)*	Completed	1
Procurement/Remote Environment (Agile)*	Completed	0
Employee Expenses*^	Completed	0
President's Office Expenses*^	Completed	0
Petty Cash^	Completed	0
*Final reports presented to Audit Committee in calendar year 2022.		
^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 monthly 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 (Deputy Director-Marketing and Technical Integration)
 - Internal Audit (CAE, Senior Internal Auditor, and Internal Auditor)
 - Coordinates with the City's Department of Housing Preservation and Development (HPD) to share best practices around PII
- **Annual Audit Committee Report 2021**
 - Compiled and presented to the Audit Committee (January 2022)
 - Emailed to the NYC Comptroller's Office in accordance with Directive #22 (January 2022)
- **Financial Integrity Statement 2020**
 - Compiled and emailed to the Mayor's Office of Operations and the NYC Comptroller's Office in accordance with Directive #1 (August 2021)
- **Audit Committee Charter**
 - Presented to and reviewed and re-adopted by the Audit Committee (Minor edits) (June 2021)
- **Conflicts of Interest Policy & Code of Ethics**
 - No updates to the policy
 - Annual certification of employee reaffirmation/reported to the Audit Committee (January 2022)
- **Risk Assessment Process/Audit Plan for 2022**
 - Commenced in September 2021

- Discussions with department heads and teams
 - Engaged with each member of the Audit Committee individually
 - Developed Audit Plan for 2022/presented to and approved by the Audit Committee (November 2021)
- **Ongoing Staff Training & Development**
 - Mary Hom, CAE
 - Race Matters: Implicit Bias Training (January 2021)
 - Public Sector Audit Webinar (January 2021)
 - Planning, Scoping, and Managing Risks & Controls in AuditBoard (February 2021)
 - DOI Corruption Prevention Awareness (March 2021)
 - Conflicts of Interest Prevention (March 2021)
 - Issue Management (March 2021)
 - PII & You (March 2021)
 - Defining & Handling Sensitive Information (April 2021)
 - NALHFA 2021 Virtual Annual Conference (May 2021)
 - NYSFAFH Annual Affordable Housing Conference (May 2021)
 - Virtual Digital NY Summit (May 2021)
 - Advanced Persistent Threats: Lessons Learned from the SolarWinds and Microsoft Exchange Server Cyber Incidents and Risks to our National Security (May 2021)
 - Cyber Crossroads (May 2021)
 - Understanding & Protecting PII (June 2021)
 - Keep an Eye on PII (June 2021)
 - What is PII (June 2021)
 - Culture & Conduct Risk (September 2021)
 - Applying the Three Lines Model in the Public Sector (September 2021)
 - Auditing Cybersecurity Operations (September 2021)
 - Code of Ethics (September 2021)
 - Corruption Awareness Training (October 2021)
 - A Guide to Understanding, Aligning, and Optimizing Risk (October 2021)
 - Cybersecurity Seminar (October 2021)
 - The Rise of “S” in ESG and Internal Audit’s Response (November 2021)
 - Mitigating the Risk of Fraud: Insights and Lessons Learned From SEC Enforcement Actions (November 2021)
 - The New International Sustainability Standards Boards (ISSB): The Future of Climate Change Reporting & ESG Disclosures (November 2021)
 - Virtual Conference on Ransomware (December 2021)
 - Conflicts of Interest Prevention Training (December 2021)
 - LGBTQ: The Power of Inclusion (December 2021)
 - Sexual Harassment Prevention Training (December 2021)
 - IIA journals
 - Neil Saranga, Senior Internal Auditor
 - Public Sector Audit Webinar (January 2021)
 - Financial Services Webinar (February 2021)
 - Cybersecurity, Data Privacy and Auditing Digital Assets Webinar (March 2021)
 - Hot Topics, Three Lines, Third Party Risk and Business Resiliency (April 2021)
 - 2021 Annual Audit Conference (May 2021)
 - Understanding & Protecting PII (July 2021)

- Code of Ethics (September 2021)
- Auditing Cybersecurity Operations (September 2021)
- Workiva Virtual Conference (September 2021)
- Emerging Technologies for Internal Auditors (October 2021)
- OnRisk 2022: A Guide to Understanding, Aligning, and Optimizing Risk (October 2021)
- Mitigating the Risk of Fraud: Insights and Lessons Learned From SEC Enforcement Actions (November 2021)
- Financial Services Conference (November 2021)
- Conflicts of Interest Prevention (December 2021)
- LBGTQ: The Power of Inclusion (December 2021)
- Sexual Harassment Prevention Training (December 2021)
- 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)
- Patrick Ogoke, Internal Auditor
 - Emerging Fraud Risks (January 2021)
 - IIA – Public Sector Webinar (January 2021)
 - Cybersecurity, Data Privacy, and Auditing Digital Assets (March 2021)
 - Opportunities for Internal Audit Practitioner (March 2021)
 - The IIA: Our Path Forward in Advancing the Profession (April 2021)
 - Internal Audit Influencing Change (May 2021)
 - Connect Your Teams with Risk Oversight (August 2021)
 - Code of Ethics (September 2021)
 - Elevating Our Impact and Influence on Organizations (October 2021)
 - Financial Services Conference (November 2021)
 - Conflicts of Interest Prevention (December 2021)
 - LBGTQ: The Power of Inclusion (December 2021)
 - Sexual Harassment Prevention Training (December 2021)
 - 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
 - 2021 – 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:

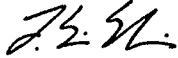


05/17/2022

Mary Hom, Chief Risk Officer

Date

Reviewed By:



05/17/2022

Eric Enderlin, President

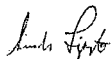
Date



05/23/2022

Elizabeth Rohlfing, Chief Strategy Officer and Director of Special Projects

Date



05/24/2022

Susannah Lipsyte, EVP-General Counsel

Date