



## MEMORANDUM

---

To: Audit Committee

From: Mary Hom  
Chief Risk Officer

Date: May 24, 2022

Re: Internal Audit Reports

---

Since the last report to the Audit Committee on March 15, 2022, two internal audits were completed. A copy of each report is attached, and a summary is as follows:

### **2021 Corporate Fleet Management (Agile)**

#### Audit Tests:

We performed the following audit tests:

- Determine that only authorized employees drove the HDC vehicles
- Determine that the vehicles were used solely for business purposes
- Determine that authorized employees completed the sign out logs
- Determine that the vehicles were leased in accordance with HDC's Procurement policy
- Determine that there is an up-to-date parking garage agreement for the corporate fleet

#### Audit Results:

We noted no matters involving internal controls that we considered a material weakness. We found that critical aspects of the HDC vehicle usage policy were followed.

### **2022 Equipment Delivery & Inventory**

#### Objective:

The objectives of this audit were to:

- Determine that new IT equipment purchased was received as ordered
- Determine that IT equipment returned from employees was received and documented
- Determine the accuracy and validity of inventory records for IT equipment

#### Audit Results:

Upon completion of this audit, we noted no matters involving internal control and its operation that we consider to be material weaknesses. There are opportunities to strengthen controls for

managing IT inventory, including enhancing data entry of equipment into inventory, continuing to develop software solutions for documenting return of equipment, and updating policies and procedures to be in line with current business practices for inventory management. Management is amenable to these recommendations and has begun to address these enhancement opportunities.

**CORPORATE FLEET MANAGEMENT**

<b>Agile Audit</b>	<b>CORPORATE FLEET MANAGEMENT</b>	
<b>Audit Tests</b>	<ol style="list-style-type: none"> <li>1. Determine whether only authorized employees drove the HDC vehicles.</li> <li>2. Determine whether the vehicles were used for business purposes.</li> <li>3. Determine whether the drivers completed the appropriate sign out log sheets.</li> <li>4. Determine if the vehicles were leased in accordance with the Corporation's Procurement policy.</li> <li>5. Determine that there is an up-to-date parking garage agreement for the corporate fleet of vehicles.</li> </ol>	
<b>Scope</b>	January 1, 2021 to December 31, 2021	
<b>Methodology</b>	<ul style="list-style-type: none"> <li>• Review selected sign out log sheets to determine compliance with corporate car usage policy</li> <li>• Review the vehicles' lease agreements to ensure that the vehicles' leases are up-to-date</li> <li>• Review the parking garage agreement to ensure that it is up-to-date</li> </ul>	
<b>Audit Summary</b>	<p>Upon completing the audit, we noted no matters involving internal controls that we considered a material weakness. We found that critical aspects of the HDC vehicle usage policy were followed.</p> <ul style="list-style-type: none"> <li>• Vehicle users are listed on the HDC Approved Drivers List, and vehicles are used for business purposes.</li> <li>• Vehicles are leased in accordance with the HDC Procurement Policy.</li> <li>• HDC vehicles are parked in a safe parking garage on weekends and when not in use.</li> </ul>	
<b>Testing Results</b>		
<b><u>Audit Test</u></b>	<b><u>Result</u></b>	<b><u>Recommendation</u></b>
Determine whether only authorized employees drove the HDC vehicles	Confirmed that the drivers completed their MVR certification and included their current driver's license. A review of sign-out logs also revealed that only authorized employees drove the HDC vehicles.	No issues
Determine whether the vehicles were used for business purposes	Reviewed the selected sample log sheets and confirmed that the drivers were scheduled for on-site inspections, and the cars were used for business purposes.	No issues
Determine whether the drivers completed the appropriate sign out log sheets	Reviewed the sample selection of sign out log sheets to determine if they were correctly completed and vehicles were signed out according to HDC policy.	No issues
Determine if the vehicles are leased in accordance with the Corporation's Procurement policy	Reviewed the most recent vehicle lease agreement to test the three-bid policy. Confirmed that the vehicles were leased in accordance with HDC Procurement policy.	No issues
Determine if there is an up-to-date parking garage agreement for the corporate fleet of vehicles	Reviewed the parking garage agreement between HDC and Ann's Enterprise Garage and confirmed that the garage agreement is current.	No issues

## EQUIPMENT DELIVERY & INVENTORY AUDIT 2022

### Objective(s):

- To determine new IT equipment purchased was received as ordered
- To determine returned IT equipment from employees was received and documented
- To determine the accuracy and validity of inventory records for IT equipment

### Scope:

The audit period covered transactions from November 1, 2020 through October 31, 2021.

### Background:

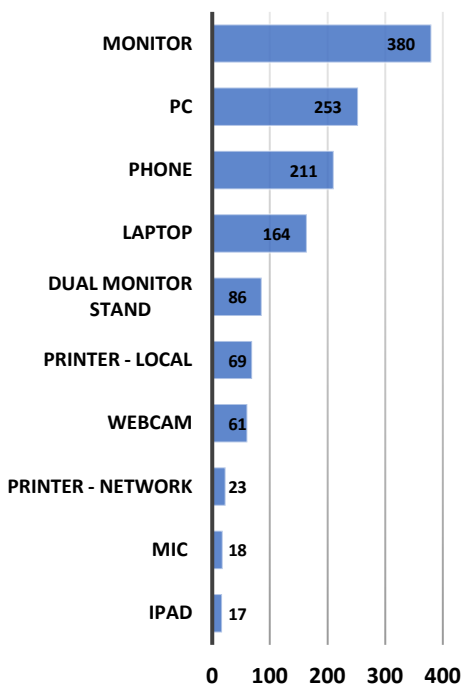
The IT department is responsible for receiving and maintaining inventory for essential IT equipment that are used in daily business operations. This would include, but not be limited to, Laptops, Computers/Workstations, Mobile Devices, Monitors, Printers, etc. All equipment are considered common assets which are subject to optimizing their usage by upgrading, relocating, or replacing as seen appropriate by the IT Team. To manage the inventory for such assets, IT uses the Solarwinds software that provides information in a centralized record. Internal Audit has commenced this audit to determine whether or not the processes in place are adequate in controlling risks associated to receiving IT equipment and managing the inventory.

The scope period of the audit was during the Covid-19/remote work environment, which resulted in changes to normal processes. These working conditions were taken into account when evaluating the processes and controls in place at the time.

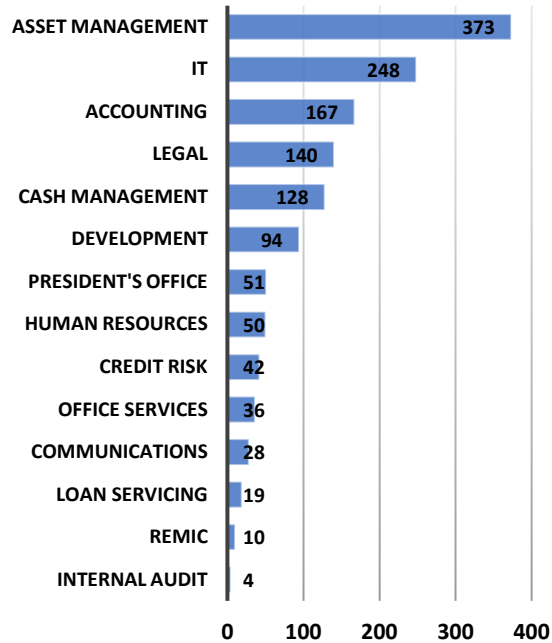
### Results:

We noted no matters involving internal controls that we considered material weaknesses. There are opportunities to strengthen controls for managing IT inventory when receiving new and employee returned IT equipment. This would include enhancing data entry of equipment into inventory, continue to develop software solutions for documenting return of equipment, and updating IT policies and procedures to be in line with current business practices for inventory management.

**Top 10 Deployed IT Equipment**



**Deployed IT Equipment By Department**



### Internal Controls

- ✓ IT and Procurement policies and procedures
- ✓ Purchase order and receiving report review and approval
- ✓ Required Equipment Release/Return Form
- ✓ Centralized inventory database for entry and tracking
- ✓ Card restricted access for stored equipment
- ✓ Segregation of duties for purchase, receipt, and entry into inventory