MEMORANDUM

To: Audit Committee

From: Mary Hom
           Chief Risk Officer

Date: March 23, 2026

Re: 2025 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 2025 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 2025, 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 2025

- **Background**
The Global Internal Audit Standards, which came into effect January 9, 2025, 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. Global Internal Audit 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 March 2023 by BDO USA, LLP.

- **Staff & Experience**
  - Mary Hom, Chief Risk Officer (Chief Audit Executive or CAE)
    - 38 years Credit Risk (7 years Internal Audit)
    - Joined HDC in March 2004
    - B.A. Business Economics, Brown University
  - Neil Saranga, Deputy Director, Internal Audit
    - 17 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
  - Kimberly Huang, Internal Auditor
    - 2 years Internal Audit
    - Joined HDC in November 2023 (intern – March 2023 – November 2023)
    - B.S. Criminal Justice, CUNY, John Jay College of Criminal Justice

- **Internal Audit Activities**
  - 2025 Audit Plan – The Internal Audit Team completed the 2025 Audit Plan. The audit plan continues to follow a quarterly audit schedule, which allows for more flexibility in focusing on efforts which are more in line with the current risk landscape. This will provide more value to our stakeholders and address any concerns presented to Internal Audit by HDC's Audit Committee, leadership, and senior management.

2025 Audit Plan		
Audit	**Status** **✓-Completed** **X-Canceled**	**Comments/** **Number of** **Recommendations**
Business Continuity Plan (advisory)	✓	N/A
Succession Planning (advisory)	✓	N/A
Cybersecurity Assessment (advisory)	✓	10
Procurement (agile)*	✓	3
Records Retention* (assurance)	✓	3
Wire Transfers* (assurance)	✓	4
Investments* (Continuous Monitoring)	✓	0
Annual Risk Assessment (review)	✓	N/A
Employee Expenses*^ (Continuous Monitoring)	✓	0
President's Office Expenses*^	✓	0
Petty Cash*^	✓	0
Final reports presented to Audit Committee in calendar year 2026. *^Required by the 2003 Memorandum of Understanding with the NYC Department of Investigation (DOI).*		

- **PII (Personally Identifiable Information) 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 VP, Compensation, Benefits & Payroll)
        - Legal (Associate General Counsel-Chief Privacy Officer and Special Counsel)
        - Asset Management (VP-Portfolio Analysis)
        - Internal Audit (CAE, Deputy Director, and Internal Auditor)
    - Coordinates with the NYC Department of Housing Preservation and Development (HPD) to share best practices around PII
    - Coordinates PII training to all HDC staff

- **AI (Artificial Intelligence) Working Group**
    - Internal Audit coordinates a working group that meets on a monthly basis to address the safe and responsible deployment of Artificial Intelligence within HDC's technology environment and promote ethical AI practices aligned with industry standards.
    - Working group consists of members of the following departments:
        - IT (Chief Information Officer and VP-Enterprise Architecture)
        - Human Resources (Chief Human Resources Officer)
        - President's Office (Deputy Chief of Staff, Chief of Staff, VP, Policy & Analytics, Chief Strategy Officer)
        - Treasury (Executive Vice President, Chief Financial Officer)

- Internal Audit (CAE, Deputy Director, Internal Auditor, and Junior Internal Auditor)
- Legal (EVP-General Counsel, Associate General Counsel)
- Asset Management (AVP-Compliance)
- Development (Project Manager)
- Capital Markets (VP)

- Coordinated with NYC Department of Housing Preservation and Development (HPD) and NYC Economic Development Corporation (EDC) to share best practices on implementation of AI.
- Distributed an AI Acceptable Use Policy to all employees on July 21, 2025 providing guidance and responsibilities when using AI.
- Conducted employee surveys on interest and use of AI, and gathered feedback on concerns and potential uses.

- **Annual Audit Committee Report 2025**
  - Compiled and to be presented to the Audit Committee in March 2026
  - To be emailed to the NYC Comptroller's Office in accordance with Directive #22 in March 2026

- **Financial Integrity Statement**
  - New York City Comptroller Directive #1 titled "Principles of Internal Control" requires New York City agencies to complete a Financial Integrity Statement and accompanying internal control checklist to evaluate internal control systems. In past years, compliance with Directive #1 was required each year. In April 2023, the New York City Comptroller issued a memorandum modifying the requirement to once every four (4) years as a result of staff shortages in the NYC Comptroller's Office and the amount of work required. HDC's last reporting was done in 2022 for 2021 financials, and in accordance with the 4 year schedule, required reporting for the 2025 financials will be prepared in calendar year 2026 in accordance with the Comptroller's requirement.

- **Audit Committee Charter**
  - Presented to, reviewed and re-adopted by the Audit Committee with no material changes. (June 2025)

- **Conflicts of Interest Policy & Code of Ethics**
  - No updates to the policy
  - Annual certification of employee reaffirmation was completed in January 2026 and will be reported to the Audit Committee in March 2026

- **Risk Assessment Process/Audit Plan for 2026**
  - Commenced in July 2025
  - Discussions with department heads and teams
  - Engaged with each member of the Audit Committee individually
  - Will continue with quarterly audit planning

- **Ongoing Staff Training & Development**
  - As noted in the Internal Audit Charter, HDC's Internal Audit staff members are each required to complete a minimum of 15 hours of continuing professional education ("CPE") each year. For the calendar year 2025, each member of HDC's Internal Audit team completed or exceeded the minimum CPE requirement. The training and development activities for each staff member of the Internal Audit Department for 2025 were as follows:

  - Mary Hom, Chief Risk Officer/Chief Audit Executive
    - AuditBoard: AI for Auditing: Get on Board or Get Out of the Way (January 2025)
    - IIA: Elevating Performance & Adding Value: Get to Know the New Cybersecurity Topical Requirement (February 2025)
    - HDC Legal (L. Wertheimer): Disclosure/Sponsor Review Training (February 2025)
    - COIB: NYC Conflicts of Interest Board Training (March 2025)
    - ISACA: AI Essentials (March 2025)
    - KnowBe4: Using the Phish Alert Button-Report Suspicious Emails Using Microsoft Outlook (March 2025)
    - NYC DOI: DOI-Corruption Prevention Awareness Training (March 2025)
    - DCAS: Sexual Harassment Prevention Training (March 2025)
    - DCAS: LGBTQI+: The Power of Inclusion (April 2025)
    - AuditBoard: One Team, One Dream: Bridging Audit and InfoSec for Combined Assurance (April 2025)
    - AuditBoard: Assessing AI Governance: Practical Tips for Success (April 2025)
    - Moody's: Federal Policy Risks and US Public Finance (April 2025)
    - KnowBe4: AI & Sensitive Information Don't Mix (August 2025)
    - KnowBe4: Generative AI: What to Look Out For (August 2025)
    - KnowBe4: AI Chatbots: Understanding Their Use, Risks, and Limitations in the Workplace (August 2025)
    - IIA-NY/NJ Chapter: IIA Annual Northeast District Conference (September 2025)
    - KnowBe4: Annual Security Awareness Training (October 2025)
    - AuditBoard: Audit & Beyond: Redefining the Role of Audit, Risk, and Compliance in the AI Era (October 2025)
    - AuditBoard: Audit & Beyond: How AI is Changing the Way We Build & Manage Risk (October 2025)
    - AuditBoard: Audit & Beyond: Navigating Supply Chain Disruption - Keys for Risk Teams (October 2025)
    - KnowBe4: Ransomware: Blackmail Using Encrypted Data (October 2025)
    - AuditBoard: Audit & Beyond: The Promise & Peril of Emerging Technologies - AI & Cybersecurity (October 2025)
    - AuditBoard: Audit & Beyond: Redefining a Champion's Mindset - Adversity to Triumph (October 2025)
    - KnowBe4: Incident Response: First Steps (October 2025)
    - Beazley: Cybersecurity Tabletop Exercise (November 2025)

  - Neil Saranga, Deputy Director, Internal Audit
    - IIA: Data Ethics - Trusted AI & Fundamental Ethics & Data Analytics (January 2025)
    - IIA: Financial Services Conference (February 2025)

- IIA: Elevating Performance & Adding Value: Get to Know the New Cybersecurity Topical Requirement (February 2025)
- IIA: Fraud Unmasked: Innovative Tactics for Internal Auditors (March 2025)
- ISACA: AI Essentials (March 2025)
- NYC DOI: DOI-Corruption Prevention Awareness Training (March 2025)
- DCAS: Sexual Harassment Prevention Training (March 2025)
- DCAS: LGBTQI+: The Power of Inclusion (April 2025)
- IIA: Annual Conference - Audit Vision 2025 and Beyond (May 2025)
- KnowBe4: AI & Sensitive Information Don't Mix (August 2025)
- KnowBe4: Generative AI: What to Look Out For (August 2025)
- KnowBe4: AI Chatbots: Understanding Their Use, Risks, and Limitations in the Workplace (August 2025)
- IIA-NY/NJ Chapter: IIA Annual Northeast District Conference (September 2025)
- KnowBe4: Annual Security Awareness Training (October 2025)
- KnowBe4: Ransomware: Blackmail Using Encrypted Data (October 2025)
- Beazley: Cybersecurity Tabletop Exercise (November 2025)
- IIA: Ethics in the Age of Algorithm (December 2025)
- IIA: Next-Gen Internal Audit: From Data to Decisions (December 2025)
- Continuous reading of IIA, ISACA/CISA, and ACFE journals
- Maintaining certifications: Certified Information Systems Auditor (CISA) and Certified Fraud Examiner (CFE)

- Kimberly Huang, Internal Auditor
  - ISACA: AI Essentials (March 2025)
  - BDO: Future-Proofing Internal Audit: Integrating Analytics and Technologies Responsibly
  - IIA: Navigating New IIA Global Standards & Topical Standards (April 2025)
  - IIA-NY/NJ Chapter: IIA Annual Northeast District Conference (September 2025)
  - Beazley: Cybersecurity Tabletop Exercise (November 2025)
  - BDO: Executive Presence Unleashed: The Internal Auditors' Guide to Building Relationships (December 2025)

- **Oversight and Collaboration**
  - Quarterly Audit Committee meetings
  - Bi-weekly meetings between the President and CAE
  - Monthly meetings between the General Counsel 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
    - 2025 – 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:

Neil Saranga   03/18/2026

Neil Saranga, Deputy Director, Internal Audit   Date

Reviewed By:

Mary Hom   03/18/2026

Mary Hom, Chief Risk Officer/Chief Audit Executive   Date

[signature]   03/18/2026

Eric Enderlin, President   Date

[signature]   03/19/2026

Susannah Lipsyte, EVP-General Counsel   Date