



MEMORANDUM

To: Audit Committee

From: Mary Hom
Chief Risk Officer

Date: May 28, 2024

Re: 2023 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 2023 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 2023, 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 2023

- **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 completed at HDC was in March 2023 by BDO USA, LLP.

- **Staff & Experience**

- Mary Hom, Chief Risk Officer (Chief Audit Executive or CAE)
 - 36 years Credit Risk (5 years Internal Audit)
 - Joined HDC in March 2004
 - B.A. Business Economics, Brown University
- Neil Saranga, Deputy Director, Internal Audit
 - 15 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
- Sophia Klein, Internal Auditor
 - 2 years Internal Audit
 - Joined HDC in December 2022
 - M.P.A. Public & Nonprofit Management & Policy, New York University, Wagner Graduate School of Public Service
 - B.A. Public Policy (Honors), New York University, College of Arts & Sciences
- Kimberly Huang, Junior Internal Auditor
 - Joined HDC in November 2023 (intern for HDC – March 2023 to November 2023)
 - B.S. Criminal Justice, CUNY, John Jay College of Criminal Justice

- **Internal Audit Activities**

- 2023 Audit Plan – The Internal Audit Team completed the 2023 Audit Plan. During the year, the audit plan transitioned to a quarterly audit plan going forward 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.

2023 Audit Plan		
Audit	Status	Comments/Number of Recommendations
	✓-Completed X-Canceled	
Business Continuity Plan	✓	N/A
Succession Planning	✓	N/A
Third Party Vendor Management	✓	4
Portfolio Management	✓	5
Accounts Payable	✓	0
Wire Transfer EFT Compromise (advisory)	✓	N/A
Bank Token Management*	✓	3
Investments (Continuous Monitoring)*	✓	0
Employee Expenses*^	✓	0
President's Office Expenses*^	✓	0
Petty Cash^	✓	0

**Final reports presented to Audit Committee in calendar year 2024.
^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 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, Payroll & Benefits)
 - Legal (Associate General Counsel-Chief Privacy Officer and Special Counsel)
 - Asset Management (AVP-Compliance)
 - Internal Audit (CAE, Deputy Director-IA, Internal Auditor, and Junior Internal Auditor)
 - Coordinates with the NYC Department of Housing Preservation and Development (HPD) to share best practices around PII
- **Annual Audit Committee Report 2023**
 - Compiled and presented to the Audit Committee (January 2024)
 - Emailed to the NYC Comptroller's Office in accordance with Directive #22 (January 2024)
- **Financial Integrity Statement**
 - As a result of staff shortages in the NYC Comptroller's Office, the Comptroller issued a memo dated April 11, 2023 to the Mayor's Office stating that Directive #1 reporting and the Financial Integrity Statement will be collected once every four years, and the next submission will therefore be for calendar year 2025 financials. HDC's last reporting was done in 2022 for 2021 financials, and the next required reporting would be in 2026 for 2025 financials.

- **Audit Committee Charter**
 - Presented to and reviewed and re-adopted by the Audit Committee (minor edits) (June 2023)

- **Conflicts of Interest Policy & Code of Ethics**
 - No updates to the policy
 - Annual certification of employee reaffirmation/reported to the Audit Committee (January 2024)

- **Risk Assessment Process/Audit Plan for 2024**
 - Commenced in September 2023
 - Discussions with department heads and teams
 - Engaged with each member of the Audit Committee individually
 - Transitioned to quarterly audit planning
 - Developed Audit Plan for First Quarter 2024/presented to and approved by the Audit Committee (November 2023)

- **Ongoing Staff Training & Development**
 - Mary Hom, Chief Risk Officer/Chief Audit Executive
 - IIA: Public Sector Conference-Technology & Innovation (January 2023)
 - S&P: US Housing Sector Outlook (January 2023)
 - S&P: US Public Finance Credit Spotlight: US Municipal Sustainable Bonds Momentum to Continue in 2023 (February 2023)
 - KnowBe4: Defining & Handling Sensitive Information (February 2023)
 - KnowBe4: Defining Types of Sensitive Information (February 2023)
 - KnowBe4: Data Protection Essentials (February 2023)
 - KnowBe4: Protecting Information Using Security Awareness (February 2023)
 - S&P: Cyber Risk Insights: International Public Finance & Sovereigns (March 2023)
 - Multifamily Impact Council: Impact Programming Best Practices (Stewards of Affordable Housing for the Future) (March 2023)
 - IIA: Wash Rinse Repeat: Banking Crisis Again/What's Changed and What Can Internal Auditors Learn (April 2023)
 - KnowBe4: Protecting Information Using Security Awareness (April 2023)
 - S&P: US Public Finance Spotlight: Cyber Risk (May 2023)
 - AuditBoard: Best Practices Webinar: Connected Risk (May 2023)
 - DCAS: Sexual Harassment Prevention Training (May 2023)
 - AuditBoard: AuditBoard Security Best Practices (June 2023)
 - AuditBoard: The Evolution of SOX: Building a Mature Program (June 2023)
 - AuditBoard: How to Integrate ERM Into Your Business (June 2023)
 - IIA: Emerging Business Models and the Role of Internal Audit (July 2023)
 - S&P: US Public Finance - Credit Spotlight - Housing Webinar (September 2023)
 - AuditBoard: Audit & Beyond Virtual - The Emerging Trends Powering Connected Risk Teams (October 2023)
 - AuditBoard: Audit & Beyond Virtual - The Promise & Perils of AI (October 2023)
 - AuditBoard: Audit & Beyond Virtual - Confronting the Next Phase of Cyber Risk as a Connected Organization (October 2023)
 - BDO: Best Practices for Internal Audit Related to SOC Reporting (October 2023)

- AuditBoard: 2024 Risk in Focus - Hot Topics for Internal Auditors (October 2023)
- AuditBoard: Best Practices Webinar: Climbing Higher Through Hierarchy & Entity Risks with AuditBoard Risk Oversight (November 2023)
- DCAS: LGBTQ: The Power of Inclusion (November 2023)
- BDO: Return of the Black Swan: The Art of Transferring Cyber Risk (November 2023)
- DOI: DOI Corruption Prevention Awareness (December 2023)
- COIB: NYC Conflicts of Interest Board Training (December 2023)
- KnowBe4: 2023 Social Engineering Red Flags (December 2023)
- KnowBe4: 2023 Your Role: Internet Security and You (December 2023)
- KnowBe4: KnowBe4 Pretexting - Two Factor Authentication Attack (December 2023)
- BDO: Understanding Enterprise & Operational Risk Management (December 2023)
- Neil Saranga, Deputy Director, Internal Audit
 - IIA: 2023 Public Sector Conference – Technology & Innovation (January 2023)
 - KnowBe4: Defining & Handling Sensitive Information (February 2023)
 - KnowBe4: Defining Types of Sensitive Information (February 2023)
 - KnowBe4: Data Protection Essentials (February 2023)
 - KnowBe4: Protecting Information Using Security Awareness (February 2023)
 - IIA: Human Hacking – Identifying Threats and Best Practices (March 2023)
 - IIA: Cybersecurity & AI – Internal Audit Roles in Cyber Resiliency & Maturity (April 2023)
 - CFTF: Conference on Cybersecurity (April 2023)
 - IIA: Effective Leadership For Corporate Compliance and Data Ethics (May 2023)
 - IIA: Hot Topics and Audit Soft Skills (September 2023)
 - IIA: Emerging Risks Related To Web3 and Considerations for IA Practitioners (October 2023)
 - AuditBoard: Audit & Beyond Virtual - The Emerging Trends Powering Connected Risk Teams (October 2023)
 - AuditBoard: Audit & Beyond Virtual - The Promise & Perils of AI (October 2023)
 - AuditBoard: Audit & Beyond Virtual - Confronting the Next Phase of Cyber Risk as a Connected Organization (October 2023)
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 - DCAS: DOI Corruption Prevention Awareness (November 2023)
 - DCAS: Conflicts of Interest Prevention Training (November 2023)
 - BDO: Return of the Black Swan: The Art of Transferring Cyber Risk (November 2023)
 - KnowBe4: 2023 Social Engineering Red Flags (December 2023)
 - KnowBe4: 2023 Your Role: Internet Security and You (December 2023)
 - KnowBe4: KnowBe4 Pretexting - Two Factor Authentication Attack (December 2023)
 - 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)
- Sophia Klein, Internal Auditor
 - PWC: IFRS Year-End Accounting Webcast | CPE eligible replay (January 2023)

- BDO: Navigating the 2022 Changes to SOC 2 Guide (January 2023)
- PWC: Change Ahead: Regulatory Response to Recent Bank Failures (January 2023)
- BDO: Back to Basics: Best Practices for Establishing an Ideal Internal Audit Function (March 2023)
- IIA: Cybersecurity & AI – Internal Audit Roles in Cyber Resiliency & Maturity (April 2023)
- S&P: U.S. Public Finance Credit Spotlight: Cyber Risk (May 2023)
- AuditBoard: Best Practices Webinar: Connected Risk - Connecting the Dots in AuditBoard (May 2023)
- IIA: ChatGPT and Generative AI - Risks and Ethical Concerns (May 2023)
- AuditBoard: How to Integrate ERM Into Your Business (June 2023)
- IIA: The Role of an Internal Auditor is Evolving (July 2023)
- AuditBoard: Debunking the Myths about Cyber Risk Quantification (July 2023)
- AuditBoard: Breaking Down Silos: 3 Steps to Build a Resilient IT Risk Program (July 2023)
- AuditBoard: Strong IT Controls: Your IT Risk Program's Strategic Advance (July 2023)
- Deloitte: Using the COSO Framework for Sustainability Reporting (July 2023)
- IIA: Emerging ESG Guidance: Unpacking the New ISSB Standards (August 2023)
- Deloitte: The Next Frontiers in Finance Technology (August 2023)
- IIA: Internal Auditor's Role in Fraud Risk Management (August 2023)
- IIA: Modern Technology Architecture as the Foundation of a Digitized Internal Audit Function (August 2023)
- IIA: Data Privacy and AI: Four Pillars That Will Form the Future (September 2023)
- IIA: Risk in Focus 2024 - Hot Topics for Internal Auditors (September 2023)
- AuditBoard: Confronting the Next Phase of Cyber Risk as a Connected Organization (October 2023)
- IIA: Delivering Audit Reports That Matter (November 2023)
- BDO: 2023 Internal Audit Webcast Series: Skills Development: Technical Writing for Internal Audit (December 2023)
- IIA: ESG Reporting: A New Frontier for Fraud (December 2023)
- KPMG: Preparing Governments For an AI-Driven Future (December 2023)
- NCSHA: AI and Affordable Housing: A National Symposium (December 2023)
- PWC: Workforce Transformation – Powered by Generative AI (December 2023)
- KPMG: Transforming risk with technology and automation (December 2023)
- Kimberly Huang, Junior Internal Auditor
 - AuditBoard: Strong IT Controls: Your IT Risk Program's Strategic Advance (July 2023)
 - IIA: Emerging ESG Guidance: Unpacking the New ISSB Standards (August 2023)
 - BDO: 2023 Internal Audit Webcast Series: Skills Development: Technical Writing for Internal Audit (December 2023)
 - NCSHA: AI and Affordable Housing: A National Symposium (December 2023)
 - Continuous reading of IIA, ISACA, and ACFE journals
- **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
 - 2023 – 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

04/10/2024

Neil Saranga, Deputy Director, Internal Audit

Date

Reviewed By:

Mary Hom

04/10/2024

May Hom, Chief Risk Officer/Chief Audit Executive

Date

E. Enderlin

04/11/2024

Eric Enderlin, President

Date

Susannah Lipsyte

04/10/2024

Susannah Lipsyte, EVP-General Counsel

Date