



New York City Housing Development Corporation

FY24 Audit Plan

September 2024



What's new and next

What's new:

- ▶ New accounting pronouncement adoptions

What's Next:

Actions the team is taking in the near term:

- ▶ Perform audit planning procedures
- ▶ Perform walkthroughs of all processes
- ▶ Begin interim substantive procedures
 - ▶ Mortgage receivable confirmations
- ▶ Perform interim data analytics procedures
- ▶ Determine timing of any on-site visits to perform procedures

2024 audit timing

Financial Statement Audit Plan

- ▶ Interim procedures: October through November 2024
- ▶ Year-end procedures: November through January 2025
- ▶ Expected filing - late January 2025

Uniform Guidance Audit Plan

- ▶ Expected filing - late January 2025

USAP Audit Plan

- ▶ Expected filing - late January 2025

2024 Audit Services

2024 audit and related services

Express an opinion and report to the Audit Committee the results of our audits of:

- ▶ The financial statements of the Corporation and the accompanying supplementary information in relation to the financial statements as a whole
- ▶ The Corporation's Schedule of Federal Awards as required by the Uniform Guidance
- ▶ The Corporation's Schedule of Investments

Issue a written communication to

- ▶ Management and the Audit Committee describing significant deficiencies and material weaknesses identified during our audit, if any
- ▶ Issue a management letter including recommendations for improvements in controls and procedures (if applicable)

Internal Control and Compliance Communications









- ▶ Issue a Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*
- ▶ Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Other attestation services

- ▶ Report on the Corporation's compliance with minimum servicing requirements







Areas of emphasis

Topic	Significance	Subjectivity	Considerations
Internal Controls over applications that affect the financial statements	 Moderate	 Low	<p>During our audit we will update our understanding of internal control and evaluate the various internal controls over financial reporting as a basis of determining our overall audit approach and scope. We will evaluate the following significant processes:</p> <ul style="list-style-type: none"> ▶ Payroll ▶ Purchases/Accounts Payable/Cash Disbursements ▶ Mortgage Revenue/Accounts Receivable/Cash Receipts ▶ Grant Management ▶ Financial Statement Close ▶ Debt Issuance, recording and monitoring ▶ Recording Changes in Net Position ▶ Risk Management ▶ Investment Process
Cash and investments	 Moderate	 Low	We will confirm significant cash and investment balances and agree responses to the Corporation's accounts and related reconciliations. Investments will be tested to determine that they are properly valued and all risk disclosures will be evaluated. We will also test the Corporation's compliance with the Investment Guidelines.
Mortgage receivable and allowances	 High	 Low	We will confirm a selection of the Corporation's mortgage receivable balances and utilize data analytical procedures. The Corporation's methodology for recording allowances and writing off old balances will be tested and evaluated for and significant judgements made by management in establishing the balances.
Accounts Payable and other accrued liabilities	 Moderate	 Moderate	We will perform testing of the Corporation's accruals and payments made subsequent to year-end to evaluate the completeness of the liabilities at year-end.











¹ Asterisked areas indicate accounts or transactions identified as having significant risks, which are risks with both a higher likelihood of occurrence and a higher magnitude of effect that require special audit considerations.

Areas of emphasis

Topic	Significance	Subjectivity	Considerations
Debt	 High	 Low	We will confirm all outstanding debt and review the accounting and reporting for debt transactions, including debt compliance and interest rate swaps.
Due to New York City	 High	 Low	We will review and test a selection of the Corporation's transactions with The City of New York.
Payable to Mortgagor	 Low	 Low	We will perform testing of the Corporation's accruals and payments made subsequent to year-end to evaluate the completeness of the liabilities at year-end.
Unearned Revenues	 Moderate	 Low	We will obtain a listing of all unearned revenue accounts and review and test a selection of transactions.
Net Position	 Moderate	 Low	We will test all changes to net position and evaluate the classification of net position balances.
Litigation and loss contingencies	 Low	 Moderate	We will gain an understanding of management's process for identifying commitments and contingencies. Our procedures will include corresponding with internal and external legal counsel on the status of ongoing litigation and other matters, if applicable. We will determine whether recorded amounts/disclosures are appropriate.

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Areas of emphasis

Topic	Significance	Subjectivity	Considerations
Revenue recognition	 Moderate	 Low	We will use data analytical procedures to risk assess and confirm our understanding of the accounting and flow of the various revenue streams. We will perform analytics such as correlation analyses between revenue, receivables and cash in order to identify and investigate unusual transactions. For a sample of cash receipts, we will trace the item to revenue source documentation and cash and test for proper classification to determine if it was recognized in accordance with the relevant revenue recognition rules.
Operating Expenses	 Moderate	 Low	We will use data analytical procedures to risk assess and confirm our understanding of the accounting and flow of the operating expense transactions. We will perform analytics such as correlation analyses between trade accounts payable, expenses and cash in order to identify and investigate unusual transactions. For a sample of operating expenses, we will trace the item to source documentation and cash and test for proper classification. We will also utilize data analytics to perform completeness and cutoff procedures.
Compliance with Uniform Guidance (Single Audit)	 Low	 Low	We will perform testing over federal programs determined to be major programs based on final expenditures.
Risk of management override of controls	 Moderate	 Moderate	Professional standards require that we consider the risk of management override of controls to be a fraud risk on all audits. We will design our audit procedures, including our journal entry testing, to be responsive to this risk.
Related parties	 Moderate	 Moderate	We will perform procedures to ensure the completeness of the related party listing and review for any related party transactions which require disclosure in the financial statements.

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Appendices



A Required communications

B Spotlight: leading-edge technology in the audit

C Spotlight: Artificial Intelligence (AI) in assurance

Appendix A: Required communications

Area	Comments
Terms of the audit engagement, including the objective of the audit, the auditor's responsibilities under generally accepted auditing standards and management's responsibilities	Refer to the engagement letter.
Overall planned scope and timing of the audit, and significant risks identified and any changes thereto	Refer to the executive summary and areas of emphasis for additional information.
Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention	There are no matters to communicate.
Independence matters	There are no matters to be reported.
Inquiries regarding: <ul style="list-style-type: none"> ▶ Risks of material misstatement ▶ Fraud and noncompliance with laws and regulations (illegal acts) ▶ Related-party relationships and transactions 	Inquiries regarding these matters are to be performed at this meeting and throughout the audit. We are currently not aware of any matters to be reported.

As required, provided above is a summary of required communications between the audit team and those charged with governance, as required by AICPA Clarified US Auditing Standard (AU-C) 260, *The Auditor's Communication With Those Charged With Governance*, and other applicable auditing standards. This communication is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Appendix B: Spotlight: leading-edge technology in the audit

EY Digital Audit enhancements

With EY's US\$1 billion investment in next-generation Assurance technology, we continue to broaden our use of leading-edge technology to enhance audit quality and drive value in three areas:

- ▶ **Experience:** enhancements to EY Canvas and EY Canvas Client Portal are integrating capabilities and simplifying access to more focused, audience-specific information.
- ▶ **Data:** next-generation audit analytics are enabling a smarter, data-driven approach that supports identifying risks, detecting anomalies and generating insights.
- ▶ **Intelligence:** new smart technologies are providing access to relevant knowledge and supporting standardization throughout the audit. The integration of artificial intelligence (AI) will take this to the next level.

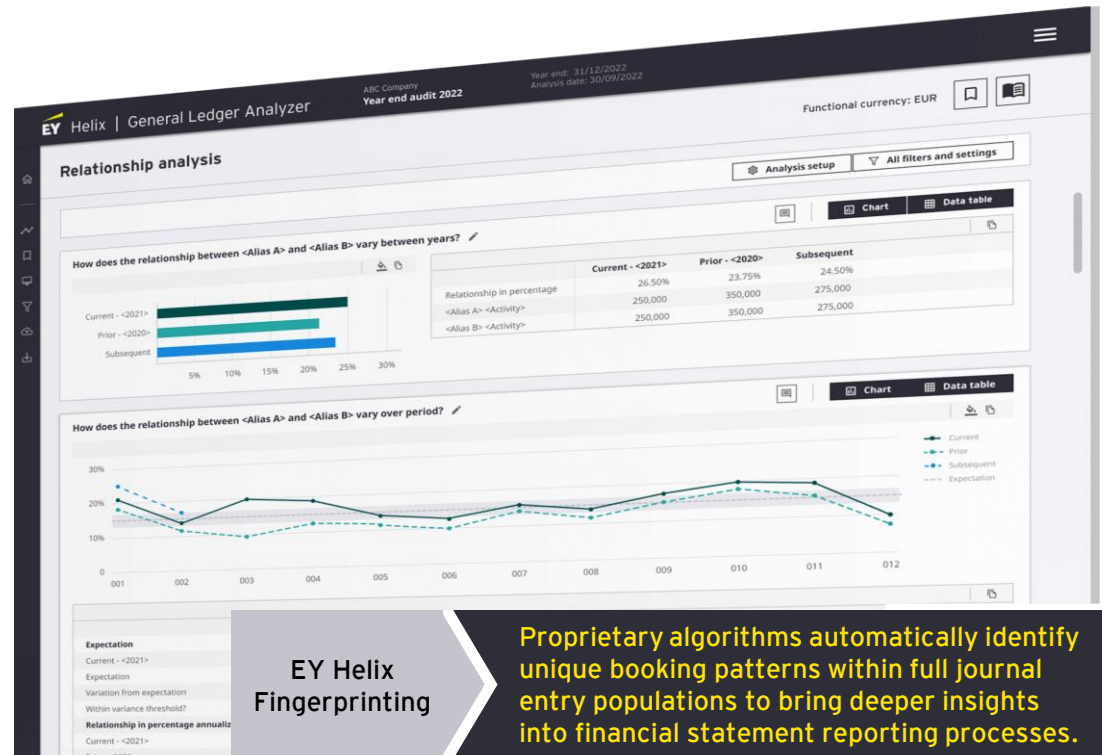
Driving value that provides ...

- ▶ **Confidence** through sustainable audit quality and exceptional global service delivery
- ▶ **Clarity** through real-time visibility into audit progress and full population data analysis that supports insights into trends and anomalies
- ▶ **Context** through right-sized approaches that align to NYC HDC's transformation agendas and provide perspectives framed within the broader landscape

New release spotlight: next-generation analytics

Our new EY Helix General Ledger Analyzer leverages Microsoft Power BI on Azure to integrate and transform data analytics by providing:

- ▶ Smarter and faster data exploration that is unrestricted by data size or complexity and supports more robust risk assessment through better business understanding
- ▶ Enhanced guidance, visualizations and explanations that provide greater context to data patterns and support deeper insights supported by specialized resources
- ▶ Future on-demand AI and machine learning capabilities that will enhance anomaly detection and pattern recognition



Appendix C: Spotlight: artificial intelligence (AI) in Assurance

EY AI Assurance Framework

Against the background of elevated stakeholder interest and the changing policy landscape regarding the development and usage of AI, EY has launched an AI Assurance Framework.

The framework provides guidance regarding:

- ▶ How the use of AI applications and other emerging technologies fits within an entity's overall business strategies and the business model implemented to achieve those strategies
- ▶ The types of management controls expected to address the risks of material misstatement as it relates to AI
- ▶ Considerations related to identifying the risks of material misstatement arising from management's use of AI applications within the financial reporting processes

Key questions for audit committees

- ▶ What is your organization's AI strategy and how does this align with the organization's overall business strategy and objectives?
- ▶ Does your organization have a dedicated governance framework in place to oversee the development and release of AI?
- ▶ Do you have visibility of AI being deployed across your organization – including AI that may impact your organization's internal controls and reporting to stakeholders?
- ▶ How is your organization identifying and addressing potential risks associated with the use of AI, including bias, privacy, security and reporting related risks?

Advancing the EY Digital Audit

EY is investing more than US\$1 billion in next-generation Assurance technology to power data-driven and AI-enabled Assurance services, and to drive ongoing quality and value. This four-year investment program is facilitating integration and transformation of leading-edge capabilities into one seamless platform. The following are some selected examples of in-process areas of development that will shape the future of our digital audit technology.

AI pattern	Selected examples
Recommendations	EY Canvas AI: supports risk assessment for EY teams by leveraging advanced, AI-enabled algorithms directly within our core EY Canvas audit platform
Pattern and anomaly detection	General Ledger Anomaly Detector: detects anomalies by analyzing journal entries, identifying outliers for further investigation
Information gathering and recognition	Document intelligence: reads underlying business documentation and vouches back to journal entries and financial statements
Conversation and human interaction	EY Atlas and generative AI: enable accounting and auditing content search and summarization

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

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Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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About EY's Assurance Services

Our assurance services help our clients meet their reporting requirements by providing an objective and independent examination of the financial statements that are provided to investors and other stakeholders. Throughout the audit process, our teams provide a timely and constructive challenge to management on accounting and reporting matters and a robust and clear perspective to audit committees charged with oversight.

The quality of our audits starts with our 90,000 assurance professionals, who have the breadth of experience and ongoing professional development that come from auditing many of the world's leading companies.

For every client, we assemble the right multidisciplinary team with the sector knowledge and subject matter knowledge to address your specific issues. All teams use our Global Audit Methodology and latest audit tools to deliver consistent audits worldwide.

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