



FISCAL YEAR 2024 RISK ASSESSMENT AND INTERNAL AUDIT PLAN

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EXECUTIVE SUMMARY

The Fiscal Year (FY) 2024 Internal Audit Plan is part of a Two-Year Plan of Internal Audit's risk assessment and includes selected projects for fiscal years 2024-2025. This plan was initially developed through a collaborative, risk-based planning approach which sought input from the officers, Senior Management, and staff; and Board members of NeighborWorks America (the Corporation). This formal risk assessment process identified, measured, and prioritized the potential risks associated within a universe of activities performed by the Corporation. This plan has also been adopted and modified based on newly assessed risks and the Corporation's Strategic Plan, whose stated Goal 4 is "to enhance accountability systems and practices". Execution of the plan is subject to periodic updates and existing resources.

Objectives for the FY 2024 Internal Audit Plan:

- ◆ Establish an audit universe that contains the core business processes, significant assets, compliance issues and major projects/initiatives pertinent to the success of the Corporation's strategic plan.
- ◆ Identify and establish audit work schedules and priorities based on potential exposures/key risks of the organization, within constraints of available resources.
- ◆ Allocate resources (person-hours and financial budget) to highest priorities identified.
- ◆ Provide the foundation for continuous systematic audit coverage that assures key systems/units/activities are covered.
- ◆ Set clear Internal Audit objectives that will provide a basis for measuring future performance.
- ◆ Provide flexibility in continuously monitoring and identifying risks as they occur, thereby enabling the corporation to respond in a proactive manner.
- ◆ Provide a framework that is strategically responsive toward the development of current and future Internal Audit plans.

Risk Assessment Approach:

The planning process employed a risk identification, analysis and assessment approach that also considered our knowledge of audit client operations and internal controls from past events.

The Plan places emphasis on audits for the high-moderate risk areas, assessed in terms of their impact on the effectiveness and efficiency of Project operations, reliability of financial reporting and compliance with applicable (e.g., legislative, legal) requirements.

Risks were categorized as follows:

- **Mission / Operational:**
 - Programmatic Objectives Undermined
 - Institutional Capacity Constrained
 - Inefficiency / Waste in Operations
- **Compliance / Legal:**
 - Lack of Compliance
 - Legal Risk

- **Financial:**
 - Inadequate Reporting
 - Asset Loss
 - Risk to Funding
 - Irregularities
 - Excessive Cost
- **Information Resources:**
 - Inadequacy of Application or System
 - Data Integrity Undermined
 - Inadequate Availability of Information
 - Confidentiality Compromised
- **Reputational:**
 - Funder Concern
 - Homeowner Satisfaction Issues
 - Partnerships Undermined
 - Negative Publicity

Each Level of Risk was estimated as a product of:

- The **Level of Impact** in the event of any given occurrence or mishap,
- The **Likelihood** that the adverse incident or mishap would occur, taking into consideration such factors as:
 - Complexity.
 - Frequency of Activity.
 - Number of Transactions.
 - Opportunities for Failure.
 - No. or Level of Requirements.
 - Duration of Exposure.
 - Past Adverse Occurrences.
 - Corporate Culture and Control Environment.
 - Process Experience.
 - Audit History (time expired since last audit); or
 - Level of Know-How / Learning Curve Challenges

Teammate+ was employed to support risk identification and to rank/scoring activities and formed the baseline from previous risk assessments. Furthermore, the engagement-level risk assessment capabilities of Teammate+ will be utilized to facilitate the documentation and integration of objectives, risks, and controls of each auditable activity for the fiscal year. Management input was obtained to ensure that areas of concern were considered by a diverse group and aligned with strategic/operational priorities. This was performed by conducting a series of interviews with the Officers and Senior Management. (See **Exhibit A for Risk Assessment Template**).

Risk assessment criteria used in the ranking of the Audit Universe places some emphasis on our professional opinion or institutional knowledge of an Auditable Area's internal control environment. (See **Exhibit B for an abridged selected version of the Internal Audit Risk Universe**).

**RISK ASSESSMENT TEMPLATE
EXHIBIT A**

Operational
Area:
Program:
Activity:
Date:

	(A)	(B)	(A x B)
RF# Risk Factors (RF)	Level of Risk (1)	% Impact	Total Raw Score
1 External Interests Interface		21.0	0
2 Materiality or Budget \$\$		18.5	0
3 Complexity of Operations		18.0	0
4 Control Culture		16.5	0
5 Data Integrity and Adequacy of Systems		15.0	0
6 Time Expired Since Last Audit		11.0	0
	Total Score:	100.0	0

1 – Low risk, total raw score <150

2 – Moderate risk, total raw score 150–199

3 – High Risk, total raw score ≥200

Legend: Further Explanations of Risk Factors

External Interests Interface – Amount of visibility that an activity has relative to external sources and its impact on customer service, quality and corporate reputation.

Materiality or Budget – 0%-4% of assets – low; 5%-9% of assets – moderate; >10% of assets – high.

Complexity of Operations – How many steps does it take to complete one frequency of this activity?

Control Culture – Degree to which controls exist within the relevant environment and adherence to policies/procedures.

Data Integrity and Adequacy of Systems – Percentage of the system that relies strictly on data derived from support systems.

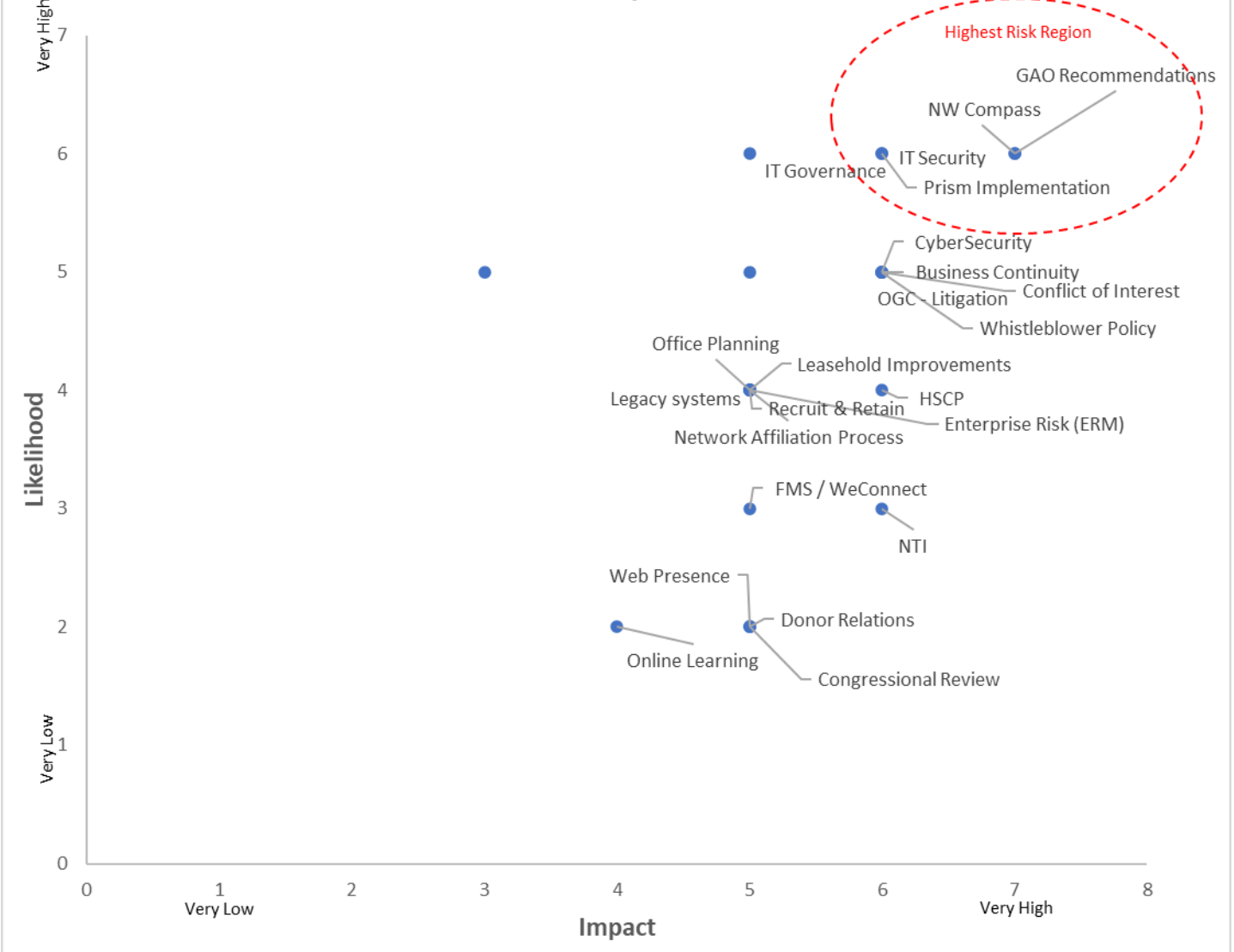
Assessed Risks: Abridged Version of Internal Audit Risk Universe Exhibit B

No.	Auditable Area	Impact	Likelihood	Risk Rating
1	Status of GAO Recommendations	Very High	High	269
2	NW Compass	Very High	High	269
3	IT Security/Information (Data) Privacy	High	High	255
4	Prism Implementation	High	High	255
5	Disaster Recovery & Business Continuity	High	Somewhat High	240
6	IT Governance	Somewhat High	High	240
7	CyberSecurity	High	Somewhat High	240
8	OGC - Litigation	High	Somewhat High	240
9	Conflict of Interest	High	Somewhat High	240
10	Whistleblower Policy	High	Somewhat High	240
11	IAM	Somewhat High	Somewhat High	235
12	HSCP Quality Control	High	Moderate	234
13	Recruitment and Retention	Somewhat High	Moderate	228
14	Legacy systems	Somewhat High	Moderate	228
15	Leasehold Improvements	Somewhat High	Moderate	228
16	Office Space Planning	Somewhat High	Moderate	228
17	Network Affiliation Process	Somewhat High	Moderate	228
18	Enterprise Risk (ERM)	Somewhat High	Moderate	228
19	NeighborWorks Training Institute	High	Somewhat Low	212
20	FMS (WeConnect)	Somewhat High	Somewhat Low	186
21	Teleworking	Somewhat Low	Somewhat High	186
22	Congressional Review	Somewhat High	Low	150
23	Donor Relations	Somewhat High	Low	150
24	Web Presence / Visibility/ Communications	Somewhat High	Low	150
25	Online Learning	Moderate	Low	140

Figure 1 - Subset of Highest Priority Identified Risks

The level of Impact vs. Likelihood is reflected in the following chart. Highest risk auditable areas are reflected towards the upper-right-hand corner (See Risk Assessment: Impact vs. Likelihood Chart below).

Risk Assessment: Impact vs. Likelihood



INTERNAL AUDIT PLAN PROJECTS

In selecting Internal Audit Plan projects, the following basic principles were observed:

- ◆ The highest inherent score and risk ranking of an activity or function will be the primary consideration in making project selections.
- ◆ Recognition that there are inherent risks and limitations associated with any method or system of prioritizing risks.
- ◆ Recognition that staff and resources limitations do not allow for 100 percent audit coverage.
- ◆ Priority consideration of those audits or projects that may be required by the Audit Committee or that may result from external auditors' recommendations such as the GAO Report Recommendations.
- ◆ The Corporations strategic goal of "enhancing accountability systems" Goal no. 4
- ◆ Carryover of projects still in progress from the prior fiscal year; and
- ◆ Limiting audit projects to up to two projects for any division in a given fiscal year.

These criteria do not preclude any other events which might arise to justify the inclusion of other audit projects for review.

The Internal Audit Plan also provides allowances for the following:

- ◆ Planning activity for specific projects in the Internal Audit Plan. This includes developing a detailed project work plan.
- ◆ Performing detailed test work. This includes performing and documenting audit procedures and evaluating and reporting Internal Audit results.
- ◆ Periodically reporting internal auditing activities to Senior Management and the Audit Committee:
 - Issuing a formal report of observations and recommendations.
 - Following up on Management's implementation of recommendations and/or corrective action.
 - Evaluating Internal Audit's performance against the expectations of the Audit Committee and Management.
 - Aggregating audit results, observation trends and control gaps annually.

The Internal Audit Projects consequently selected for FY 2024/2025 inclusive of Deferred projects from FY 2023 are as follows (See **Timeline Exhibit C**):

1. Procure-to-Pay Process for Professional Services
2. Review of the OGC Compliance Program
3. Corporate Codes of Conduct (Conflicts of Interest, Whistleblower Policies, etc.)
 - a. Review of Third-Party Vendor Complaint Management system
 - b. Review of Conflict-of-Interest Policies
 - c. Review of Whistleblower Policies

4. Prism Post-Implementation Review
5. Identity Access Management
 - a. Active Directory Management
 - b. Privileged/Non-Privileged Access Management
6. Cyber Attack Identification and Response
7. Network Affiliations Process (Field)
8. Leasehold Improvements (FASB ASC 842)
9. ERM
10. COMPASS
11. HSCP
12. Mandatory QAR
13. Enhancements to the Quality Assurance Improvement Program
14. Implementation of GAO Recommendations (Internal Audit)

***Housing Stability Counseling Program (HSCP)**

The American Rescue Plan Act of 2021 (Public Law 117-2) appropriated \$100 million to the Neighborhood Reinvestment Corporation, doing business as NeighborWorks[®] America (NeighborWorks), to fund the Housing Stability Counseling Program (HSCP). These funds are for housing counseling services, defined as (i) housing counseling provided directly to households facing housing instability, such as eviction, default, foreclosure, loss of income, or homelessness; (ii) education, outreach, training, technology upgrades, and other program related support; and (iii) operational oversight funding for grantees and subgrantees. With this Funding Announcement, NeighborWorks makes available up to \$88.5 million in grant funds.

Internal Audit Plan completed a review of the HSCP Grant Awards Process and plans a review of the HSCP Compliance Program.

Quality Assurance Review

Internal Audit plans to undertake a Quality Assurance Review (QAR) in FY 2024. According to the Institute of Internal Auditors (IIA) Standards 1312, external assessments are required to be conducted at least once every five years. This review should be conducted by a qualified independent external assessor or assessment team. The QAR will confirm that the Internal Audit Division activity satisfies the requirements of the IIA's International Standards for the Professional Practice of Internal Audit. This activity is also in meeting with the recommendation from the GAO report (GAO-23-105944).

Quality Assurance Improvement Program

During FY 2024 Internal Audit also plans to further implement enhancements to its current Quality Assurance and Improvement Program (QAIP). The Institute of Internal Auditors (IIA) Standards 1300 QAIP is designed to facilitate an evaluation of the internal audit activity's conformance with the standards and Code of Ethics. This activity is also in meeting with the recommendation from the GAO report (GAO-23-105944).

FY 2024-2025 AUDIT PROJECT TIMELINE

	FY 2024 QTR 1	FY 2024 QTR 2	FY 2024 QTR 3	FY 2024 QTR 4	FY 2025 QTR 1	FY 2025 QTR 2	FY 2025 QTR 3	FY 2025 QTR 4
a) Procure-to-Pay Process for Professional Services								X
b) Review of the OGC Compliance Program							X	
c) Corporate Codes of Conduct (Conflicts of Interest, Whistleblower policies etc.)								
i) Review of Third Party Vendor complaint management system					X			
ii) Review of Conflict of Interest Policies				X				
ii) Review of Whistleblower Policies								X
d) Prism Post-Implementation Review						X		
e) Identity Access Management								
i) Active Directory Management					X			
i) Privileged/Non Privileged Access Management				X				
Cyber Attack Identification and Response		X						
Network Affiliations Process (Field)							X	
Leasehold Improvements (FASB ASC 842)						X		
ERM	X							
COMPASS			X					
HSCP				X				
Mandatory Quality Assurance Review (QAR)								
Enhancing Quality Assurance Improvement Program (QAIP)								
Implementation of GAO Recommendations (Internal Audit)								

INTERNAL AUDIT PLAN BUDGETED HOURS

In determining the budgeted hours for each project, we reviewed the 2021 Audit Intelligence Suite (AIS) – Benchmarking Report ² to determine the audit lifecycle of similar-sized organizations. Based on the AIS Report, it was reported that for organizations with an audit staffing level of less than five (5) FTEs, the average audit lifecycle was approximately 11 weeks (52 days or 416 hours). This total time was allocated to include planning, fieldwork, reporting, and follow-up activities. Taking into consideration the results of the AIS report and based on prior NeighborWorks America experience and standard operating procedure, we determined the benchmark average audit lifecycle for a typical NeighborWorks America project to be ten weeks (50days or 400 hours), allocated across the following activities as follows:

Planning – 2 weeks (10 days or 80 hours).

Fieldwork – 5 weeks (25 days or 200 hours).

Follow-up/reporting – 3 weeks (15 days or 120 hours).

Internal Audit recognizes that due to the complexity of the project; prior knowledge of the business activity and/or subject matter; staffing levels, for example internal, consultant or subject matter expert; and lag time due to unforeseen circumstances, some projects may run for a shorter or longer period.

² Source: The Institute of Internal Auditors 2021 Audit Intelligence Suite – Benchmarking Report - Audit Life Cycle.

**BUDGETED HOURS
EXHIBIT C**

NEIGHBORWORKS® AMERICA Internal Audit Plan 2024	
<u>PROJECT DESCRIPTION</u>	BUDGETED HOURS
CORPORATE & INFORMATION TECHNOLOGY SERVICES	
COMPASS Project Development	450
Enterprise Risk Management	450
Conflict of Interest Policies	450
NATIONAL INITIATIVES	
HSCP (Compliance Program)	500
INFORMATION TECHNOLOGY SERVICES	
Identity Access Management – Privileged/Non-Privileged Access Management	450
Cyber Attack Identification and Response	450
TOTAL	2750

**BUDGETED HOURS
EXHIBIT D**

<i>Internal Audit Departmental Deliverables</i>	
<i>Annual Risk Assessment Process</i>	320
<i>Mandatory Quality Assurance Review</i>	500
<i>Enhancing Quality Assurance</i>	600
<i>Improvement Program (QAIP)</i>	420
<i>GAO Recommendations</i>	
	1840
<i>Internal Audit Administration at 35%</i>	1,606
Training and Development	200
Total budgeted audit hours:	1,806
Total audit hours available	5,038
IT outsourced services and other subject matter expertise	1,358
Budgeted audit hours	6,396
Total FTE hours available (2,080 hours per FTE)*	6,240
Administrative time	-320
Annual leave	-360
Sick time	-200
Public holidays	-322
	-
	-
Total audit hours available	5,038

*Based on 3 FTE's

**INTERNAL AUDIT OBJECTIVES AND POTENTIAL RISKS
FISCAL YEAR 2024**

Audit Project Area	Potential Risks	Audit Objective
CORPORATE		
COMPASS PROJECT DEVELOPMENT¹ -(Budget)	Inadequate development or management of resources, budget overruns due to missed deadlines.	Obtain assurance that scheduled milestones and budget are managed by appropriate project management protocols.
CORPORATE CODES OF CONDUCT – Conflict of Interest	Noncompliance with code of conduct policies, lack of guidelines or policies, absence of training or awareness efforts.	Audit objective ensures that the Corporation follows adequate Code of Conduct policies.
ENTERPRISE RISK MANAGEMENT	Risk Protocols do not effectively identify changes to the environment.	Obtain assurance that ERM has been incorporated into business systems to facilitate the identification of internal and external risks as it affects the strategic plan.
NATIONAL INITIATIVES		
HSCP – COMPLIANCE PROGRAM REVIEW	Compliance protocols not observed by Grantees.	Obtain assurance that compliance protocols as indicated by the Program Administrator are effectively implemented.
INFORMATION TECHNOLOGY		
IDENTITY ACCESS MANAGEMENT (IAM) – Access Management	Unauthorized access to data, system permissions not reviewed consistently, inadequate event logging or monitoring of security event logs.	To evaluate procedures and processes that enable the discovery and reporting of cyber-attack incidents within the Corporations IT systems.
CYBER-ATTACK - Identification and Response	Inadequate response time, recovery and follow up from Team.	Evaluating procedures and processes that enable discovery of cyber-attack incidents.

¹ The scope and objective for this project may be subject to change based on further re-evaluation of the COMPASS development project which has been outsourced to a third-party vendor.

GAO REPORT RECOMMENDATIONS

CONDUCT QUALITY ASSURANCE REVIEW (External Assessment) OF INTERNAL AUDIT ACTIVITIES BY AN INDEPENDENT THIRD PARTY STANDARD 1312

Risk of non-implementation of GAO Recommendation and Nonconformance with IIA Standards.

1. To evaluate internal audit activity's conformance with the *international Standards for the Professional Practice of Internal Auditing (Standards) and the IIA's Code of Ethics*
2. Implement GAO Report recommendation.

ENHANCE QUALITY ASSURANCE IMPROVEMENT PROGRAM STANDARD 1300

Risk of non-implementation of GAO Recommendation and Nonconformance with IIA Standards.

1. To evaluate internal audit activity's conformance with the *international Standards for the Professional Practice of Internal Auditing (Standards) and the IIA's Code of Ethics*
2. Implement GAO Report recommendation.

EXHIBIT E
LIST OF OFFICERS AND SENIOR MANAGEMENT
2024 RISK ASSESSMENT INTERVIEWEES

Management Title	Business Area
Chief Executive Officer	Corporate Governance
Chief Operating Officer	Corporate Field Operations
General Counsel	General Counsel Office
Chief Financial Officer	Corporate Finance
Senior Vice-President	Corporate Planning, Performance and Strategy
Senior Vice-President	NeighborWorks Services Group
Senior Vice-President	Information Technology and Services
Senior Vice-President	Procurement
Senior Vice-President	National Initiatives
Senior Vice-President	Organizational Assessment Division
Senior Vice-President	Public Policy and Legislative Affairs
Senior Vice-President	Human Resources
Senior Vice-President	Development
Senior Vice-President	Administrative Services
Senior Vice-President, Controller	Finance
Senior Vice-President	Financial Planning and Analysis

GLOSSARY

Audit Plan: The plan for annual or multiyear audit coverage of the audit universe units (see Audit Universe) including units to be audited, planned scope, timing of the work and estimated time.

Audit Risk Assessment (Model): A systematic process for exercising and integrating professional judgments about potential adverse conditions and events. This process provides a means for development of the Audit Plan (see also Business Risk and Risk Factors). An audit risk assessment is the identification, measurement, and prioritization of risks. The corporate control environment influences the negative or positive consequences of risk, including risk assessment mechanisms in place, information, and communication process, including monitoring and oversight responsibilities.

Audit Universe: Consists of auditable activities which include subjects, units or systems that are capable of being defined and evaluated. They can further be defined as core business activities and support functions.

Auditable Activities: May include policies, procedures, and practices; cost centers; general ledger account balances; information systems (manual and computerized); major grants, contracts and programs; organizational units such as technical assistance; functions such as information technology, consultant purchase, finance and human resources; transaction systems for activities such as grant disbursements, collections, payroll and fixed assets; financial statements and laws and regulations.

Business Area/Activity: Sometimes referred to as an auditable unit. Any topic, subject, project, department, process, organizational function, or activity is considered auditable.

Business Risk: Risk is used to express concerns about the probable effects of an uncertain environment and the probability that an event may adversely affect the corporation, activity, process, system, etc. The negative possibilities are the risks while the positive possibilities are opportunities. A business risk is considered a threat to the ultimate achievement of the stated goals and objectives of the current fiscal year and/or three to five years into the future.

Criteria: Requirements.

Exposure: The susceptibility to loss, perception of risk, or a threat to an asset or asset-producing process, usually quantified in dollars. An exposure is the total dollar amount at risk without regard to the probability of a negative event.

Ranking: The process of establishing the order of priority.

Risk Analysis/Risk Assessment: The identification of risk, the measurement of risk and the process of prioritizing risks or selecting alternatives based on risk.

Risk Classification: The categorization of risk, typically into high, moderate, and low.

Risk Factors: Criteria used to identify the nature, relative significance and likelihood of potential adverse conditions or events. The individual risk factors were selected from professional literature⁴ based on relevance.

Risk Identification: The method of identifying and classifying risk (see also Risk Classification).

Risk Model: A mathematical, graphical, or verbal description of risk for a particular environment and set of activities within that environment. Useful in risk assessment for consistency, training, and documentation of the assessment.

Risk Profile: A high-level summary of the identified, measured, and prioritized business risks facing the organization.

Specific Risk: The type of risk that is found in specific activities. The level of this risk is expected to vary from activity to activity, even though all activities may have it.

⁴ Literature obtained from the American Institute of Certified Public Accountants and the Institute of Internal Audit