



NeighborWorks America

Semiannual Report to Congress

For the Period January 1, 2025, through March 31, 2025

Message from the Chief Audit Executive

As part of our continuing efforts to align NeighborWorks America Internal Audit Division activities with some of the reporting functions of the Office of Inspector General (OIG), the Chief Audit Executive will submit semiannual reports to Congress in accordance with the mandatory reporting periods of October 1 through March 31, and April 1 through September 30.

Our earlier Inaugural Semiannual Report sent on February 7th, 2025, was for a reporting period July 1, 2024, to December 31, 2024. In order to align with the mandatory reporting periods of October 1 through March 31, we are issuing a supplemental report that covers the period January 1, 2025, to March 31, 2025. As a result, on behalf of the Internal Audit Division I am pleased to present this supplemental report which will enable us to commence subsequent reporting in conformance with the mandatory reporting periods. This report summarizes our audit observations, recommendations, and other activities for that period.

The NeighborWorks America Internal Audit Division remains committed to promoting economy, efficiency, and effectiveness in the organization's operations. We will continue to conduct audit activities, investigations, and other activities to ensure accountability and to protect against waste, fraud, and abuse.

Frederick Udochi

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Chief Audit Executive

Table of Contents

Message from the Chief Audit Executive.....	1
Introduction	3
Internal Audit Activity Completed	4
Results of the Audited Financial Statements	6
Top Management and Performance Challenges for FY 2025	6
Investigative Activities	7
Status of the GAO Final Recommendations	8
NeighborWorks America Network Activities	10
Training and Outreach Activities	11
Conclusion	11

Introduction

The Internal Audit Division of NeighborWorks America was created in 1988 by the Board of Directors to facilitate Board oversight of the organization's governance, risk management, and compliance activities with applicable financial and operational procedures, rules, and regulations, in addition to ensuring the protection of funds against waste, fraud, and abuse. The Chief Audit Executive reports functionally and operationally to the Audit Committee/Board of Directors and administratively to the Chief Executive Officer.

There are two primary documents that govern the activities of the Internal Audit Division function: the [Audit Committee Charter](#) and the [Internal Audit Charter](#). The Internal Audit Division operates within the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The Standards are principle-focused and provide the framework for performing and promoting internal audit activities. The Standards cover areas such as planning and managing engagements, communicating, monitoring results, independence and objectivity, and a quality assurance improvement program.

On June 14, 2023, the Government Accountability Office (GAO) issued a final report with recommendations for NeighborWorks America. The report entitled, "Community Redevelopment: Significant Improvements in Policies and Procedures Are Needed at NeighborWorks America," included ten recommendations, all of which were accepted by NeighborWorks America. We are delighted and pleased to report that **all ten recommendations have been implemented by the Corporation and officially closed by the GAO as of January 2025**. The Internal Audit Division will continue to monitor these areas identified in the report to ensure management continues with its oversight function in those areas.

NeighborWorks America received a **clean audit with unmodified opinions** from its external auditors, CliftonLarsonAllen (CLA), on both the financial statement audit and the federal awards audit. The annual financial audits are required to be conducted by an independent public accounting firm and during this period the results of the audit on annual financial statements were reported to the Board of Directors. This external audit must comply with audit requirements contained in Subpart F of 2 C.F.R. Part 200. These requirements also include review of a schedule of expenditures, financial statements, internal controls, and compliance with applicable law and terms and conditions of federal awards¹. The external financial audit must be conducted in accordance with formal industry standards set by the American Institute of Certified Public Accountants and with generally accepted government auditing standards applicable to financial audits².

The annual audit report presents the financial position of the organization at the end of the current fiscal year and the past fiscal year. The results of the external audits are communicated directly to the Board of Directors and can be accessed on the NeighborWorks America [website](#).

¹ See, e.g., 2 C.F.R. § 200.514.

² GAO, Government Auditing Standards: 2018 Revision, GAO-18-568G (Washington, D.C.: July 17, 2018).

Internal Audit Activity Completed

Two internal audit reports were accepted by the Audit Committee after final internal review and issued. One additional report is pending final review.

Audit Reports Issued

- (I) Audit of the Corporation's Privileged/Non-Privileged Access Management Policies, *Issued March 25, 2025*

The Internal Audit Division conducted this review to obtain reasonable assurance that the organization's privileged and non-privileged access management policies were developed in accordance with applicable standards to mitigate cyber security risks to the organization. The goal of the review was to ensure that the policies were satisfactorily documented and implemented in a way that minimizes risk to the organization.

Audit Recommendations

- (a) Define, update, and document storage locations [*Implementation Date: 2/28/2025*]
- (b) Define and update policies to explicitly define a detailed separation of duties framework [*Implementation Date: 2/28/2025*]
- (c) Update policies to include a clearly defined process for modifying and revoking user access [*Implementation Date: 2/28/2025*]
- (d) Conduct regular training for staff to ensure they understand the importance of separation of duties and their role within its structure [*Implementation Date: 2/28/2025*]
- (e) Document the access modification and revocation process [*Implementation Date: 2/28/2025*]
- (f) Update Policy to require Multi-Factor Authentication (MFA) for non-privileged accounts and include the process by which regular reviews of MFA requirements will be conducted [*Implementation Date: 5/31/2026*]

All recommendations from the initial review have been implemented by the IT&S Team with the exception of item (f) above which has an *implementation date of 5/31/2026*.

- (II) Audit of the Corporation's Enterprise Risk Management (ERM) Program, *Issued October 31, 2024*

The objective of this audit report was to obtain reasonable assurance that the ERM program had been incorporated into business systems to facilitate the identification of internal and external risks as it affects the NeighborWorks America strategic plan. The goal of the review was to aid the organization in establishing an ERM maturity level consistent with its business environment that effectively and efficiently meets its needs.

Audit Recommendations

- (a) Expand the ERM Framework into more detailed and descriptive policies and procedures that are updated at pre-defined intervals, at least annually, and communicated to staff. Consider the governance structure of the ERM Committee such that dedicated resources are included to allow for consistent focus on policy, procedures, and the dissemination of information. *[Estimated Implementation Date: 6/30/2025]*.
- (b) Develop an ERM charter that would facilitate the establishment of dedicated ERM governance, to include critical assurance providers with clearly defined roles and responsibilities that are documented and communicated. Plan on dedicating more resources to ERM in order to access risk management expertise. *[Estimated Implementation Date: 6/30/2025]*.
- (c) Explore the feasibility of integrating enterprise level risk at the Strategic Planning stage. Risks identified that could potentially have an impact at the various enterprise levels should be broadly communicated downwards. *[Estimated Implementation Date: 6/30/2025]*.
- (d) Develop and document risk criteria to maintain a consistent common language. This should include risk thresholds, metrics, and other measures such as high, moderate, and low. Management should integrate risk criteria into existing ERM processes and procedures. *[Estimated Implementation Date: 3/31/2025]*.
- (e) Establish a Risk Appetite Statement defining overall risk tolerance, risk categories and thresholds, and acceptable risk levels, and communicate the same to stakeholders and risk owners. Management should regularly review and refine risk appetite to ensure effectiveness *[Estimated Implementation Date: 6/30/2025]*
- (f) Educate stakeholders on the importance of ERM through training and communication sessions. Provide additional training on the early alert system, and work to increase the awareness of alternate reporting mediums (such as the anonymous reporting system and the newly created function of the VP Ethics and Compliance), and detail how and when these alternate mediums can be used *[Implementation Date: 12/31/2025]*.
- (g) Management should also work towards developing a common language of risk in the definition and use of terms. In addition, management should adopt a frequency of reporting ERM activities to the Board of Directors or Audit Committee. *[Implementation Date: 12/31/2025]*.

Audit Reports Completed – Pending Final Internal Review

- (III) Audit Review of NeighborWorks Compass Budget FY19 – FY 22

The objective of this review was to evaluate the budget management protocols of the NeighborWorks Compass Budget for the period FY 19 – FY 22 through an assessment of the business strategy and goals, revenue and project costs.

Results of the Audited Financial Statements

- NeighborWorks America received a **clean audit with unmodified opinions** from the external auditor, CliftonLarsonAllen, on both the financial statement audit and the federal awards audit.
- There were no material weaknesses or significant deficiencies identified in the financial statement audit. Similarly, there were no material weaknesses found in the federal awards audit.
- However, there was one significant deficiency related to the federal awards, which was a repeat finding from the previous year audit.
 - Specifically, this deficiency pertains to two non-competitive contracts—one from FY 2020 and the other from FY 2022—that were procured using a sole source justification that was not in full compliance with the Uniform Guidance.
- **REMEDIATION:** The Corporation is actively addressing the issue by taking steps to remediate this issue with the goal of ensuring full compliance and properly compete the related service. The Internal Audit Division will evaluate steps taken to remediate this issue in an upcoming audit review of the Procure to Pay Process, which is already scheduled for the fourth quarter of the FY 2025 Internal Audit Plan.

Top Management and Performance Challenges for FY 2025

The following nine top management and performance challenges are an independent view and assessment from the Chief Audit Executive. This assessment is based on the Chief Audit Executive's observations from internal audit activity and other risk assessment activities conducted over a period. All of these issues are either currently being addressed or have been brought to the attention of management through internal audit activity or other outreach activities.

- Budgetary funding in an uncertain environment
- Increasing support and investment targeted to increase home production
- Enhancing efficiencies and effectiveness in the Corporation's procurement process
- Human Capital management (recruitment and retention) in an increasingly competitive market
- End of Life Legacy Application/Systems
- Cyber security threats
- Information Technology Acquisition and Project Management
- Disaster recovery and business continuity protocols
- Managing adaptation and impact of emerging technologies, e.g., Artificial Intelligence

Investigative Activities

Whistleblower Allegation & Retaliation Activities

The Vice President of Ethics & Compliance in the Office of the General Counsel (OGC) is primarily responsible for the corporation's ethics and compliance program, including whistleblower and conflict of interest policies with any related inquiries and investigations. The Chief Audit Executive is kept informed of these activities and related outcomes.

During this period, the Office of the General Counsel provided information of the following:

- A potential fraud/conflict of interest matter from one of the network organizations. The Office of the General Counsel is assisting in communicating to the Board of the NeighborWorks' network organization the expectation of the Corporation that all issues are effectively investigated and addressed as appropriate.
- A report to the Anonymous Reporting System suggesting that the Corporation should look into a contract with a particular IT vendor. The report suggested certain information related to the vendor's retention. No specific allegations of misconduct were made.
- A similar report was received in the Corporation's Anonymous Reporting System suggesting that it should look into its contract with a different IT vendor. The report also included certain information related to the vendor's retention and requested that this be reviewed. No specific allegations of misconduct were made.
- The Office of the General Counsel is retaining outside counsel to perform an open-source investigation for any potential conflicts of interest related to the aforementioned IT vendors.

Additional information has been requested from the reporters to aid further investigation by the Office of the General Counsel. There were no other investigative activities conducted during this period.

We have received no reports that meet the definition of a whistleblower allegation or retaliation as defined by the NeighborWorks America Whistleblower Policy.

Attempts to Interfere with Chief Audit Executive Independence

There have been no attempts on the part of management to interfere with the Chief Audit Executive's access to records, properties, and personnel related to the performance of the Chief Audit Executive's duties.

Status of the Government Accountability Office (GAO) Final Recommendations

On June 14, 2023, the Government Accountability Office (GAO) issued a final report with recommendations for NeighborWorks America. The report entitled, “Community Redevelopment: Significant Improvements in Policies and Procedures Are Needed at NeighborWorks America,” included ten recommendations, all of which were accepted by NeighborWorks America.

To date all activities and materials have been **concluded to implement the closure for all ten recommendations**, including all three Internal Audit Division recommendations, which have been officially closed by the GAO.

Below is the status of the three Internal Audit Division recommendations from the GAO Report 23-105944.

Recommendation #8: CLOSED

NeighborWorks America Chief Audit Executive in collaboration with the Audit Committee should develop and implement a formalized process to document and communicate restrictions on internal auditors from assessing specific operations for which they were previously responsible in accordance with the International Standards for the Professional Practice of Internal Auditing impairments to independence or objectivity.

Corrective Action

Policy guidelines on Independence and Objectivity were developed and deployed to staff. The new policy guidelines also included a formalized process to document and communicate restrictions on internal auditors from assessing specific operations for which they were previously responsible. In addition, internal audit staff attended mandatory ethics training sessions.

GAO Closure Date: 12/15/2023


Recommendation #9: CLOSED (reported status previously as *Pending Closure*)

NeighborWorks America Chief Audit Executive in collaboration with the Audit Committee should develop and implement a formal continuous quality and assurance improvement program that includes periodic self-assessments and conducting an external assessment every five years to adhere to the International Standards for the Professional Practice of Internal Auditing on quality assurance and improvement programs.

Corrective Action

A formal continuous quality assurance and improvement was developed and implemented evidenced by the establishment of a Quality Assurance Improvement Program (QAIP) policy document. In addition, a quarterly report of periodic assessments to the Board/Audit Committee has been undertaken.

CohnReznick (an independent accounting firm) undertook an external assessment (Peer Review) to assess conformance with the Institute of Internal Auditors (IIA) Standards. A final Conformance Report was issued in September along with Opportunities for further improvement. Based on the IIA rating scale the NeighborWorks America Internal Audit conformance rating was “Generally Conforms” (the highest rating). See Rating scale below.

	“Generally Conforms” indicates that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics.
	“Partially Conforms” indicates that minor deficiencies in practice are noted and are judged to deviate from the Standards and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
	“Does Not Conform” indicates that deficiencies in practice are judged to deviate from the Standards and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

This rating scale of “Generally Conforms” was scored on all forty-four attributes against which the internal audit function was assessed. Documentation to evidence and substantiate closure of this recommendation has been submitted to the GAO.

GAO Closure Date: 12/31/2024

Recommendation #10: CLOSED

NeighborWorks America Chief Audit Executive in collaboration with the Audit Committee should remove language from audit reports (starting with 2017) indicating that audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing until an external assessment has been conducted and an internal quality assessment and improvement program that includes periodic self-assessments has been formally implemented.

Corrective Action

Conformance language was removed as recommended from audit reports (starting with 2017). An external assessment has since been conducted and an internal Quality Assessment and Improvement Program (QAIP) that includes periodic self-assessments has been formally implemented. Beginning October 2024 Internal Audit Division will commence including the conformance language in its audit reports indicating that audits were conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

GAO Closure Date: 03/6/2024

The GAO reports which contain the status on all other recommendations can be found on their [website](#).

NeighborWorks America Network Activities

The Organizational Assessment Division (OAD) evaluates organizational health through the PROMPT® dimensions, line of business analyses, and audit reviews. The PROMPT® framework assesses organizational health, risk, performance, and capacity.

PROMPT® is the acronym for Production & Program Services, Resource Management & Financial Management, Organizational Management & Board Governance, Management- Staffing & Personnel, Planning, Technical Operating & Compliance Systems.

Likewise, the PRO assessment, modeled after the more comprehensive PROMPT® Assessment, is a condensed evaluation focusing on program performance, financial management, and board governance. PRO refers to the first three categories of the PROMPT assessment framework. PRO assessments are conducted remotely and occur between an organization's PROMPT® assessments which are conducted on approximately a 48-month cycle. They utilize the same framework and performance metrics as PROMPT® reviews. Organizations are held to the same performance standards regardless of the assessment type. Outside of the PROMPT® and PRO reviews, each Network Organization and grantee receives an annual review of their audited financials.

The NeighborWorks America Network includes some of the best community development and housing organizations in the country comprising nearly 250 nonprofit organizations across the United States, including the District of Columbia and Puerto Rico.

Currently, the PROMPT® and PRO assessments including audit analyses are conducted to ensure effective financial management controls, appropriate governance, and oversight of risk management. Also, each Network Organization is required to have established board-approved whistleblower policies.

The table below summarizes the oversight activities conducted for the referenced period of this report.

January 1, 2025 – March 31, 2025

Review Type	Number of Reviews	Fraud/Whistleblower Findings
PROMPT®	17 assessments conducted	None to report
PRO	35 assessments conducted	None to report
Financial Analyses of Network Organizations (who did not receive a PROMPT® or PRO assessment during the calendar year)	84 financial analyses completed	None to report
Grantee Financial Analyses (non-network)	financial analyses completed	None to report

Training and Outreach Activities

The Internal Audit Division participated in a number of training exercises during this period:

- (i) Wolters Kluwers TeamMate Analytics Training
- (ii) Wolters Kluwers Internal Audit Strategy Development Workshop
- (iii) 2025 GAM Conference: Great Audit Minds

Conclusion

The NeighborWorks America Internal Audit Division remains committed to utilizing a systemic and disciplined approach to promote efficiency and effectiveness in the operations of the organization. We will continue to conduct audits, investigations, and other activities to ensure accountability and to protect against waste, fraud, and abuse.

Contact Information

NeighborWorks America Internal Audit Division
1255 Union St, NE, Suite 500, Washington, DC 20002
202-524-9937
fudochi@nw.org

Certification

I certify that this report is accurate and complete.

Frederick Udochi

Frederick Udochi
Chief Audit Executive