



# **FISCAL YEAR 2025-2026 INTERNAL AUDIT PLAN AND RISK ASSESSMENT**

**October 11, 2024**

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## EXECUTIVE SUMMARY

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The Fiscal Year 2025 Internal Audit Plan represents essentially the first half of a formulated Two-Year Plan that extends through FY2026. The selected audit projects are based on a collaborative, risk assessment which sought initial input from the officers, Senior Management, staff and Board members of NeighborWorks America (the Corporation). This exercise identified, measured, and prioritized the potential risks associated with the universe of activities performed by the Corporation. It also took into consideration newly assessed risks and the Corporation's Strategic Plan, whose stated Goal of actively cultivating a culture of belonging, empowerment, and mutual accountability. Execution of the plan is subject to periodic updates and the availability of resources.

### **Methodology for the FY 2025 Internal Audit Plan:**

- Establish an audit universe that covers the core business processes, significant assets, compliance requirements and major projects/initiatives pertinent to the success of the Corporation's strategic plan.
- Seek input on risks from the officers, Senior Management, staff and Board members.
- Measure relative risks, based on their estimated impact and likelihood of occurrence.
- Define audit work schedules and priorities based on potential exposures/key risks of the organization, and the constraints of available resources.
- Allocate resources (person-hours and financial budget) to the highest priorities identified.
- Provide the foundation for continuous systematic audit coverage that assures key systems/units/activities are covered.
- Formulate a clear basis for measuring Internal Audit performance.
- Allow for flexibility by continuously monitoring and identifying risks as they emerge, thereby enabling the Corporation to respond in a timely manner.
- Employ a framework that facilitates 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 Internal Audit's 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 themes from Risk Assessment were categorized as follows:

- **Mission / Operational:**
  - Status of GAO Implementation
  - Institutional Capacity Constrained
  - Succession Planning/ Hire & Retain Staff
  - Corporate Culture

- **Compliance / Legal:**
  - Lack of Compliance
  - Codes of Conduct (Whistleblower/Conflict of Interest)
  - Legal Risk (Pending Litigation)
- **Financial:**
  - Procurement 2 CFR 200/Policies
  - Risk to Funding
  - Micro-Purchase Card
  - Third-Party Strategic Vendors
- **Information Resources:**
  - Inadequacy of Application or System
  - Data Integrity/Privacy Undermined
  - Disaster Recovery/
  - Cyber Security
- **Reputational:**
  - Funder/Stakeholder Concerns
  - Social Media
  - Negative Publicity

Each Level of Risk was estimated as a product of two key elements:

- The **Level of Impact** in the event of any given occurrence or mishap, and
- The **Likelihood of Occurrence** that the detrimental event or mishap would actually 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 Detrimental Occurrences;
  - Corporate Culture and Control Environment;
  - Process Experience;
  - Audit History (elapsed time since last audit); and
  - 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.

**FY 2025 RISK ASSESSMENT AND INTERNAL AUDIT UNIVERSE (ABRIDGED VERSION)  
[EXHIBIT A]**

No.	Auditable Area	Impact	Likelihood	Risk Rating
1	Status of GAO Recommendations	High	Somewhat High	240
2	Disaster / Business Continuity Plan	High	Somewhat High	240
3	Cybersecurity	Moderate	High	240
4	Procurement 2 CFR 200 & Corporate Policy	Somewhat High	Somewhat High	235
5	Prism Post-Implementation	Somewhat High	Somewhat High	235
6	IT Governance	Somewhat High	Somewhat High	235
7	Corporate Culture	Somewhat High	Somewhat High	235
8	Procure-to-Pay Process (P2P) for Prof. Services	Moderate	Somewhat High	235
9	Active Directory Management	Moderate	Somewhat High	228
10	PRISM - NetSuite Integration	Moderate	Somewhat High	228
11	Outsourcing to Strategic Third-Party Vendors	Moderate	Somewhat High	228
12	Network Affiliations Process (Field)	Somewhat High	Moderate	228
13	Leasehold Improvements (FASB ASC 842)	Somewhat High	Moderate	228
14	Corporate Use of Artificial Intelligence (AI)	Moderate	Somewhat High	228
15	System Obsolescence (Infrastructure & Apps.)	Moderate	Somewhat High	228
16	Review of the OGC Compliance Program	Moderate	Moderate	228
17	Conflict of Interest / Whistleblower Policies	Somewhat High	Moderate	228
18	Third-Party Anonymous Reporting System	Somewhat High	Moderate	228
19	Succession Planning	Somewhat High	Moderate	228
20	Human Capital Retention	Somewhat High	Moderate	228
21	Data Privacy	Moderate	Somewhat High	228
22	Social Media - Online Reputation	Somewhat High	Moderate	228
23	Micro-Purchase Threshold (Increase)	Moderate	Somewhat High	228
24	PLEMS Implementation <sup>1</sup>	Moderate	Somewhat High	228
25	Remote / Hybrid Work Practices	Somewhat Low	Somewhat High	186
26	Alternative Office Space Planning	Somewhat Low	Moderate	159
27	NeighborWorks Training Institute	Moderate	Somewhat Low	159
28	Donor Relations	Somewhat High	Low	150
29	Congressional Review	Somewhat High	Low	150
30	Online Learning	Moderate	Low	140
31	Diversity, Equity & Inclusion (DEI) Compliance	Low	Low	115

*Figure 1 - Subset of Identified and Assessed Risks*

The levels of Impact vs. Likelihood of Occurrence are reflected in the following chart. The auditable areas of highest risk appear in the upper-right-hand corner (See Risk Assessment: *Impact vs. Likelihood* Chart below).

<sup>1</sup> PLEMS: Professional Learning & Events Management Solutions

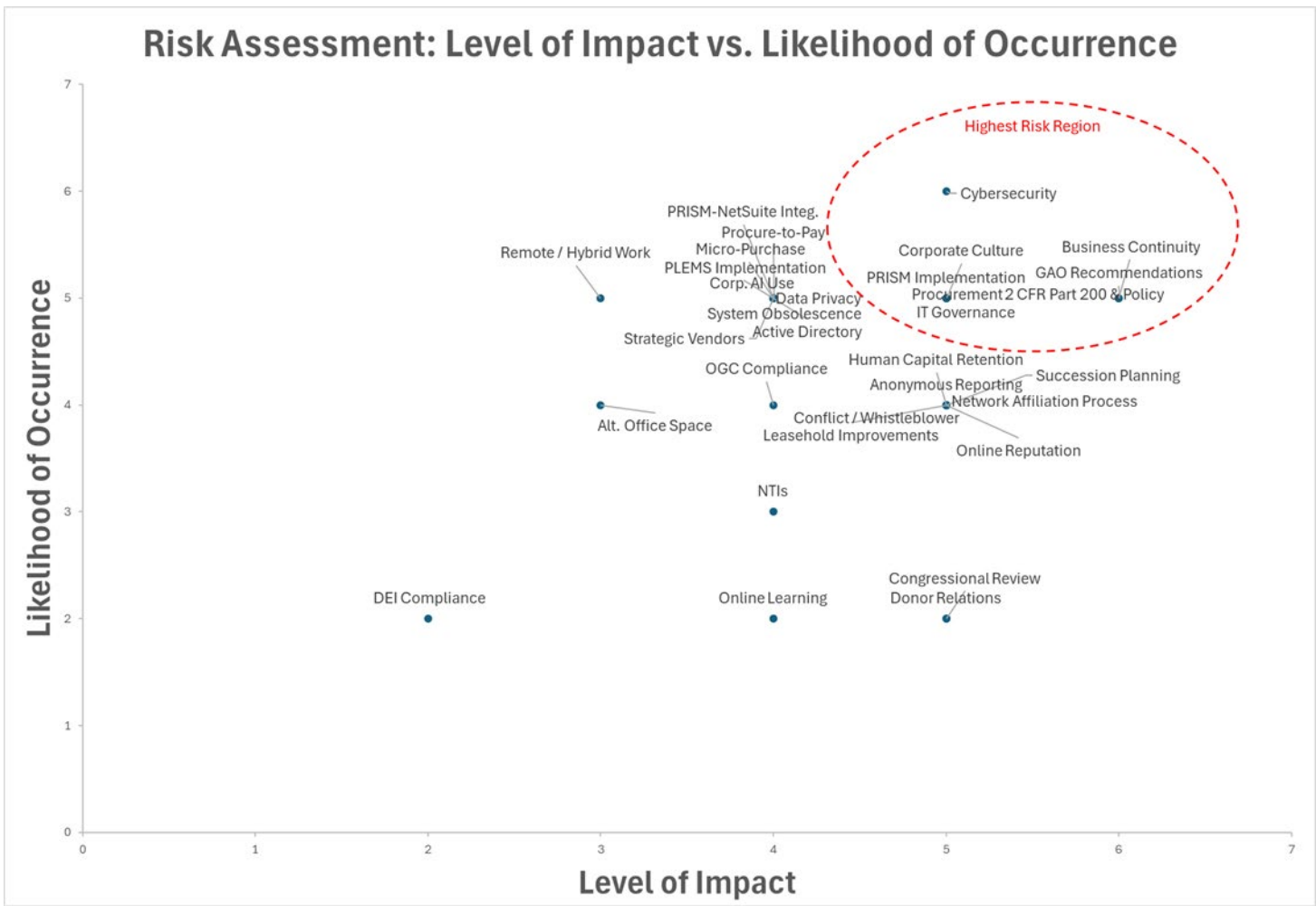


Figure 1- Risk Assessment: Level of Impact vs. Likelihood of Occurrence

## INTERNAL AUDIT PLAN PROJECTS

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The following basic criteria were employed in selecting Internal Audit Plan projects:

- The highest risk ranking of an activity or function will be the primary consideration in making project selections.
- 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 Corporation's 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 unforeseeable events which might arise and justify the inclusion of other audit projects.

The Internal Audit Plan also provides allowances for the following:

- 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.
- 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 **FY2025**<sup>1</sup>/2026 inclusive of Deferred projects from FY 2024 are as follows (See **Timeline Exhibit B**):

1. **Procure-to-Pay Process for Professional Services**
2. **Corporate Codes of Conduct (Conflicts of Interest, Whistleblower Policies, etc.)**
  - a. **Review of Third-Party Anonymous Reporting System**
  - b. **Review of Conflict-of-Interest Policies**
  - c. **Review of Whistleblower Policies**
3. **Prism Post-Implementation Review**
4. **Identity Access Management**

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<sup>1</sup> FY2025 projects are reflected in **Bold** font.

**a. Active Directory Management**

5. **Network Affiliations Process (Field)**
6. *Leasehold Improvements (FASB ASC 842)*
7. *OGC Compliance Program*
8. *Disaster / Business Continuity Plan*
9. *IT Governance*
10. *Procurement 2 CFR 200 & Corporate Policy*
11. *Corporate Use of Artificial Intelligence (AI)*
12. *Outsourcing to Strategic Third-Party Vendors*
13. **HSCP QC Phase 2: Operating Effectiveness**
14. **Implementation of New IIA Standards, Effective Jan 2025**
15. **Quality Assurance Improvement Program (QAIP) – Ongoing & Periodic Assessments**
16. **Implementation of QAR Opportunities for Improvement**
17. **Improvements to NeighborWorks America Oversight Structure**

**\*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<sup>®</sup> 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 made available up to \$88.5 million in grant funds.

Internal Audit scheduled a two-phase review of the HSCP program. In Phase 1 Internal Audit completed a review of the design of the program's Quality Control & Compliance process and will commence review of the QC & Compliance operational process in Phase 2.

**Quality Assurance Review**

According to the Institute of Internal Auditors (IIA) Standards 1312, external assessments are to be conducted at least once every five years and by qualified independent external assessors. Internal Audit completed a Quality Assurance Review (QAR) in FY 2024 conducted by CohnReznick as the independent external assessor. The QAR confirmed that the Internal Audit Division activity complies with the requirements of the IIA's International Standards for the Professional Practice of Internal Audit which also satisfied a key recommendation from the GAO report (GAO-23-105944). For the FY 2025/2026 Internal Audit will be working to implement QAR Opportunities for Improvement along with the new IIA standards which will become effective January 2025.

**Quality Assurance Improvement Program**

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. During FY 2025/2026 Internal

Audit plans to continuously conduct ongoing and periodic assessments as required by the current Quality Assurance and Improvement Program (QAIP).

## FY 2025-2026 AUDIT PROJECT TIMELINE [EXHIBIT B]

	FY 2025 QTR 1	FY 2025 QTR 2	FY 2025 QTR 3	FY 2025 QTR 4	FY 2026 QTR 1	FY 2026 QTR 2	FY 2026 QTR 3	FY 2026 QTR 4
a) Procure-to-Pay Process for Professional Services				X				
b) * OGC Compliance Program					X			
c) Corporate Codes of Conduct								
i) Review of Third Party Anonymous Reporting System		X						
ii) Conflict of Interest / Whistleblower Policy	X							
d) PRISM Post-Implementation Review			X					
e) Identity Access Management								
i) Active Directory Management			X					
Network Affiliations Process (Field)		X						
Leasehold Improvements (FASB ASC 842)					X			
IT Governance								X
Disaster / Business Continuity Plan						X		
Procurement 2 CFR 200 & Corporate Policy								X
Corporate Policy on Use of Artificial Intelligence (AI)							X	
Outsourcing to Strategic Third-Party Vendors					X			
HSCP Phase 2: Operating Effectiveness		X						
Implementation of New IIA Standards, Effective Jan 2025								
Quality Assurance Improvement Program (QAIP) - Ongoing & Periodic Assessments								
Implementation of QAR Opportunities for Improvement								
Test Pilot a Consulting Engagement Project								
Improvements to NeighborWorks America Oversight Structure - OIG Alignments								

## INTERNAL AUDIT PLAN BUDGETED HOURS

In estimating the budgeted hours for each project (planning, fieldwork, reporting, and follow-up activities), we made reference to audit lifecycle times of similar-sized organizations laid out in 2021 Audit Intelligence Suite (AIS) – Benchmarking Report<sup>1</sup>. Based on this AIS data, NeighborWorks America experience and standard operating procedures, Internal Audit estimated an average audit lifecycle for a typical NeighborWorks America project to be ten weeks (50 workdays or 400 hours), allocated across the following activities, as follows:

- Planning – 2 weeks (10 workdays or 80 hours).
- Fieldwork – 5 weeks (25 work days or 200 hours).
- Follow-up & Reporting – 3 weeks (15 workdays or 120 hours).

Internal Audit recognizes that some projects may run shorter or longer due to factors such as the complexity of the project; prior knowledge of the business activity / subject matter; staffing levels (e.g., internal staff, consultants or subject matter experts); and delays due to unforeseen circumstances.

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<sup>1</sup> 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). Source: The Institute of Internal Auditors 2021 Audit Intelligence Suite – Benchmarking Report - Audit Life Cycle.

**BUDGETED HOURS**  
**EXHIBIT C**

<b>NEIGHBORWORKS® AMERICA</b> <b>Internal Audit Plan 2025</b>	
<b><u>PROJECT DESCRIPTION</u></b>	<b>BUDGETED HOURS</b>
<b>CORPORATE &amp; INFORMATION TECHNOLOGY SERVICES</b>	
Procure-to-Pay Process for Professional Services	450
PRISM Post-Implementation Review	400
Conflict of Interest Policies/Whistle Blower Policies	250
Third-Party Anonymous Reporting System	350
<b>NATIONAL INITIATIVES</b>	
<b>HSCP (Compliance Program)</b>	<b>500</b>
<b>INFORMATION TECHNOLOGY SERVICES</b>	
Network Affiliations Process	400
Active Directory Management	400
<b>TOTAL</b>	<b>2750</b>

**BUDGETED HOURS  
EXHIBIT D**

<i>Internal Audit Departmental Deliverables</i>	
<i>Annual Risk Assessment Process</i>	420
<i>Implementation of New IIA Standards</i>	400
<i>Quality Assurance</i>	
<i>Improvement Program (QAIP)</i>	600
<i>Implementation of QAR Opportunities</i>	420
	1840
<i>Internal Audit Administration at 35%</i>	1,606
Training and Development	200
<b>Total budgeted audit hours:</b>	1,806
<b>Total audit hours available</b>	5,038
<b>IT outsourced services and other subject matter expertise</b>	1,358
<b>Budgeted audit hours</b>	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
	-
<b>Total audit hours available</b>	5,038

\*Based on 3 FTEs

**INTERNAL AUDIT OBJECTIVES AND POTENTIAL RISKS  
FISCAL YEAR 2025**

<b>Audit Project Area</b>	<b>Potential Risks</b>	<b>Audit Objective</b>
<b>CORPORATE</b>		
<p><b>Procure-to-Pay Process for Professional Services</b></p> <p><b>PRISM Post-Implementation Review</b></p> <p><b>CORPORATE CODES OF CONDUCT – Conflict of Interest/Whistleblower Policies</b></p> <p><b>Third-Party Anonymous Reporting System</b></p>	<p>Inaccurate or incomplete vendor information, unauthorized purchases and/or duplicate payments</p> <p>System security vulnerabilities, inadequate system integration with other applications, lack of audit trails and logging</p> <p>Noncompliance with laws and regulations, compromised objectivity or impartiality.</p> <p>Lack of anonymity and whistleblower protection, inadequate reporting channels and procedures, inadequate investigation or follow up.</p>	<p>Ensure compliance with organizational policies, laws and regulations.</p> <p>Assess the adequacy of workflow efficiency and effectiveness</p> <p>Verify compliance with policy and regulatory requirements and verify confidentiality and anonymity protections.</p> <p>Assess system security and confidentiality</p>
<b>NATIONAL INITIATIVES</b>		
<p><b>HSCP – REVIEW OF QUALITY CONTROL &amp; COMPLIANCE PROGRAM</b></p>	<p>Inaccurate measurement of program quality, inadequate corrective actions where findings / defects are observed. Compliance protocols not observed by Grantees or Program Administrator.</p>	<p>Obtain assurance that quality control and compliance protocols were implemented effectively.</p>

<b>INFORMATION TECHNOLOGY</b>		
<b>Active Directory Management</b>	Privilege escalation and abuse, weak password policies and authentication	Evaluate security and access controls including compliance with regulatory requirements

**EXHIBIT E**  
**LIST OF OFFICERS AND SENIOR MANAGEMENT**  
**2025 RISK ASSESSMENT INTERVIEWEES**

<b>Management Title</b>	<b>Business Area</b>
Chief Executive Officer	Corporate Governance
Chief Operating Officer	Corporate Field Operations
General Counsel	General Counsel Office
Chief Financial Officer	Corporate Finance
Chief Information Officer	Information Technology and Services
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

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**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 literature<sup>1</sup> 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.

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<sup>1</sup> Literature obtained from the American Institute of Certified Public Accountants and the Institute of Internal Audit