



NeighborWorks America

SEMIANNUAL REPORT TO CONGRESS

For the Period April 1, 2025, through September 30, 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 semi-annual reports to Congress in accordance with the mandatory reporting periods of October 1 through March 31, and April 1 through September 30.

As a result, on behalf of the Internal Audit Division, I am pleased to present this report for the reporting period April 1, 2025, through September 30, 2025.

The NeighborWorks America Internal Audit Division remains committed to promoting economy, efficiency, and effectiveness in the organization's operations. The Corporation recently undertook a comprehensive enhancement of its Enterprise Risk Management (ERM) activities primarily based on recommendations from a previous Internal Audit report which would continue to greatly facilitate governance oversight. We will continue to conduct audit activities, investigations, and the monitoring of other activities to ensure accountability and to protect against waste, fraud, and abuse.

We look forward to continuously working with the Board of Directors and the NeighborWorks America Management and staff towards supporting internal audit activity in meeting its mission and mandate.

Frederick Udochi

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Chief Audit Executive

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Introduction

The Internal Audit Division (IAD) 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 IAD function: the [Audit Committee Charter](#) and the [Internal Audit Charter](#). The IAD 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.

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 for the Fiscal Year 2024. 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. Plans are currently underway to conduct the annual financial audit for the Fiscal Year 2025 by the Corporations external auditors. 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

Audit Reports Issued³

None during this period until completion of the audit review and finalization process.

Audit Reports Completed – Pending Final Internal Review -

The following audit projects and reports have been completed and are in various stages of audit review and finalization prior to acceptance by the Audit Committee/Board. A summary objective for each of the projects is provided for context.

(I) **Audit Review of Cyber Attack Identification and Response (II)**

The objective of this audit was to assess the current state and design of the NeighborWorks' incident response program. This was a follow-up review from an earlier report Cyber Attack Identification and Response (I) issued July 2024.

(II) **Audit Review of Identity Access Management (Active Directory)**

The objective of this audit was to assess the security of the NeighborWorks Active Directory environment, specifically evaluating access controls, privilege management, and compliance with applicable regulatory requirements.

(III) **Audit Review of Network Affiliations**

The objective of this review was to obtain reasonable assurance that the affiliations policies and procedures support an effective and efficient diligence process for Network membership.

(IV) **Audit Review of the PRISM Post Implementation**

The objective of this review was to assess the efficiency and effectiveness of the PRISM (Contract Management Application) business workflow, and to obtain reasonable assurance of compliance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

³ These are audit reports completed after internal review and acceptance by the Board/Audit committee. Once the reports are officially issued upon acceptance by the Board/audit Committee, a comprehensive summary of observations and recommendations will be provided in this section.

Top Management and Performance Challenges for FY 2025

The following eight 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 risk assessment interviews and exercises conducted. All these issues are either already being addressed or have been brought to the attention of management through internal audit activity.

- Financial, continuity, and sustainability planning in a very 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
- 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.

In the last period, the OGC provided information on the following:

- A report to the Anonymous Reporting System suggesting that NeighborWorks should investigate 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.
- Another similar report was received in the Corporation's Anonymous Reporting System suggesting that NeighborWorks 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 OGC retained outside counsel to perform an open-source investigation into any potential conflicts of interest related to the aforementioned IT vendors and concluded that both claims were unsubstantiated and cases closed.

- The Corporation became aware of fraudulent activity involving individuals or groups posing as the organization on freelance employment platforms such as Fiverr. The postings were not legitimate job opportunities and appeared to be attempts to collect personal or financial information. There was no financial loss to any individual or the Corporation. The corporation is currently developing and disseminating awareness

communications to its employees and external stakeholders to mitigate the risk of any future occurrence.

- The V.P. Ethics & Compliance became aware of a certain payment made to a vendor for which the payment requested was arguably more than warranted for work performed. After investigation it was found that there was no policy violation, and the case was closed.
- The V.P. Ethics & Compliance received a complaint regarding an employee mishandling an invoice. The claim was found to be unsubstantiated and the matter closed. The corporation plans to consider highlighting the proper handling of third-party invoices/documents as part of future training or communications.

Furthermore, the Corporation has 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.

Quality Assurance and Improvement Program (QAIP) Activities

The Chief Audit Executive is responsible for developing, implementing, and maintaining an Internal Audit Quality Assurance and Improvement Program (QAIP). The purpose of the QAIP is to provide reasonable assurance to the Board, Audit Committee, and Executive Management that the (IAD):

- (1) Performs its activities in accordance with the mandatory elements of the International Professional Practices Framework (IPPF), including alignment with the Definition of Internal Auditing and conformance with the Standards and the Code of Ethics;
- (2) Maintains a comprehensive and effective quality assurance and improvement program; and
- (3) Is perceived by stakeholders as adding value and improving Internal Audit activities.

Key Components of the QAIP

Internal Assessments - ongoing monitoring, periodic reviews, and special projects conducted by the internal audit team; and

External Assessments – independent evaluations performed at least once every five years, either by an independent or through a self-assessment validated by an independent, external reviewer².

² The Internal Audit Division's most recent external assessment was completed in FY2024 and conducted by an external reviewer, Cohn Reznick, which resulted in the highest rating provided by the Institute of Internal Auditors of "Generally conforms". "Generally Conforms" indicates that the internal audit activity has a charter, policies, and processes that are judged to be in conformance with Standards and the Code of Ethics.

Reporting and Follow-up

The Chief Audit Executive must periodically communicate the results of the QAIP, including both the internal and external assessments, to the Audit Committee/Board and Executive Management.

QAIP Activities Conducted During this Reporting Period

During this reporting period, the Internal Audit Division engaged in the following QAIP-related activities:

1. IAD conducted extensive documentation and mapping of the workflow and internal control systems of both the Procurement and Finance functions of the Corporation. These narratives were provided to both functions for continued maintenance and updates. This would greatly facilitate monitoring of controls by management and IAD.
2. Conducted continuous risk monitoring and assessment meetings with internal divisions;
3. Developed an IAD marketing plan to increase awareness of audit services and foster greater collaboration across the organization;
4. Created an Assurance Providers Engagement Plan to strengthen relationships and coordination with other internal assurance providers;
5. Participated in general information sessions hosted by other divisions to enhance understanding of organizational operations and promote continuous improvement;
6. Developed and implemented a formal peer review report writing policy;
7. Piloted audit project efficiencies by narrowing audit scopes and implementing a dual-review model with a project lead and supervisory team member for each engagement;
8. Utilized the annual risk assessment process to identify lower-risk areas that can be scoped for IAD consulting services;
9. Improved collaboration with external auditors through more frequent meetings, proactive sharing of relevant documentation, and timely resolution of action items; and
10. Provided management with greater visibility into the annual risk assessment process by providing feedback on major themes which drove the selection of specific audit plan projects.

NeighborWorks America Network Activities

The Organizational Assessment Division (OAD) evaluates organizational health through the PROMPT®³ dimensions, line of business analyses, and audit reviews. The PROMPT® framework assesses organizational health, risk, performance, and capacity.

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 reference period of this report.

April 1, 2025 – September 30, 2025

| Assessment Type | Planned | In Process | Completed | Waste, Fraud, Abuse Identified? Y/N |
|--------------------------------|---------|------------|-----------|-------------------------------------|
| PROMPT® | 55 | 8 | 47 | N |
| PRO | 32 | 12 | 20 | N |
| Audit Compliance Review | 167 | 0 | 167 | N |

In April 2025, we learned that an employee complaint alleging hostile work environment/workplace behavior related issues had been filed against the CEO of one of our Network members. NeighborWorks America subsequently advised the Board Chair of our awareness of the concern and expectation that the matter be addressed as appropriate. No further action was required.

³ PROMPT® is the acronym for Production & Program Services, Resource Management & Financial Management, Organizational Management & Board Governance, Management- Staffing & Personnel, Planning, Technical Operating & Compliance Systems.

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

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Certification

I certify that this report is accurate and complete.

Frederick Udochi

Frederick Udochi
Chief Audit Executive