



New York City Housing Development Corporation

FY 2021 audit plan

October 2021

Executive summary

Business & regulatory considerations

- Impact of COVID-19 pandemic on financial results and work environment
- Regulatory and compliance matters

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 walkthroughs of significant classes of transactions
- Perform interim data analytics procedures

Digital commitment

Plans for leveraging EY Digital Audit in 2021:

- Use of collaborative technology in the COVID-19 environment
 - EY Canvas Client Portal
 - Teams meetings
- Use of data analytics procedures in assessing risk and account balance testing

2021 audit plan

- Interim procedures: October through November 2021
- Year-end procedures: December through January 2022
- Expected filing - January 28, 2022

Uniform Guidance Audit Plan

- Expected filing – January 28, 2022

USAP Audit Plan

- Expected filing – January 28, 2022

2021 audit services

2021 audit and related services

Express an opinion on, 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	Summary of planned procedures
<i>Internal controls over applications that affect the financial statements</i>	<ul style="list-style-type: none"> • 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: <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
<i>Cash and investments</i>	<ul style="list-style-type: none"> • 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.
<i>Accounts receivable and allowances</i>	<ul style="list-style-type: none"> • We will confirm a selection of the Corporation's mortgage receivable balances. The Corporation's methodology for recording allowances and writing off old balances will be tested and evaluated for reasonableness, including consideration of the impact of COVID-19.
<i>Accounts payable and other accrued liabilities</i>	<ul style="list-style-type: none"> • 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.

Areas of emphasis

Topic	Summary of planned procedures
<i>Debt</i>	<ul style="list-style-type: none"> We will confirm all outstanding debt and review the accounting and reporting for debt transactions, including debt compliance and interest rate swaps.
<i>Due to New York City</i>	<ul style="list-style-type: none"> We will review and test a selection of the Corporation's transactions with The City of New York.
<i>Payable to mortgagor</i>	<ul style="list-style-type: none"> 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.
<i>Unearned revenues</i>	<ul style="list-style-type: none"> We will obtain a listing of all unearned revenue accounts and review and test a selection of transactions.
<i>Net position</i>	<ul style="list-style-type: none"> We will test all changes to net position and evaluate the classification of net position balances.
<i>Litigation and loss contingencies</i>	<ul style="list-style-type: none"> We will review all litigation and loss contingencies, utilizing firm specialists as necessary.
<i>Revenue recognition</i>	<ul style="list-style-type: none"> 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.

Areas of emphasis

Topic	Summary of planned procedures
<i>Operating expenses</i>	<ul style="list-style-type: none"> • 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.
<i>Compliance with Uniform Guidance (Single Audit)</i>	<ul style="list-style-type: none"> • We will perform testing over federal programs determined to be major programs based on final expenditures.
<i>Risk of management override of controls</i>	<ul style="list-style-type: none"> • We will perform walkthroughs of the significant classes of transactions and perform inquiries with management. We will also complete journal entry testing to ensure that there is proper review and a valid business purpose for the selected journal entries.
<i>Related parties</i>	<ul style="list-style-type: none"> • 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.
<i>New accounting pronouncements adoption</i>	<ul style="list-style-type: none"> • The following pronouncements will be implemented for the year ended October 31, 2021: GASB Statement No. 87, <i>Leases</i> • We will review the adoption of the new accounting pronouncement and the related disclosures.

How data is driving this year's audit

We continue to broaden and deepen our use of data analytics as we continue on our data-driven audit journey. We plan to focus on expanding our use of data in these key areas.

1

Broaden data-driven risk assessment to more significant accounts

This year, we're **expanding** our use of data to identify and assess risk for more significant accounts and processes, including revenue/receivables, and expense/trade payables. Doing so will allow us to focus our procedures on **higher risks** and ask **better questions**.

2

Use data to enhance our response to identified risks

We aim to **refine** our audit procedures over the risk of management override through the use of data. Doing so allows us to identify **unusual transactions** outside the normal course of business that have a higher risk of fraud.

3

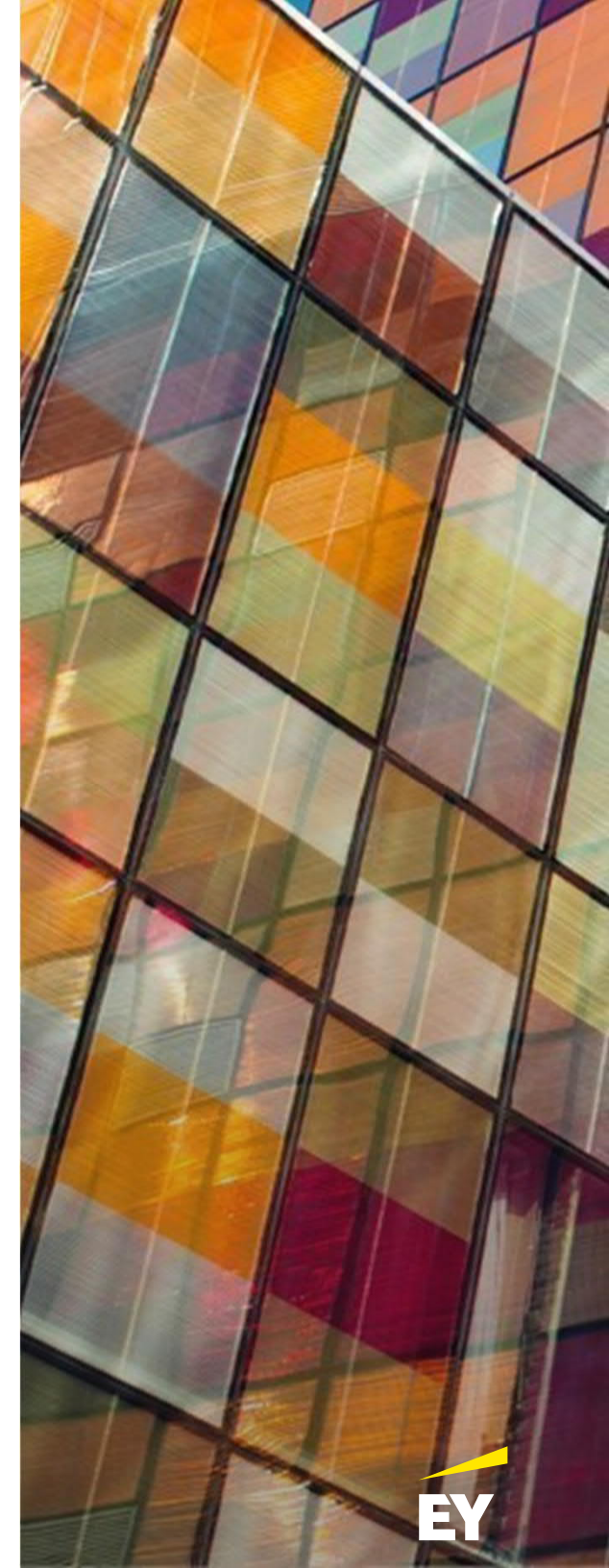
Deepen our understanding of the revenue/receivables, and expense/trade payables.

We will expand our use of data to **deepen** our understanding of processes including revenue/receivable, and expense/trade payables. Doing so will allow us to **streamline** the walkthrough process, corroborating what has been recorded, focusing on what has changed and providing **insights**.

4

Take our use of data to the next level

We will utilize general ledger data and the receivables and payables subledger data to obtain an understanding of the **totality** of current year activities. Doing so will allow us to utilize **analytical** procedures and minimize or eliminate the need for testing representative samples.



Appendices

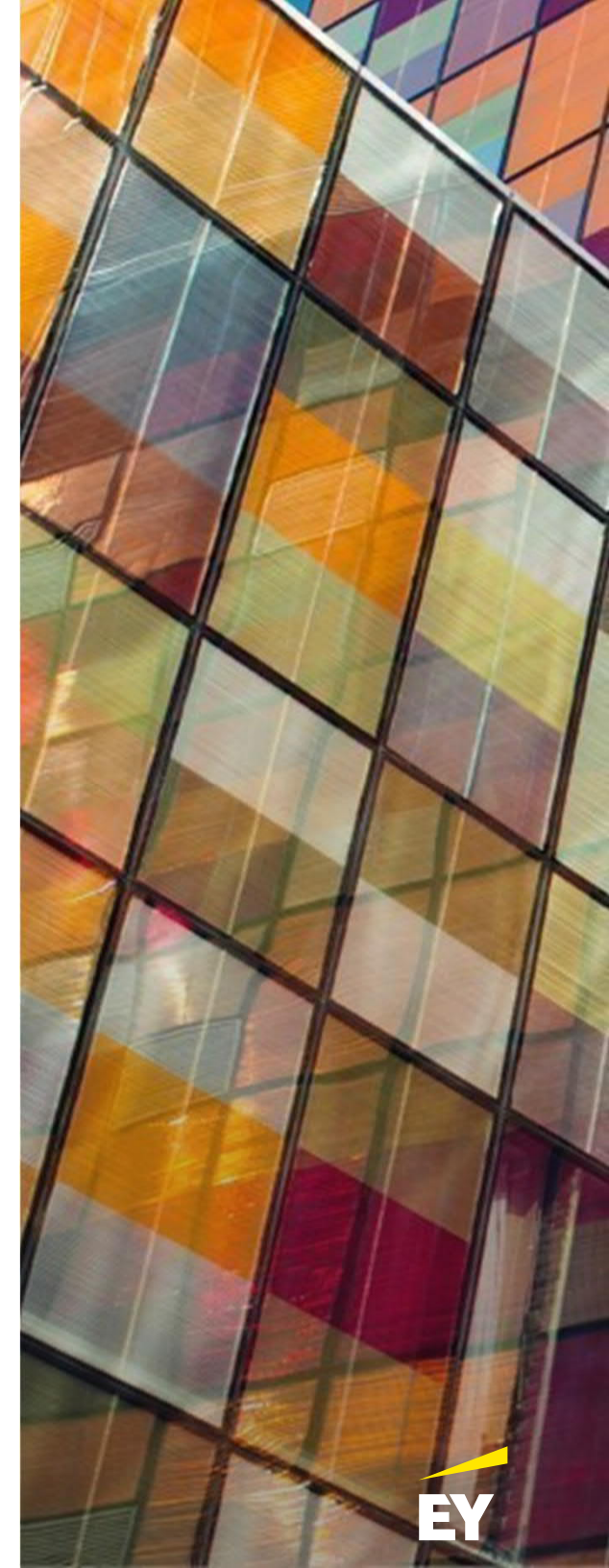
A Required communications

B Peer review report

Required communications

Area	Comments
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Significant issues discussed with management in connection with the auditor's initial appointment or recurring retention 	There are no matters to communicate.
<ul style="list-style-type: none"> Independence matters 	There are no matters to be reported.
<ul style="list-style-type: none"> 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 made throughout the audit. We are 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.



Peer review report



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REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

November 18, 2019

To the Partners of Ernst & Young LLP and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Ernst & Young LLP (the firm), applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2019. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans, an audit performed under FDICIA, audits of broker-dealers, and examinations of service organizations [SOC 1 and SOC 2 engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Ernst & Young LLP, applicable to engagements not subject to PCAOB permanent inspection, in effect for the year ended June 30, 2019, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Ernst & Young LLP has received a peer review rating of *pass*.

Grant Thornton LLP

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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.