



**New York City Housing Authority  
Department of Internal Audit & Assessment (IA&A)**

**Minutes of Audit Committee Meeting  
November 21, 2019**

**Board and Audit Committee Members:**

Victor A. Gonzalez, Co-Chair  
Mark N. Kaplan, Independent Member  
Richard P. Kuo, Independent Member

**NYCHA Staff Members- Present:**

PV Anantharam, Executive Vice-President For Finance & Chief Financial Officer  
Bob Marano, Executive Vice-President & Chief Information Officer  
Tricia L. Roberts, Vice-President for Finance, Office of the CFO  
John Saggese, Vice-President for Enterprise Technology Portfolio Management  
Rudolph Kurkjian, Vice-President and Chief Technology Officer  
Jeffrey Lesnoy, Controller, Financial Accounting & Reporting Services  
Hyacinth Jeffers, Acting Director, Department of Internal Audit & Assessment  
Anil Agrawal, Assistant Director, Department of Internal Audit & Assessment  
Jacqueline Palmer, Assistant Director, Department of Internal Audit & Assessment  
Mike Hudick, Assistant Director, GAAP Analysis, Financial Accounting & Reporting Services  
Ah-Yat Lee, Assistant Director, Financial Accounting & Reporting Services  
Jeffery Benson, Chief IT Auditor, Enterprise Technology Portfolio Management  
Howard Torbiner, Computer Specialist, Enterprise Technology Portfolio Management  
Nina Winer, Administrative Staff Analyst, Enterprise Technology Portfolio Management  
Larry Cheng, Accountant, Financial Accounting & Reporting Services

**Experis – Present:**

Jim Sidoti, Client Relationship Manager  
Stephen Gunn, Director, IT Risk Advisory Services

A meeting of the Audit Committee members of the New York City Housing Authority (the “Authority”) was held on November 21, 2019 at 10:15 AM in the Board Room of the Authority at 250 Broadway, New York, New York 10007.

Hyacinth Jeffers, Acting Director of the Department of Internal Audit & Assessment, commenced the meeting by referring to five tabs on the material presented to the Audit Committee.

**I. Approval of Minutes:**

Upon motion duly made and seconded, the committee members unanimously approved the minutes of the September 19, 2019 Audit Committee meeting, subject to two corrections mentioned by Mr. Kuo.

## **II. 2019 Information Technology Risk Assessment of NYCHA's Systems – Presentation by Experis:**

Stephen Gunn, Director of IT Risk Advisory Services from Experis provided a presentation on their IT Risk Assessment of NYCHA's systems.

Mr. Gunn provided a walk-through of the scope of the IT Risk Assessment, their approach and timing, summary of results, implications for audit plan/suggested 2020 audits (which was the main deliverable as a part of the three-year audit plan), and key issues found. He also elaborated that performing risk assessment is a continual process or annual process; and some entities use a combination of both. Their focus was on a risk-based audit plan.

Mr. Gunn explained that IT risk assessment included key areas of IT infrastructure and key applications, such as: Operating systems, standards, data centers, vendor management, cyber security, organizational structure, asset management, business continuity/disaster recovery plans, etc. Mr. Kaplan inquired whether any other significant area was reviewed. Mr. Gunn responded that on a granular basis 83 different areas were reviewed which mostly fall under these categories. The coverage was as per the NYCHA Request for Proposal.

Mr. Gunn emphasized that this engagement was not an audit -- an audit would have involved operating effectiveness testing, which was not done. Overriding purpose of this assessment was to identify areas of the most significant risk and to suggest a risk based three year audit plan.

Mr. Gunn provided information on Approach and Timing of the engagement. They interviewed approximately 25 senior NYCHA employees, primarily within IT but also with a group of key users. On Mr. Gonzalez' inquiry, he explained that they interviewed responsible senior management members who were overseeing the areas of scope. They conducted follow-up interviews and walkthroughs where necessary.

Experis team focused on current control environment and also discussed strategic direction. As a part of their work, requested, obtained and reviewed key artifacts, created risk assessment and auditable universe. They summarized issues which may result in increased risk. They also provided recommendations.

At the end of the assessment, Experis created workpapers supporting the risk assessment, and provided them to Internal Audit. The assessment was conducted during May to early October 2019.

Mr. Gunn also explained that the engagement team included experienced and certified individuals, including CPA's and individuals with other certifications. Some have internal audit experience and some have been working as consultants. He himself has internal audit experience of 18 years.

Mr. Gunn provided a summary of results. The breakout of the scoring of the 83 risk areas rated was:

- Seven high areas
- 31 medium areas
- 45 low areas.

The high risk areas can vary based on industry. Typically a higher number of high risk areas are found.

However, 8% high risk areas for NYCHA is a reasonably low number.

Further, he summarized:

- They did identify many areas that appeared to have an adequate design of controls.
- There is a need for increased IT audit coverage.
- As a byproduct of this assessment, they identified 4 high priority, 9 medium priority and 5 low priority issues.
- Some of the issues are not solely IT-related, although they are included in the report. For some issues, Human Resources or Law Department may need to get involved. Some issues such as use of personal email or social media in work premises, may require organizational decision.

Mr. Gonzalez inquired whether the issues were discussed with NYCHA's IT. Bob Marano, Chief Information Officer responded that they had reviewed the issues, but they disagreed with some items, which were discussed with the Experis team.

Mr. Gunn also provided a summary of implications for audit plans as follows:

- IT audit coverage has been light and there is a need for increased coverage.
- 2020 areas suggested for audits:
  - Cyber Security
  - Vendor Management
  - Cloud Implementations
  - Oracle (Financials)
  - Web Applications
  - IT Governance
- Cyber Security and Vendor Management very commonly at the top of the list of audit areas at many companies.
- Per surveys conducted by Institute of Internal Audits, MIS Training Institute and other organizations, Cyber Security has been on number 1 spot on most of the Top Ten lists since last three years. Even though an organization may have good controls, there are new schemes; so one has to be on guard all the time. As it is said: It is not a matter of "if" you will be hacked but a matter of "when".
- Cyber Security weaknesses have been exploited at several high profile hacks/ransomware incidents, including governmental organizations. For example City of Atlanta and City of Baltimore became victims of ransomware. It is definitely an area that warrants Audit attention.
- Vendor Management importance is increasing due to movement to cloud. Most IT organizations have a significant expenditure on vendor management. Internal Audit should definitely look at it.
- Data Privacy was not listed on the audit plan; however, it should be reviewed in light of many states introducing new privacy laws (for example California). Many states have such legislature in various stages.

Finally, Mr. Gunn discussed the key issues found during their assessment, which are summarized below:

- Lack of a formal Chief Information Security Officer role (IT Governance/ Cyber Security)
- Lack of IT vendor due diligence (Vendor Management) – Ongoing monitoring program is

needed over Vendor Management. Mr. Marano stated that they continue to review this issue seriously.

- Standards require development, improvement or finalization/issuance in several areas (Cyber Security Program, Information Security Policy, Data Privacy Policy enhancements) (IT Governance/Cyber Security). The Data Privacy Policy needs to be enhanced, and Law Department should also be involved. NYCHA's IT is digitizing records. It is good to have a "clean desk" policy, so that hard copies are not kept and confidentiality of information can be preserved. Mr. Kuo inquired whether the assessment team reviewed if employees are allowed to take documents and computers home. Mr. Gunn responded that they looked at electronic transmission of data, but not the physical security of computers or documents. Mr. Marano stated that employees are allowed to take computers home so that they can connect to NYCHA's system. Mr. Kaplan asked whether information is password-protected. Mr. Marano responded positively and added that passwords are changed every 45 days.
- Lack of scanning of outbound Office 365 email for sensitive content (data leakage/data loss prevention) (IT Governance/Cyber Security). Mr. Marano responded that IT's Security group now has liaisons for each department to deal with this issue.
- Some production servers are utilizing unsupported versions of the Windows operating system (Operating Systems). NYCHA's servers and applications need to be updated. Mr. Marano responded that IT has plans to replace old legacy systems and each old server with new technology.
- The use of USB devices and external drives are not prevented/blocked by NYCHA. (Cyber Security). Additional controls should be placed to prevent individuals from copying files.
- Multi-factor authentication (MFA) is not in use at NYCHA. Use of token is recommended. Mr. Marano responded that IT is planning to implement it in the First Quarter of 2020.

In conclusion, Mr. Gunn thanked everyone in Audit and IT in being responsive to all their requests and help them complete the assessment in a timely manner. Mr. Marano stated that they also appreciate this initiative of the third party review to help improve operations.

Mr. Kaplan inquired whether Deloitte reviews IT systems. Mr. Marano responded that Deloitte also renews IT systems every year regarding password security and other issues, which are reported in their Management Letter Comments. Tricia Roberts, Vice-President for Finance added that the Independent Auditors mainly look at financial systems in terms of impact on Financial Statements. They also review internal controls and issues related to segregation of duties. Mr. Marano stated that IT group constantly addresses their comments in the background.

Ms. Jeffers explained that since Internal Audit group did not have IT audit expertise, we hired Experis to do detailed risk assessment.

Mr. Kaplan inquired whether training issues were reviewed by Experis. Mr. Gunn responded positively. Mr. Marano added that IT group does continually provide security awareness training.

### **III. RFP Process for Selection of Independent Auditor:**

Hyacinth Jeffers, Acting Director of Internal Audit provided a presentation on the Request for Proposals (RFP) process for selection of an Independent Auditor to conduct an audit of the New York City Housing Authority's financial statements and operations ("Single Audit") for the calendar years 2019 to 2023. The following are the highlights of the presentation:

- Request For Proposals (RFP) was prepared by Internal Audit & Assessment and reviewed by Law Department
- RFP was issued on August 7, 2019 by Procurement Department
- The RFP made available online through NYCHA's Oracle iSupplier system
- Notice was published in The City Record Online during August 7, 2019 to September 4, 2019
- Email blast notifying about the RFP was sent to the accounting firms listed on the *NYC Comptroller's List of Pre-Qualified Auditors*
- The Proposal Submission Deadline was September 4, 2019
- Five firms submitted proposals
- An Evaluation Committee consisting of 7 members from various departments was established
- The Evaluation Committee evaluated the proposals in accordance with the evaluation criteria established in the RFP
- The Evaluation Committee selected the proposal of Deloitte & Touche LLP, which received the highest average score.

### **IV. Discussion of Other Matters:**

PV Anantharam, Executive Vice-President For Finance introduced NYCHA's New Controller Jeff Lesnoy, who previously worked with Siemen's. At Siemen's, Mr. Lesnoy helped redesigning the Internal Control system.

### **Executive Session:**

The Audit Committee met in an executive session at about 11:25 AM.

### **Adjournment:**

The Audit Committee meeting resumed at about 12:04 pm and was adjourned at 12:06 PM.