

# NCSHA 2015 Annual Awards Entry Form

(Complete one form for each entry)

**Deadline: Wednesday, June 10, 2015**

Visit [ncsha.org/awards](http://ncsha.org/awards) to view the Annual Awards Call for Entries.

**Instructions:** Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact Matt Cunningham at [mcunningham@ncsha.org](mailto:mcunningham@ncsha.org) or 202-624-5424.

Fill out the entry name *exactly* as you want it listed in the program.

**Entry Name:**

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**HFA:**

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**Submission Contact:** (Must be HFA Staff Member) 

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 **Email:** 

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Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

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Use this header on the upper right corner of each page:

**HFA:**

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**Entry Name:**

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**Select the appropriate subcategory of your entry and indicate if you are providing visual aids.**

Communications	Homeownership	Legislative Advocacy	Management Innovation
Annual Report	Empowering New Buyers	Federal Advocacy	Financial
Creative Media	Encouraging New Production	State Advocacy	Human Resources
Promotional Materials and Newsletters	Home Improvement and Rehabilitation		Operations
			Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
Encouraging New Production	Combating Homelessness	Special Achievement	Yes
Multifamily Management	Housing for Persons with Special Needs		No
Preservation and Rehabilitation			

# **Tennessee Housing Development Agency Transforming the Internal Audit Organization**

## **Introduction**

In late 2012 and early 2013, Tennessee Housing Development Agency was in a position to make some creative and innovative changes. Retirements occurred in the Executive Director and Internal Audit Director positions, THDA was selected to administer two additional federal programs, and legislation passed that changed the functional reporting alignment of the Internal Audit Director from the Executive Director to the Audit and Budget Committee of the Board of Directors.

Under new leadership in a changing business environment, the agency took advantage of the opportunity to transform the Internal Audit division to more strongly support the achievement of agency business objectives. The transformation focused on three main areas: resources, planning and communication. The agency reviewed human capital in the Internal Audit division and compared that resource to the responsibilities of the unit. The next area of focus was effectively developing a risk-based audit plan. Finally, the agency looked at how Internal Audit communicated results.

The outcome is a transformed Internal Audit division that continues to evolve and embrace a culture of strategic performance and continuous improvement.

## **Innovation**

In today's economic environment, businesses must continue to evolve to meet customer needs. THDA's strategic aspirations include excelling in stewardship of resources, producing strong earnings, and being the state's leading resource for housing. In order to be better aligned with these aspirations, Internal Audit took a deep dive into processes in order to improve efficiency and provide more value to the organization rather than follow a business as usual approach.

The first phase included an in-depth review of where audit resources were focused. We looked at:

- Strategic objectives of THDA and THDA leadership;
- Mandated audits/reviews for the agency and the amount of time required for each review;
- Current responsibilities assigned to each individual staff member;
- Completion of unexpected special projects, and
- Current resources, including staff education and skill levels, in the Internal Audit division.

Armed with the results of this review, the transformation process began. The result is a more efficient, evolving audit organization that provides more objective, timely, relevant recommendations to management and THDA's Board of Directors.

## **Replication**

The transformation process can be replicated within any agency with a desire to have a value-driven Internal Audit division strategically aligned with agency goals. Much of the process is done through staff and management interviews and reviewing regulations and standards. After all of the information is documented and analyzed, the agency can develop a plan to meet their specific needs.

## **Respond to Management Opportunity**

THDA experienced a change in leadership, the addition of two large federal programs administered through approximately 20 subrecipients and stricter compliance requirements for lenders. The changing business environment provided management with the opportunity to look at the Internal Audit function

## **Tennessee Housing Development Agency Transforming the Internal Audit Organization**

and decide whether to perform only the mandated audits/reviews or transform the Internal Audit division to increase efficiency and effectiveness.

### **Measurable Improvements**

Prior to the transformation, the Internal Audit Director reported to the Executive Director and audit reports were issued to the Executive Director with a summary of projects presented to the Audit and Budget Committee once every year. The annual audit plan was developed each year and typically included mandated audits/projects and special projects as they arose. At times Internal Audit experienced delays in completing scheduled audit projects/reviews because audit staff were pulled to perform special projects and investigations.

Following the transformation, the audit effort is more coordinated and aligned with the agency's strategic objectives. The Audit and Budget Committee now receives copies of all audit reports as they are released and communicates regularly with the Internal Audit division. At the time of this submission, 33 reports have been issued in FY2015. This is an increase from 23 reports issued in FY2013 and 17 reports issued in FY2014.

### **Benefits vs. Costs**

The cost of this transformation was the time and effort invested by the Internal Audit staff and agency management. Hard decisions were made in terms of eliminating and restructuring positions. The benefit realized is a more efficient audit organization, providing timely, relevant information to agency leadership.

### **Effective Use of Resources**

Prior to the transformation, the Internal Audit division had a staff of 10 including: the Director, one Audit Manager, three auditors, one Quality Management (QM) Manager, three QM coordinators and one Hearing Officer. After evaluating and refocusing the responsibilities of the unit, the transformed Internal Audit division has a staff of nine. The following staff changes were made:

- One auditor position was added to specifically audit federal programs. This position is funded by Federal administrative funds.
- The QM manager and QM coordinator positions were eliminated and the responsibility for QM reviews was moved to the Section 8 Contract Administration program division.
- One auditor position was added to provide oversight on the Section 8 programs including Contract Administration and Housing Choice Voucher (HCV).
- One administrative assistant position was added to coordinate HCV hearings, assist with preliminary audit work, proofread and issue reports and to provide administrative support to the Audit and Budget Committee.

With an eye to continuous improvement, staff members are scheduling additional training, achieving specific certifications, and focusing continuing education requirements in categories directly related to internal audit processes.

### **Achievement of Strategic Objectives**

At the beginning of FY 2015, a risk based audit plan was developed using input from THDA's Enterprise Risk Management process, a financial analysis of the annual budget for each THDA program, input from division directors, input from the Executive Director, input from the Audit and Budget Committee, and

## Tennessee Housing Development Agency Transforming the Internal Audit Organization

input from Internal Audit division staff brainstorming sessions. The final plan was approved and submitted and was the guiding document for Internal Audit staff activity. The end result is that for FY2015, Internal Audit has worked on every project on the audit plan and completed all except two projects which are in process at the time of this submission. In addition to the projects on the audit plan, Internal Audit also undertook a review of a major THDA loan program which required the involvement of most of the audit staff.

The transformation would not have been successful without the Internal Audit staff being fully invested. The staff put in extra effort to complete projects and continues to bring forward innovative ideas to improve efficiency while being committed to results.

