

Financial Transparency, Internal Controls and Risk Oversight

California Housing Finance Agency

Management Innovation: Internal Operations

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FINANCIAL TRANSPARENCY, INTERNAL CONTROLS AND RISK OVERSIGHT

For nearly 50 years, the California Housing Finance Agency has supported the needs of renters and homebuyers by providing financing and programs so more low- to moderate-income Californians have a place to call home. Established in 1975, CalHFA was chartered as the State's affordable housing lender. Since its inception, CalHFA has operated as a self-financed public instrumentality and political subdivision of the State of California authorized to issue bonds, notes and other obligations to fund its single-family and multifamily housing programs. In accordance with California Health and Safety Code 51005, CalHFA, as a discretely presented component unit of the State, is required to submit an [Annual Comprehensive Financial Report \(ACFR\)](#) by December 31st of each year. This report provides a detailed account of the Agency's operations and financial activity for the prior fiscal year. It serves as a tool of transparency for California's leadership and legislature, measuring progress toward statutory goals in affordable housing and financial stewardship.

Historically, CalHFA faced challenges fulfilling these reporting requirements due to fragmented internal communications, outdated manual processes, and the absence of integrated technology solutions. These constraints not only delayed reporting but also exposed the Agency to risk related to data inconsistencies and reduced overall transparency. In 2024, CalHFA launched a strategic initiative focused on modernizing fiscal governance, strengthening internal controls, mitigating risk, and achieving operational excellence. The result was a dramatic acceleration of the ACFR timeline, increased organizational accountability, and a renewed commitment to transparency.

Innovation

The transformation introduced an integrated suite of technological, procedural, and cultural innovations. CalHFA adopted a third-party cloud-based publishing platform, Workiva, to streamline collaboration, enable real-time version control, and standardize data presentation. ([Figure 1](#)) This shift significantly reduced the risk of errors and eliminated reliance on outdated spreadsheet-based workflows. The Agency developed a comprehensive Internal Control Policy and Procedure Manual in partnership with independent auditors, embedding regulatory compliance into daily operations. It also launched an Agency-wide fraud prevention training program to promote ethical awareness and proactive risk identification. Importantly, CalHFA restructured and expanded the role of the Audit Committee of our Board of Directors into the Audit and Risk Management Committee. The committee's new charter emphasized enhanced governance, oversight, and accountability, with a broader focus on enterprise risk management. We also introduced cross-training initiatives at the staff level to build functional redundancy, improve interdepartmental collaboration, and enhance business continuity. These innovations shifted CalHFA's approach from reactive compliance to forward-thinking financial leadership.



Replicability

CalHFA designed this initiative with replicability in mind. The strategies and tools adopted are scalable and transferable, offering a practical framework that can be applied across other housing finance agencies and public-sector organizations. The combination of cloud-based technology, cost-effective training programs, and streamlined workflows allow entities with limited resources to achieve similar improvements. Clear documentation standards, uniform templates, and centralized systems have improved both internal efficiency and external audit readiness. The transformation offers a replicable model for improving reporting accuracy, timeliness, and transparency without major financial investment or staffing increases.

Response to a Management Challenge or Opportunity

This initiative was a direct response to a longstanding management challenge: CalHFA's difficulty in consistently meeting statutory reporting deadlines as required under California Health and Safety Code 51005. The production of the ACFR, a comprehensive document covering housing outcomes, financial performance, and program effectiveness, was historically hindered by disjointed communications and manual data management across multiple spreadsheets. This process required extensive reconciliations and repeated validation cycles, consuming significant staff time and resources, all while operating under tight deadlines. These inefficiencies compromised both accuracy and accountability. By addressing the root causes of delay and error, CalHFA seized the opportunity to realign its reporting process with best practices, delivering not only a timely report but also a higher quality, more accessible product for all stakeholders.

Achievement of Measurable Improvements in Agency Operations

The results of this transformation are both tangible and substantial. The ACFR production timeline was reduced by nearly 200 days, from more than 350 days to just 150 days after fiscal year-end—aligning CalHFA with the Government Finance Officers Association's (GFOA) best practice of issuing reports within 180 days. ([Figure 2](#)) Audit readiness improved significantly as a result of strengthened documentation and more rigorous internal controls. Audit inquiries decreased substantially, supported by the availability of direct, well-organized documentation that clearly tied to financial statements, reflecting a stronger compliance environment. The ACFR preparation process, once requiring four staff over three months, was streamlined to two staff over two months, generating approximately \$90,000 in annual savings.

In addition, all staff completed a new fraud prevention seminar, specifically designed to ensure consistent awareness of ethical expectations and reporting obligations. The reforms bolstered risk oversight, strengthened interdepartmental collaboration, and cultivated a culture of accountability across the agency.



Benefits That Outweigh Costs

The benefits of CalHFA's modernization efforts far exceeded the costs. Investments were modest and primarily involved internal staff time, the implementation of the Workiva platform, and targeted training sessions. No new hires were required, and the project was executed within existing budgets. In return, the agency realized substantial cost savings, improved audit performance, and provided more timely, accurate financial information to state leadership and the public. Annual labor savings alone is estimated at \$90,000, offsetting the investment in tools and training. More importantly, by strengthening internal controls, revamping its audit governance structure into the Audit and Risk Management Committee, and enhancing audit processes, CalHFA reduced its exposure to compliance risks and potential liabilities, thereby increasing the confidence of external stakeholders, including rating agencies and investors.

Effective Use of Resources

This initiative demonstrated a disciplined and optimal use of Agency resources. CalHFA leveraged the expertise of its existing workforce, empowering staff through cross-training and inclusive workflow redesign. Strategic partnerships with independent auditors ensured alignment with industry standards and fiscal oversight. The Audit and Risk Management Committee was established using existing governance structures, avoiding additional administrative costs while increasing its scope and effectiveness. Adoption of the Workiva platform was executed efficiently, with an emphasis on affordability and ease of use. Together, these resource-conscious decisions enabled the agency to deliver measurable improvements without increasing staff or expenditures, exemplifying responsible public administration.

Achievement of Strategic Objectives

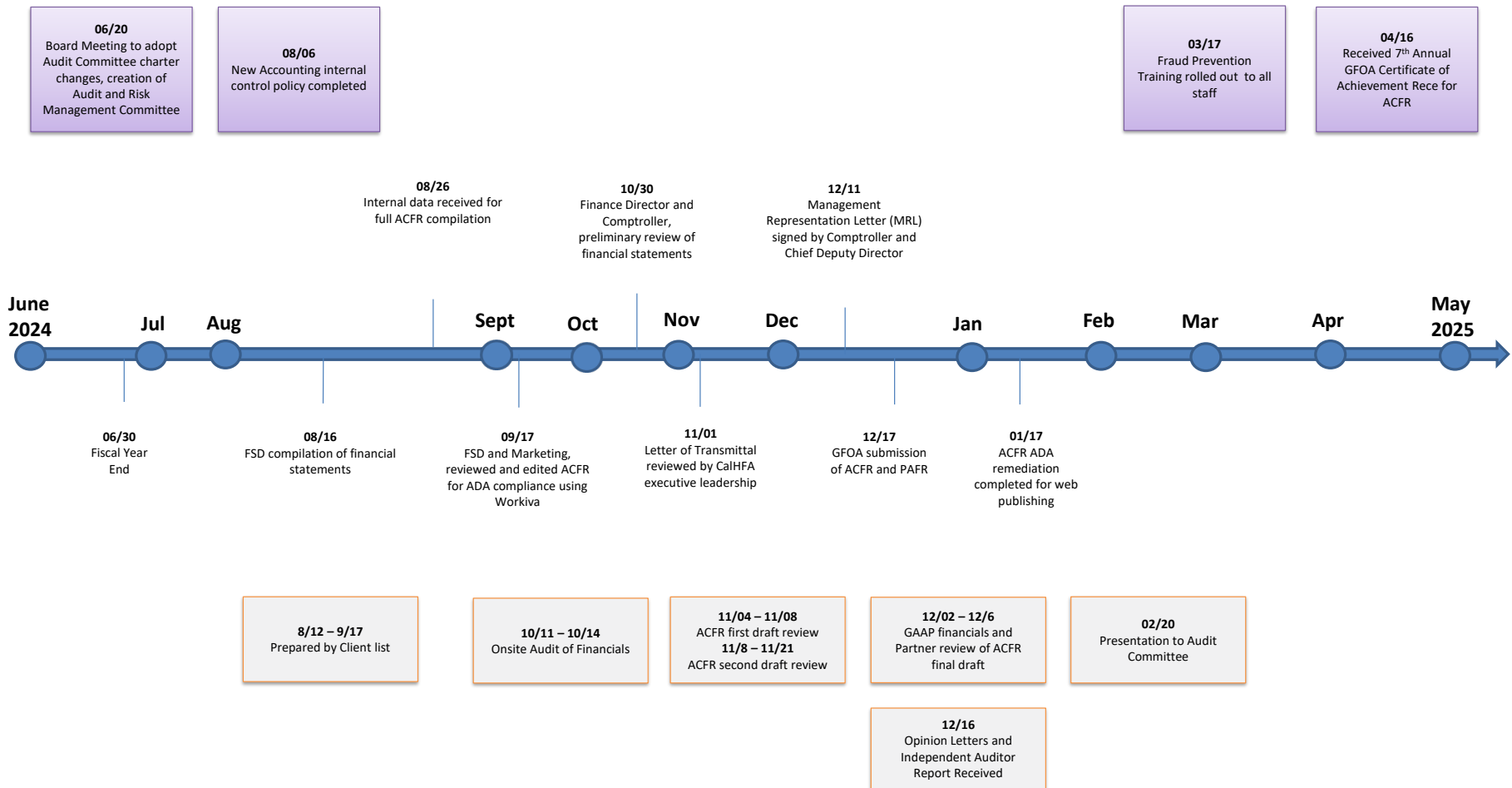
CalHFA's financial reporting modernization directly supports the Agency's strategic pillars of transparency, innovation, and operational excellence. Modernized internal controls, clear fiscal policies, and improved communication workflows ensure that financial reporting reflects the integrity and impact of CalHFA's lending programs. The redesigned ACFR is accessible, ADA-compliant, and structured to meet both state and federal requirements, promoting inclusion and ease of use. Through this transformation, CalHFA reinforced its mission of purposeful lending while solidifying its reputation as a reliable steward of Agency resources and public funds. This initiative has laid a foundation for sustained improvement and elevated the Agency's role as a model of transparency and accountability in public finance.

FIGURE 1

California Housing Finance Agency
 Entry: **Financial transparency, internal controls and risk oversight**
 Category: Management Innovation
 Subcategory: Internal Operations



**Management Innovation, Internal Operations – Milestones
 Advancing Financial Integrity and Operational Excellence**



ACFR – Annual Comprehensive Financial Report
 Auditor – Clifton Larson Allen (CLA)
 FSD – Fiscal Services Division
 GFOA – Government Finance Officers Association

PAFR – Popular Annual Financial Report
 SCO – State Controller’s Office
 Workiva – Third-party cloud-based publishing tool

Actions by Auditor
 Critical Events

FIGURE 2

