Internal Audit Department
NeighborWorks® America

Audit Review of
OAD Onsite Assessments

Project Number: OAD.PROMPT.2015
# Audit Review of OAD Onsite Assessments

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May 19, 2015

To: NeighborWorks America Audit Committee

Subject: Audit Review of the OAD Onsite Assessment (PROMPT) Process

Please find enclosed the final audit review report of the Organization Assessment Division (OAD) Onsite Assessments Process (PROMPT). Please contact me with any questions you might have. Thank you.

Frederick Udochi
Chief Audit Executive

Attachment

cc: P. Weech
    C. Wehrwein
    J. Bryson
    T. Bloom
    K. Morris
### Function Responsibility and Internal Control Assessment

**Audit Review of the OAD Onsite Assessment (PROMPT) Process**

<table>
<thead>
<tr>
<th>Business Function Responsibility</th>
<th>Report Date</th>
<th>Period Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Assessment Division</td>
<td>May 19, 2015</td>
<td>through December 2014</td>
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</tbody>
</table>

#### Assessment of Internal Control Structure

<table>
<thead>
<tr>
<th>Description</th>
<th>Assessment</th>
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</thead>
<tbody>
<tr>
<td>Effectiveness and Efficiency of Operations</td>
<td>Generally Effective¹</td>
</tr>
<tr>
<td>Reliability of Financial Reporting</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Compliance with Applicable Laws and Regulations</td>
<td>Not Applicable</td>
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¹ Legend for Assessment of Internal Control Structure: 1. Generally Effective: The level and quality of the process is satisfactory. Some areas still need improvement. 2. Inadequate: Level and quality of the process is insufficient for the processes or functions examined, and require improvement in several areas. 3. Significant Weakness: Level and quality of internal controls for the processes and functions reviewed are very low. Significant internal control improvements need to be made.

This report was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
### Executive Summary of Observations, Recommendations and Management Responses

<table>
<thead>
<tr>
<th>Summarized Observation; Risk Rating</th>
<th>Management Agreement with Observation (Yes/No)</th>
<th>Internal Audit Recommendation Summary</th>
<th>Accept IA Recommendation (Yes/No)</th>
<th>Management’s Response to IA Recommendation</th>
<th>Estimated Date of Implementation (Month/Year)</th>
<th>Internal Audit Comments on Management Response</th>
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<tbody>
<tr>
<td><strong>Observation No. 1 – PROMPT Objectives</strong>&lt;br&gt;Internal Audit notes that while the multi-dimensional criteria adopted by the PROMPT model in evaluating the risk and health of network organizations is appropriate, the PROMPT objectives have not been reviewed and updated on a consistent schedule. The most recent updates occurred in January 2011 and January 2015 (OMBG). Internal Audit believes it is important that the performance objectives used to evaluate the Network Organizations are revisited and updated more frequently to increase assurance that the objectives remain relevant.</td>
<td>Yes</td>
<td>Recommendation No. 1 – Review PROMPT Objectives&lt;br&gt;Internal Audit recommends Management establish a process to ensure the PROMPT objectives are reviewed for relevance and updated accordingly on a more frequent basis (i.e., at least once every 3 years).</td>
<td>Yes</td>
<td>Organizational Assessment management agrees with the IA recommendation for making the performance objective review/update process more regular and will schedule an annual update process. IA noted that the January 2015 performance objective update only included revisions to the OMBG performance objective, It is worth noting that we believe that a regular review process will not always result in updates or revisions to the performance objectives. The performance objectives are intended to be broadly applicable, meaning that frequent revisions should not be necessary. However, a</td>
<td>Updates to the performance objectives will be made every September for presentation at the December OHTS meeting, if necessary.</td>
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<tr>
<td><strong>Observation No. 2 – Procedures to Evaluate Performance Objectives</strong></td>
<td>Yes</td>
<td>Recommendation No. 2 – Procedures to Evaluate Performance Objectives</td>
<td>Yes</td>
<td>The performance objectives provide the overall framework for the assessment process, but management recognizes the need for more formal procedures to be defined with each PROMPT dimension. In response, the division is in the process of developing a PROMPT onsite review template that lays out the baseline procedures in each PROMPT dimension. Organizational Assessment will submit the final template to IA for review.</td>
<td>December 2015</td>
<td></td>
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<td>Summarized Observation; Risk Rating</td>
<td>Management Agreement with Observation (Yes/ No)</td>
<td>Internal Audit Recommendation Summary</td>
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<tr>
<td>Observation No. 3 – Formal Onsite Assessments Training</td>
<td>Yes</td>
<td>Recommendation No. 3 – Onsite Assessments Training Development and Collaboration</td>
<td>Yes</td>
<td>Management believes that the reviewer training process has improved greatly over the past two years. It now includes a shadowing process and required staff and divisional partner interviews. The new review template that defines baseline procedures will be used to train new staff on review expectations. Finally, included with this submission are training materials recently developed for new staff. We believe that these items, together with existing training systems, fulfill the baseline training needs for organizational assessment onsite review staff. Individual training plans will always be tailored in each during the performance review and work plan development process to</td>
<td>Complete</td>
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<td>knowledge of the OAD staff and increase the assurance of consistency in the conduct of onsite assessments.</td>
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<tr>
<td>Risk Rating: <em>(5)</em></td>
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<tr>
<th>Observation No. 4 – Supporting Documentation Requirements as Evidence of Procedures Performed</th>
<th>Yes</th>
<th>Recommendation No. 4 – Electronic Workpaper Application</th>
<th>Yes</th>
<th>Management concurs with the recommended IA solution, and is including work paper management as one of the requirements for the development of the new PROMPT Portal system.</th>
<th>September 2016, concurrent with the estimated completion date of the PROMPT Portal</th>
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</thead>
<tbody>
<tr>
<td>Internal Audit notes that each reviewer is responsible for maintaining documentation received during the onsite assessment. Currently, documentation is maintained in either hard copy or electronic format and at the discretions of the respective reviewer. Internal Audit notes that guidelines have not been defined and resources have not been identified to support the organization and retention of documentation reviewed during the onsite assessments.</td>
<td>Yes</td>
<td>Internal Audit recommends OAD management identify an electronic application to capture and organize documentation requested/received, procedures performed, and the results. The electronic application will aid OAD in creating an audit trail to support program review conclusions, maintain institutional knowledge, and develop a practice of adequate document retention aligned with the Corporation’s documentation retention policy.</td>
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<td>Risk Rating: (b) (5)</td>
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**RISK Rating Legend:**

**Risk Rating: HIGH**
A serious weakness which significantly impacts the Corporation from achieving its corporate objectives, financial results, statutory obligations or that may otherwise impair the Corporation’s reputation.

**Risk Rating: Moderate**
A control weakness which could potentially undermine the effectiveness of the existing system of internal controls and/or operational efficiency, integrity of reporting and should therefore be addressed.

**Risk Rating: Low**
A weakness identified which does not seriously detract from the system of internal control and or operational effectiveness/efficiency, integrity of reporting but which should nonetheless be addressed by management.

| Management Response to Audit Review of the OAD Onsite Assessment (PROMPT) Process |
|----------------------------------|------------------|------------------|
| **# Of Responses** | **Response** | **Recommendation #** |
| 4 | Agreement with the recommendation(s) | 1, 2, 3, and 4 |
| | Disagreement with the recommendation(s) | |
**Background**

The Organization Assessment Division (OAD) is responsible for assessing and reporting on the organizational capacity and performance of NeighborWorks organizations. This is achieved by conducting onsite and offsite reviews of network organizations. Onsite reviews are conducted once every three years for each NeighborWorks organization (NWO). NeighborWorks has established the uniform program review process/system PROMPT® (a registered brand name) to conduct onsite assessments, which stands for the following:

- P – Production and Program Services
- R – Resource and Financial Management
- O – Organizational Management and Board Governance
- M – Management – Staffing and Personnel
- P – Planning
- T – Technical Operating and Compliance Systems

The purpose of the onsite and offsite reviews is to assess the health, risk, performance, and capacity of the network organizations on an ongoing basis. Performance objectives (including results that describe ratings for each of the performance objectives) have been established to facilitate uniform and consistent interpretation of onsite assessment review results. Ratings of exceed, meet, and/or fail are assigned for each component of PROMPT and used to determine the overall organizational rating.

For additional information, regarding PROMPT see Appendix A – “The PROMPT Program Review Process – Measuring the Capacity, Performance and Impact of NeighborWorks Network Members”

**Objective**

The objective of this review was to:

- Obtain an understanding of the onsite assessment methodology (PROMPT);
- Obtain assurance that the PROMPT process is adequately designed to provide decision makers with useful information to evaluate network organizations;
- Obtain an understanding of the onsite assessment scheduling process and obtain assurance that onsite assessments are scheduled timely;
- Obtain assurance that onsite assessments are conducted in accordance with documented policies and procedures; and
- Obtain assurance that the results of onsite assessments conducted are adequately communicated to all required parties.
**Scope**

The scope of the review included:

- Onsite Assessment Methodology (PROMPT)
- Onsite Assessments Schedule for FY 2014 – FY 2015 (Q1 2015)
  - Program Review Reports
  - Onsite Health Summaries (prepared for OHTS meetings)
  - PROMPT Review TASK G0UP

Internal Audit notes that the scope of the review did not include Internal Audit’s participation or observation of an onsite assessment review.

**Methodology**

Internal Audit began this review with an Introductory Meeting, which was held September 19, 2014. In order to obtain a better understanding of OAD operations as it pertains to onsite assessments and PROMPT, Internal Audit developed and distributed a planning questionnaire to the OAD management team. Internal Audit also reviewed several documents to become familiar with the PROMPT performance objectives and the onsite assessments process.

Internal Audit visited with the OAD teams in Kansas City and Boston. During each of the site visits, Internal Audit met with reviewers for select FY 2014 onsite assessments and discussed the reviews conducted, which included each reviewers approach to Discovery (planning) and his/her approach to evaluating the respective organization against each of the PROMPT objectives. Internal Audit also reviewed the resulting Program Review and On-Site Health Summary reports to ensure the reports were consistent, reflected the discussion, and supporting documents (if available). Internal Audit validated that corrective actions resulting from the reviews, were carried forward to the OAD/Field tracking tool – ChangePoint. Finally, Internal Audit reviewed the onsite assessment schedule to validate that the onsite reviews were occurring in a timely manner.

**Observations and Recommendations**

Internal Audit notes that prior to the onset of this review, the OAD team had begun establishing PROMPT Review Task Groups to review the PROMPT process, objectives, and outcomes to drive and enhance improvements in the process. Internal Audit notes that the observations and recommendations noted within this report will provide management with additional deliverables/outcomes to consider as the teams take a more in-depth look at this process and framework. Please see the observations and recommendations below resulting from the review.

**Observation No. 1 – PROMPT Objectives**

Internal Audit notes that while the multi-dimensional criteria adopted by the PROMPT model in evaluating the risk and health of network organizations is appropriate, the PROMPT
objectives have not been reviewed or updated on a consistent schedule. The most recent updates were in January 2011 and January 2015 (significant updates to the OMBG performance objective). With a Network and industry that is constantly evolving, it is important that the performance objectives used to evaluate the Network Organizations are revisited and updated more frequently to increase assurance that the performance objectives remain relevant to the environment.

Recommendation No. 1 – Review PROMPT Objectives

Internal Audit recommends Management establish a process to ensure the PROMPT objectives are reviewed for relevance and updated accordingly on a more frequent basis (i.e., at least once every 3 years).

Observation No. 2 – Procedures to Evaluate Performance Objectives

Internal Audit notes that OAD has established performance objectives, which outline the outcome measures to be observed for each of the PROMPT components. It was however noted that the procedures undertaken to evaluate and link these performance objectives to outcome measures were applied by individual reviewer preference lending to the potential inconsistency in the approach. Internal Audit notes enhancements can be made to the process to establish/define baseline procedures to be performed when evaluating an organization against the performance objectives. Internal Audit notes that establishing baseline procedures provide guidance to existing and future reviewers on what to review, the questions that should be asked, which would increase assurance that the PROMPT objectives are being evaluated with consistency.

Recommendation No. 2 – Procedures to Evaluate Performance Objectives

Internal Audit recommends Management establish core/baseline procedures to support the approach reviewers should take to evaluate the performance objectives. The procedures established should be designed to address key attributes of the performance objectives but also be flexible enough to allow for customization of additional/alternative procedures based on the specific organization being reviewed. Internal Audit notes that standardizing procedures would establish efficiency in the execution of the onsite assessment process as well as increase assurance that PROMPT objectives are being evaluated with consistency.

Observation No. 3 – Formal Onsite Assessments Training

Based on the review conducted, Internal Audit notes that OAD utilizes training plans for new hires, which includes a hybrid of on the job training (shadowing current OAD staff on 2-3 reviews) and interviews of OAD/FIELD/other NW staff regarding various topics related to the onsite assessment process. Internal Audit notes that while the current process and approach to training is useful and should continue, we recognize that it is limited in that it relies heavily on the individual knowledge and experiences of those involved which would inherently be subject to variation. Internal Audit is of the opinion that the opportunity exists to further enhance training efforts by developing a more formal training program and complementing
materials to capture the current institutional knowledge of the OAD staff. This would further facilitate and increase assurance that onsite assessments will be conducted with consistency.

**Recommendation No. 3 – Onsite Assessments Training Development and Collaboration**

Internal Audit recommends OAD management establish a formal training curriculum for the onsite assessment process. The training curriculum should include modules to support the onboarding of new OAD reviewers, refresher modules for experienced reviewers, as well as module(s) geared towards network organizations that will receive an onsite assessment. Internal Audit also recommends OAD management collaborate with the Training department of NeighborWorks Services Group to assist with developing and delivering the training.

**Observation No. 4 – Supporting Documentation Requirements as Evidence of Procedures Performed**

Internal Audit notes that each reviewer is responsible for maintaining documentation received during the onsite assessment. Currently, documentation is maintained at the discretion of the reviewer and in either hard copy or electronic format. Internal Audit notes that guidelines have not been defined and resources have not been identified to support the organization and retention of documentation reviewed during the onsite assessments. Internal Audit notes that a centralized repository to capture and organize documentation received in support of the procedures performed will aid in creating an audit trail to support program review conclusions.

**Recommendation No. 4 – Electronic Workpaper Application**

Internal Audit recommends OAD management identify an electronic application to capture and organize documentation requested/received, procedures performed, and the results. The electronic application will aid OAD in creating an audit trail to support program review conclusions; maintain institutional knowledge and develop a healthy practice of document retention in line with the Corporation’s document retention policy.

**Conclusion**

Internal Audit notes that the Onsite Assessment process and the PROMPT framework assists NeighborWorks management with evaluating both the risk and health of its network organizations. The results of the review and the current PROMPT review Task groups established indicate that Management is working diligently to design and implement a processes to achieve its objectives. Internal Audit notes that the implementation of the recommendations as noted above will further enhance the effectiveness of the process. Thanks again to the Organization Assessment Division team for their cooperation during this review.
APPENDIX A: About The Review Process

ABOUT THE REVIEW PROCESS
(Available Upon Request)