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## Report of Independent Certified Public Accountants on Applying Agreed-Upon Procedures

To the Board of Directors and Management  
 Florida Housing Finance Corporation:

We have performed the procedures enumerated below, which were agreed to by the Board of Directors and management of Florida Housing Finance Corporation (Florida Housing), solely to assist you in evaluating management’s assertion as to the effectiveness of Florida Housing’s internal control over compliance related to the administration of the Hardest Hit Fund Program (HHF) established pursuant to the HFA Participation Agreement (the Agreement or HPA) between Florida Housing and the U.S. Department of the Treasury, for the year ended December 31, 2017. Florida Housing is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Control Activity	Procedures Performed
<b>Eligibility / Underwriting</b>	
<p><b>CA1.1a</b> – In accordance with HFA Participation Agreement (HPA) Term Sheets and Florida Housing HHF Program requirements, Florida Housing has internally created manuals that document program guidelines, policies, and procedures which describe the eligibility determination and underwriting requirements for all HHF programs.</p>	<p>We obtained from management of Florida Housing the HPA Term Sheets included in the Agreement, which identify the program guidelines, policies and procedures. We also obtained from management of Florida Housing guidelines for the following programs: UMAP, MLRP, MEP, PR, DPA and ELMORE programs. We then obtained and read the “HHF Program Procedure Manual” dated April 30, 2012, noting it was created and is maintained by Florida Housing. We also obtained the manual for any updated or new procedures retained in the procedures performed for control CA2.1a. We noted that the manual, included guidelines, policies, and procedures describing Florida Housing eligibility determination and underwriting requirements related to the UMAP, MLRP, MEP, PR, DPA and ELMORE programs.</p>

Control Activity	Procedures Performed
<p><b>CA1.1b</b> - Participating Advisor Agency (AA) staff are sufficiently qualified and trained to (1) inquire and obtain the minimum required documentation from potential HHF borrowers to determine eligibility, (2) summarize and document their recommendations based on review and evaluation of the eligibility underwriting process performed.</p>	<p>We obtained from management of Florida Housing a listing of all eligible/ ineligible 2017 non-DPA HHF applicants and randomly selected a sample of 25 applicants. For each selected application, we obtained applicant information including the application, recommendations per AA staff, and supplemental documentation provided by the applicant to support the eligible or ineligible determination. Please refer to control CA7.2a for procedures performed.</p>
<p><b>CA1.1c</b> - Properly trained HHF Program and contracted underwriting staff perform reviews of applications deemed eligible by AAs, check for appropriate required documentation, request additional documentation as needed, recalculate income/ratios, etc., and underwrite AA staff's eligible determinations for HHF loan approval; HHF Program staff (for ELMORE applications) or contracted underwriting staff (for UMAP, MLRP, and PR applications) review applications deemed ineligible by AAs, check for appropriate required documentation, and verify application ineligibility.</p>	<p>We obtained from management of Florida Housing a listing of 2017 non-DPA HHF applicants having reached a final determination during underwriting and randomly selected a sample of 25 applications (same as CA1.1b). For each selected application, we obtained the applications, supplemental applicant information; recommendations by the AA, and additional documentation added by the HHF staff or contracted underwriting staff to the applicant's file in connection with the process of underwriting.</p>
<p><b>CA1.1d</b> - Properly trained HHF compliance staff performs monthly sample reviews of files deemed eligible through underwriting, checks for appropriate support documentation, and recalculates income/ratios, etc. as needed.</p>	<p>We obtained from management of Florida Housing a listing of the 2017 non-DPA HHF applications reviewed by the HHF compliance staff and randomly selected a sample of 25 applications. For each selected application, we obtained the applicant information, the AA documentation, and evidence of the HHF compliance staff review.</p>
<p><b>CA1.1e</b> – Properly trained HHF staff performs periodic sample reviews of eligible DPA files, checks for appropriate support documentation, and recalculates income/ratios, etc. as needed.</p>	<p>We obtained from management of Florida Housing a listing of the 2017 HHF DPA borrower files reviewed by HHF staff and selected a random sample of 10% of all applications. For each selected application, we obtained the applicant information, the vendor documentation and evidence of the HHF compliance staff review which includes staff sign-offs and recalculations on each DPA file.</p>

Control Activity	Procedures Performed
<p><b>CA1.1f</b> - Checklists and review forms are used from application intake and processing by AA staff to underwriting by HHF and contracted underwriter staff.</p>	<p>We obtained from management of Florida Housing a listing of all 2017 non-DPA HHF applicants submitted for underwriting and randomly selected a sample of 25 applications (same as CA1.1b). For each application, we obtained from management of Florida Housing the checklists and review forms which are used throughout the process, from application intake and processing by AA staff to underwriting by HHF and contracted underwriter staff.</p>
<p><b>CA1.1g</b> - Review of HHF eligibility/underwriting practices are performed and documented by the HHF Compliance Officer in a timely manner (routine basis), and by the internal auditors (as needed basis), and instances of non-compliance with guidelines and requirements are remediated.</p>	<p>We obtained from management of Florida Housing the non-DPA review of an AA performed by Florida Housing Internal Audit and the non-DPA review of a sample of underwriter files performed by the HHF Compliance Officer. The documentation for both reviews included findings, recommendations, and remediation results.</p>
<p><b>HHF Funds, Property, and Other Assets</b></p>	
<p><b>CA2.1a</b> – Florida Housing has documented policies and procedures that describe in detail the requirements over HHF funds.</p>	<p>We obtained from management of Florida Housing all policies and procedures detailing requirements over HHF funds, property, and other assets.</p>
<p><b>CA2.1b</b> – For HHF program and administrative funds, duties over custody of cash, disbursement approval, recording, reconciling, and report review are adequately segregated.</p>	<p>We obtained from management of Florida Housing an organizational chart for Florida Housing, including the Financial Accounting department. We also obtained the policy process narratives prepared by Florida Housing, which include the responsibilities for each individual within the process related to cash custody, disbursement approval, recording, reconciling, and review, including the respective responsibilities of the personnel on the organizational chart. We observed that separate individuals are assigned each of the above responsibilities.</p>
<p><b>CA2.1c</b> – Routine review of HHF disbursements, are performed by the Accounting staff in a timely manner, and instances of non-compliance with guidelines and requirements are remediated.</p>	<p>We obtained from management of Florida Housing a detail of 2017 cash disbursements for administrative expenses and program expenses and randomly selected 25 disbursements from each detail. For each selected disbursement, we obtained the payment file and noted evidence of review performed by Accounting staff including supervisory sign-offs and communication of other levels of review.</p>

Control Activity	Procedures Performed
<p><b>CA2.2</b> – Florida Housing maintains acceptable bank accounts for HHF funds and reconciles the bank accounts on a monthly basis.</p>	<p>Per inquiry of management of Florida Housing, there have been no changes in HHF bank accounts during the year ended December 31, 2017. We obtained from management the bank reconciliations prepared for the HHF account with Bank of New York Mellon for the months of June 2017 and September 2017, noting that they were prepared by Florida Housing staff.</p>
<p><b>Reporting</b></p>	
<p><b>CA3.1a</b> – Florida Housing has documented procedures that describe in detail the requirements over HHF reporting functions (both internal reporting and reporting to Treasury)</p>	<p>We obtained from management of Florida Housing the policies and procedures that describe in detail the requirements over HHF reporting functions (both internal reporting and reporting to Treasury).</p>
<p><b>CA3.1b</b> – Florida Housing prepares and submits complete and accurate Quarterly Performance Reports (QPRs) and Quarterly Financial Reports (QFRs) to Treasury on a quarterly basis within the time requirements; Florida Housing posts the completed QPR on its website quarterly.</p>	<p>We obtained from management of Florida Housing the QPR and QFR for Q3 2017, including supporting schedules and reconciliations.</p> <p>We obtained from management of Florida Housing copies of emails sent by Florida Housing staff to the Treasury department. We observed that the emails, with the Q3 reports attached, were submitted to Treasury on December 12, 2017. We obtained from management of Florida Housing a screenshot of the QPR upload to the Florida Housing website.</p>
<p><b>CA3.2</b> – Florida Housing performs monthly and quarterly reconciliations of HHF trial balances (loans) and financial reports to the general ledger. Additional reconciliation of CounselorDirect batches to the general ledger and to the quarterly HHF Treasury financial reports is performed quarterly.</p>	<p>We obtained from management of Florida Housing the June 2017 and December 2017 reconciliations of the HHF trial balance of loans outstanding to the CounselorDirect system and the general ledger, including supporting documentation, as prepared by Florida Housing staff.</p> <p>We also obtained from management of Florida Housing the Q2 2016 and Q4 2017 reconciliations of the quarterly Treasury financial reports to the CounselorDirect system and the general ledger, including supporting documentation, as prepared by Florida Housing staff.</p>
<p><b>CA3.3</b> – Florida Housing’s financial statements (including the HHF program) are independently audited annually and Florida Housing submits a copy of the audit results to Treasury in accordance with the HPA.</p>	<p>We obtained from management of Florida Housing evidence of the submission of the independently audited financial statements via email correspondence between Florida Housing and Treasury.</p>

Control Activity	Procedures Performed
<p><b>CA3.4</b> – Florida Housing prepares and submits a complete and accurate bring-down certificate to Treasury on an annual basis within the time requirements.</p>	<p>We obtained from management of Florida Housing the bring-down certificate filed in 2017 and reviewed the submission date showing the certificate was submitted timely within the 45 day limit from the period end.</p>
<p><b>CA3.5</b> - Florida Housing maintains documentation of the ICP (reviewed quarterly and updated as needed) and IACMP, as revised, and proof of submission of IACMP revisions to Treasury.</p>	<p>We obtained from management of Florida Housing the Q2 2017 and Q4 2017 Internal Control Programs (ICPs); including supporting documentation showing quarterly updates made and noted evidence of review of the documentation by Florida Housing staff.</p> <p>We also obtained from management of Florida Housing the Internal Antifraud and Compliance Monitoring Program (IACMP) dated June 2012, as well as the email correspondence, noting that the IACMP was attached to an email submitted to Treasury on June 7, 2012. Through inquiry with management, we confirmed that this was the last report and there has been no change to the documentation in the current year.</p>
<p><b>Program expenses</b></p>	
<p><b>CA4.1</b> – Disbursement procedures include the review of supporting documentation and the use of supervisory sign offs. Payment requests are subject to multiple levels of review prior to disbursement of funds. All electronic batch submissions are subject to dual control.</p>	<p>We obtained from management of Florida Housing a detail of all 2017 cash disbursements related to program expenses (check, wire, EFT, ACH) and randomly selected a sample of 25 disbursements. For each disbursement, we obtained supporting documentation; such as the standard disbursement form for payments, data from CounselorDirect as well as authorization from the appropriate level, agreed the supporting documentation to the detail of our selection, and observed evidence of approval by Florida Housing staff.</p>
<p><b>CA4.2, CA4.3 and CA4.5</b> – Florida Housing requires all servicers to utilize the Common Data File (CDF), the Treasury and Servicer approved format, to exchange data regarding borrower mortgage payments, arrearage amounts, etc. All CDFs received are retained.</p>	<p>We obtained from management of Florida Housing a list of servicers, noting there were 527 servicers. We randomly selected a sample of 25 servicers.</p> <p>We obtained from management of Florida Housing documentation, such as communications between Florida Housing and the servicer including updated versions of the CDF. We observed that all of the 25 selected servicers utilize the CDF when returning applicant information to Florida Housing and the CDFs were retained.</p>

Control Activity	Procedures Performed
<p><b>CA4.4</b> – Florida Housing has documented policies and procedures that describe in detail the requirements over HHF program expenses.</p>	<p>We obtained from management of Florida Housing the policies and procedures that describe the requirements related to HHF program expenses.</p>
<p><b>CA4.6</b> - Routine review of program payments are performed during the timely processing of CDF Records received from Servicers. Instances of non-compliance with guidelines and requirements are remediated.</p>	<p>We obtained from management of Florida Housing a detail of 2017 cash disbursements related to program expenses (check, wire, EFT, ACH) and randomly selected a sample of 25 disbursements. For each disbursement, we obtained supporting documentation and observed evidence of approval by Florida Housing staff.</p>
<p><b>CA4.7</b> – Florida Housing performs monthly and quarterly reconciliations of HHF trial balances (loans) and financial reports to the general ledger. Additional reconciliation of CounselorDirect batches to the general ledger and to the quarterly HHF Treasury financial reports is performed quarterly.</p>	<p>We obtained from management of Florida Housing the June 2017 and December 2017 reconciliations of the HHF trial balance of loans outstanding to the CounselorDirect system and the general ledger, including supporting documentation, as prepared by Florida Housing staff.</p> <p>We also obtained from management of Florida Housing and reviewed the Q2 2017 and Q4 2017 reconciliations of the quarterly Treasury financial reports to the CounselorDirect system and the general ledger, and supporting documentation, as prepared by Florida Housing staff.</p>
<p><b>Administrative expenses</b></p>	
<p><b>CA5.1</b> – Florida Housing has documented policies and procedures that describe in detail the requirements over HHF administrative expenses.</p>	<p>We obtained from management of Florida Housing the policies and procedures that describe the requirements related to HHF administrative expenses.</p>
<p><b>CA5.2 and CA5.3</b> - Levels of review of payment requests are incorporated in the disbursement process to ensure transactions are entered appropriately in Florida Housing’s financial accounting system. Additional procedures, such as timecards detailing time spent on the HHF Program, are in place to ensure proper calculation and allocation of expenses in accordance with Office of Management and Budget (“OMB”) Circular A-87 or the 2015 OMB Compliance Supplement, as applicable.</p>	<p>We obtained the disbursement policy that includes the use of a standardized disbursement request form and required supervisory approvals.</p> <p>We obtained from management of Florida Housing a detail of 2017 cash disbursements for administrative expenses (checks, wire, EFT, ACH) and randomly selected a sample of 25 disbursements. For each disbursement selected, we obtained the corresponding standardized disbursement request form and observed approval by Florida Housing staff.</p>

Control Activity	Procedures Performed
<p><b>CA5.4</b> – Appropriate levels of review of the administrative expense payment files and documentation are incorporated in the payment approval and disbursement process.</p>	<p>We obtained from management of Florida Housing a detail of all 2017 cash disbursements for administrative expenses (check, wire, EFT, ACH) and randomly selected a sample of 25 disbursements (same as CA5.2). For each disbursement selected, we obtained the payment file and supporting documentation, such as corresponding standardized disbursement request form, and observed evidence of approval by Florida Housing staff.</p>
<p><b>CA5.5</b> – All HHF related accounts are reviewed quarterly as part of the preparation of the QFR.</p>	<p>We obtained from management of Florida Housing the HHF administrative expense tracking worksheet used to prepare the Q3 2017 QFR and compared the amounts in the worksheet to the QFR submitted to the Treasury Department, observing that they agreed.</p>
Anti-Fraud and Compliance Monitoring	
<p><b>CA6.1a</b> – Florida Housing has documented policies and procedures that describe in detail the requirements over the prevention and detection of fraud and non-compliance issues. The Office of Inspector General performs a risk assessment of HHF programs and activities.</p>	<p>We obtained from management of Florida Housing the Florida Housing Employee Policy and Procedures Handbook, observing that Section 2155, “Anti-Fraud Policy,” detailed the requirements over the prevention and detection of fraud and non-compliance issues.</p> <p>We also obtained from management of Florida Housing and read the most recent Office of Inspector General risk assessment of HHF programs and activities.</p>
<p><b>CA6.1b</b> – FHFC management has instituted an anonymous reporting mechanism specifically for HHF for individuals to report instances of actual or suspected fraud. A link to the reporting options is located on the cover page of the HHF program website. An additional internal anonymous reporting mechanism is located within the FHFC intranet portal. All reports of actual or suspected fraud are monitored by the Office of Inspector General regardless of submission method.</p>	<p>We verified the existence of the anonymous reporting mechanism for individuals to report instances of actual or suspected HHF fraud by submitting “test” complaints via fax and via an online submission form. We noted that a link to the reporting options is located on the cover page of the HHF program website by navigating to the HHF program website.</p> <p>We observed that reports of actual or suspected fraud are monitored by the Office of the Inspector General by the receipt of communication from the Inspector General, in response to our “test” complaints.</p>

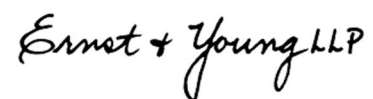
Control Activity	Procedures Performed
<p><b>CA6.1c</b> – The OIG is the first responder to reported fraud issues. The OIG’s response to an issue may include, but is not limited to, recording, investigating, and judging whether fraud has occurred and if law enforcement should be notified. This may include external and internal cases involving HHF funds and other Florida Housing funding programs.</p>	<p>We obtained from management of Florida Housing a detail of fraud issues/cases reported during 2017 and randomly selected a sample of one HHF issue/case.</p> <p>We obtained documentation for each selected fraud issue/case, including supporting documentation; such as original complaint documentation, actions such as interview documentation and client responses, detailing the recording, investigating, and resolution of each selected case.</p>
<p><b>CA6.1d</b> – Florida Housing management ensures periodic training of HHF employees and contractors regarding the definition of fraud and what to do when fraud is suspected. The training materials and attendees are documented.</p>	<p>We obtained from management of Florida Housing a listing of all training sessions provided to HHF employees and contractors during 2017. We obtained from management of Florida Housing a copy of the training materials for all 4 training sessions. We haphazardly selected one of the training sessions and obtained from management of Florida Housing a list of attendees.</p>
<p><b>CA7.1</b> – FHFC uses a formal RFQ and RFP processes in compliance with state and federal requirements to secure contractors. FHFC uses a review team to evaluate and score each response. FHFC also uses the Thomson Reuters CLEAR® Investigation Software product (CLEAR) to vet new Administrators, Advisors, and Underwriters.</p>	<p>Per inquiry with management, one program-related RFQ took place in 2017: RFQ 2017-03. For the RFQ we obtained and verified supporting documentation, including scores, evaluation and PLS review. We also obtained evidence, such as Review Committee Meeting Log and Award Notice that confirm team members were independent to the process.</p>
<p><b>CA7.2a</b> – Florida Housing defines conflict of interest in contracts with external HHF business partners/vendors; ensures as needed training to HHF employees and contractors regarding the definition and prohibition of conflicts of interest; and documents the training materials and attendees.</p>	<p>We obtained from management of Florida Housing a listing of all training sessions provided to HHF employees and contractors during 2017. We haphazardly selected a sample of two training sessions out of a total population of six sessions. For each of the selected training sessions, we obtained from management of Florida Housing a copy of the training materials and the list of attendees.</p>



Control Activity	Procedures Performed
<p><b>CA7.2b</b> – Florida Housing defines conflict of interest in the employee manual and certifications of understanding are maintained in employees’ files.</p>	<p>We obtained from management of Florida Housing the Florida Housing Employee Policy and Procedures Handbook, noting that Section 2150, “Conflicts of Interest,” defined circumstances that would constitute conflicts of interest.</p> <p>We also obtained from management of Florida Housing a list of HHF employees and haphazardly selected fourteen employees for testing (10% of the total population). We verified that the selected employees’ manual and certification is included within the employee file.</p>
<b>Information Technology (IT) Environment and Data Security</b>	
<p><b>CA8.1</b> – Florida Housing has documented policies and procedures that describe the requirements over the IT environment and data security functions.</p>	<p>We obtained from management of Florida Housing the IT Services Network and Systems Support Procedures handbook utilized by Florida Housing, observing that it contained descriptions of the requirements over the IT environment and data security functions.</p>
<p><b>CA8.2</b> – Florida Housing routinely performs disaster recovery tests. In addition, security assessment tests are performed by an independent third-party contractor.</p>	<p>We obtained from management of Florida Housing documentation evidencing the operation of the disaster recovery infrastructure. A disaster recovery test was performed during 2017. We obtained and reviewed the test plan as evidence of its completion. We also obtained from management of Florida Housing documentation evidencing a security assessment test that was performed on December 5, 2017 by a third-party.</p>
<p><b>CA8.3</b> – CounselorDirect provides a SSAE 16 report annually for review.</p>	<p>We obtained from management of Florida Housing the SSAE 16 report dated May 1, 2016 through April 30, 2017 for the CounselorDirect platform. In addition we obtained a bridge letter covering the period from April 30, 2017 through December 31, 2017.</p>
<p><b>CA8.4</b> – Florida Housing limits access to borrower Personally Identifiable Information (PII) to authorized users only within both the CounselorDirect portal and the U:\Hardest Hit Fund subfolder on the Florida Housing internal shared network drive.</p>	<p>We obtained from management of Florida Housing a listing of authorized users with access to PII via the CounselorDirect portal and with access to PII via the U:\Hardest Hit Fund.</p> <p>We observed an unauthorized employee, whose name does not appear in the aforementioned lists, attempt to access both the CounselorDirect system and the U:\Hardest Hit Fund folder and noted that the individual was denied access to both.</p>

Control Activity	Procedures Performed
<p><b>CA8.5</b> – IT operations and IT development teams have segregated duties and responsibilities. In addition, HHF staff control user access to the CounselorDirect portal.</p>	<p>We obtained from management of Florida Housing an organizational chart for the IT department and position descriptions to identify the reporting areas and responsibilities of those with access to the portal for each individual listed herein.</p>
<p><b>CA8.6</b> – Florida Housing ensures routine training for HHF employees and contractors regarding IT security and safeguarding of HHF data and borrower PII.</p>	<p>We obtained from management of Florida Housing a listing of all training sessions provided to HHF employees and contractors during 2017. We haphazardly selected a sample of 3 training sessions out of a total population of 8 sessions. For each of the selected training sessions, we obtained from management of Florida Housing a copy of the training materials and the list of attendees.</p>
<p><b>CA8.7</b> – The handling of PII is outlined in the HHF Advisor Agency and HHF Underwriting contracts with Florida Housing. In addition, Florida Housing has provided PII training to Advisor Agency and HHF contracted underwriting staff. HHF contracted underwriters are required to execute a Personally Identifiable Information (PII) Awareness Training Agreement. Florida Housing staff are required to execute an Employee Acknowledgment and Disclosure Agreement in acknowledgment of their understanding of Florida Housing’s policies pertaining to Confidentiality and Privacy, Information Technology, Disclosure of Outside Employment, and Conflicts of Interest.</p>	<p>We obtained from management of Florida Housing a detail of the HHF Program Advisor Agencies, contracted staff, and Florida Housing staff. We randomly selected a sample of seven Advisor Agencies and reviewed application documentation for inclusion of PII handling.</p>

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report is intended solely for the information and use of the Board of Directors and management of Florida Housing, and is not intended to be and should not be used by anyone other than these specified parties.



April 30, 2018