

Ryan Benson, Board Chair
Angie Sellers, Chief Financial Officer

Sandra Einhorn, Audit Committee Chair
Chris Hirst, Inspector General

Project #2024-12

**Final Report - Management Review of
Statements by Florida Housing's
former Executive Director**

March 27, 2024

SUMMARY

The Office of Inspector General (OIG) conducts management reviews (reviews) of Florida Housing Finance Corporation's (Florida Housing) Programs to provide management and other stakeholders with unbiased, timely, and relevant information for use in promoting accountability, stewardship, and efficient operations. On February 2, 2024, Florida Housing's Board Chair requested that Florida Housing's Inspector General conduct a review of two statements made in the resignation letter¹ of Michael DiNapoli, Florida Housing's former Executive Director. These statements questioned the adequacy of oversight and accountability around certain Florida Housing "investment assets" and "bank accounts". Therefore, the OIG initiated a management review to determine the validity of the two statements.

OBJECTIVES, SCOPE AND METHODOLOGY

The review focused on the following two statements in Mr. DiNapoli's resignation letter:

Statement 1: "Staff avoided my request to explain – and therefore bring accountability to – nearly \$900 million in investment assets that have not been accessed in nearly two decades."

Statement 2: "Approximately 50 bank accounts open under Florida Housing with nearly \$2 billion are subject to a concerning low - level of oversight. Reconciled only biannually, with little to no back-up documentation or verification, and all managed by simple spreadsheets."

The scope of this review included Florida Housing's controls, processes, policies and procedures, and related guidance, which were in effect during the time period of calendar years 2022 and 2023.

The objective of this review was to determine if there is oversight, accountability, and reconciliation of the "investment assets" and "bank accounts" as referenced in the two statements.

¹ On October 26, 2023, Michael DiNapoli, former Executive Director, submitted his resignation to the Florida Housing Board of Directors.

To achieve these objectives, the OIG interviewed relevant Florida Housing staff, representatives from Ernst and Young LLP (EY)² and Kutak Rock LLP³ and reviewed:

- Florida Statute 420.511(4) - audited financial statements
- Florida Statutes 17.61 - powers and duties in the investment of certain funds
- *Florida Housing Finance Corporation Financial Report (years 2002-2022)*
- Florida Housing Policy and Procedure - *State Treasury Reconciling with Bank of New York and FHFC*
- Florida Housing and Bank of New York - Master Trust Indenture
- Florida Housing Contract 011C-2023 - Kutak Rock LLP - Bond Counsel Engagement
- Florida Housing Contract 010-2020 - Royal Bank of Canada (RBC) Capital Markets, LLC - Single Family Cash Flow Services
- Chief Financial Officer (CFO) *Response to items in Mr. DiNapoli's resignation letter*⁴ dated 11/9/23
- Emails between Mr. DiNapoli and Florida Housing's CFO dated 3/3/23, 3/14/23 and 3/20/23
- *3/14/2023 Email Attachment, Active SPIA (Special Purpose Investment Accounts)*⁵ *Accounts*
- *3/14/2023 Email Attachment, All SPIA Accounts*
- *3/20/2023 Email Attachment, Tracking Spreadsheet- Florida Housing Finance Corporation, Allocation of Pooled Investment Income for the Month Ended December 2022 Allocation*
- *3/20/2023 Email Attachment, SPIA Activity, Operating Fund*
- *3/20/2023 Email Attachment, SPIA Activity, Guarantee Fund*
- Florida Housing SPIA reconciliation documents, February, October and November of 2022, and April, June and September 2023, Program Accounting
- Florida Housing Pooled Cash & Investment Accounts reconciliation documents, February, October and November of 2022, and April, June and September 2023, Financial Accounting

BACKGROUND

Florida Housing's single family bond program structure⁶:

Single Family Home Ownership Program – The bond proceeds were committed by Florida Housing to purchase mortgage-backed securities to the extent mortgage loans were originated by participating lenders under this program. The mortgage loans provided single family residences for persons of low to middle income within the state of Florida.

² Accounting firm Ernst and Young LLP (EY) conducts Florida Housing's annual financial statement audit as required by Florida Statute.

³ Kutak Rock LLP is a law firm that serves as bond counsel to Florida Housing.

⁴ The OIG spoke with the CFO regarding the statements contained in Mr. DiNapoli's resignation letter. Both agreed that a documented response to Mr. DiNapoli's statements was warranted. On November 9, 2023, the CFO's *Response to items in Mr. DiNapoli's resignation letter* was received by the OIG.

⁵ Funds in the State Housing Trust Fund and the Local Government Housing Trust Fund are held by the State Treasury in a general pool of investments. Florida Housing also has invested funds associated with single family bond issues, its pooled investments, and Guarantee Program funds with the State Treasury in Special Purpose Investment Accounts (SPIAs). Pursuant to Section 17.61, Florida Statutes, these SPIAs allow statutorily created organizations to invest in the Treasury investment portfolio.

⁶ Referenced from the *Florida Housing 2022 Financial Report*.

First Time Homebuyer Program – Florida Housing funds loans originated under this program through financing options including revenue bond issuance proceeds and the sale of mortgage-backed securities in the secondary market. The loans in this program are 30-year, fixed rate mortgage loans originated by private lenders. Bonds are issued from two separate indentures for this program.

Single Family Homeowner Mortgage Revenue Bonds – This bond indenture began in 1995 and continues to add [bond] issues as needed to ensure the continued availability of funds for the First Time Homebuyer Program. Certain bond issues have been refunded with subsequent bond issues under the indenture.

Homeowner Mortgage Revenue Bonds (Special Program) – These bonds were issued under the federal New Issue Bond Program (NIBP) implemented in 2009 by the U.S. Treasury and HUD as a short-term response to the credit and liquidity crises that made tax exempt bonds difficult to use for affordable housing programs. Florida Housing issued a total of \$547.2 million of single-family bonds under this program. The authority to issue new NIBP bonds terminated on December 31, 2012.

Statement 1: “Staff avoided my request to explain – and therefore bring accountability to – nearly \$900 million in investment assets that have not been accessed in nearly two decades.”

On March 3, 2023, Mr. DiNapoli emailed⁷ Florida Housing’s Chief Financial Officer (CFO) requesting information regarding some of Florida Housing’s bond accounts. Specifically, “further descriptions to each [bond] account so I am, aware of what each one is for.”

In a documented response⁸ to the OIG, the CFO stated, “I provided [Mr. DiNapoli] [via email⁹ on 3/14/23] a full listing of our SPIA accounts, with a description of the four account series.” Below is the four account series as stated in the CFO’s email.

Florida Housing has four series of SPIAs with the majority related to bond funds:

- 4-501 Series - 2 accounts - Operating Account
- 4-502 Series - 1 account - Guarantee Fund Account
- 4-503 Series - 12 accounts - New Issue Bond Program Indenture
- 4-500 Series - 40 accounts - Single Family Bond Fund Indenture

On March 20, Mr. DiNapoli requested additional information about those accounts from the CFO:

- 4-501 Series - “Please send me statement for the previous 12 months.”
- “Please send me the breakdown of the funds (operating, state, federal).”

⁷ Reference Appendix A - email between Mr. DiNapoli and Florida Housing’s CFO

⁸ Reference Appendix B - CFO Response to items in Mr. DiNapoli’s resignation letter dated 11/9/23

⁹ Reference Appendix A - email between Mr. DiNapoli and Florida Housing’s CFO

4-502 Series - "What amount is not SAIL."

"Please provide statements for the previous 12 months."

The CFO replied¹⁰ the same day with the requested information.

In a documented response¹¹ to the OIG, the CFO stated:

He [Mr. DiNapoli] requested information regarding the breakdown of funds that are housed in the Pooled Cash & Investment accounts – the approximately \$900 million. I sent him the tracking spreadsheet¹² which has all activity for 2022 in it. You can clearly see what is in each fund - SAIL¹³, HAP¹⁴, Operating¹⁵, etc.

OIG Review of Activity, Oversight, Reconciliation and Backup of Florida Housing's Pooled Cash & Investment Accounts

The OIG reviewed documentation including activity reports and tracking spreadsheets pertaining to the various funds (e.g., SAIL, HAP, Operating, etc.) and as referenced in the *Florida Housing Finance Corporation Allocation of Pooled Investment Income for the Month Ended December 2022 Allocation*.¹⁶ Within these accounts is an Operating Account, for funding liquidity needs, and activity is frequent as it is accessed by Florida Housing on a daily basis. By way of example, when there are large deposits to the account, they are generally documentary stamp tax¹⁷ draws from the state and legislative allocations. Additionally, when there are large withdrawals from the account, they are generally State Housing Initiatives Partnership (SHIP)¹⁸ or Hurricane Housing Recovery Program (HHRP) disbursements. SAIL disbursements are more infrequent and scattered throughout the year. This account continuously carries a large balance as was referenced by Mr. DiNapoli with his statement "nearly \$900 million in investment assets". These large balances are historically consistent and necessary in order to fund these Florida Housing programs. There are several factors that will cause fluctuations in the account balance from year to year. This includes the amount of real estate transactions that determine documentary stamp tax revenues and legislative appropriations.

To provide assurance that Florida Housing's Financial Accounting section performs a monthly reconciliation, the OIG chose a random sample of monthly reconciliations. The OIG selected February,

¹⁰ Reference Appendix A - email between Mr. DiNapoli and Florida Housing's CFO

¹¹ Reference Appendix B - CFO Response to items in Mr. DiNapoli's resignation letter dated 11/9/23

¹² 3/20/2023 Email Attachment Tracking Spreadsheet

¹³ Florida Housing's State Apartment Incentive Loan program (SAIL) provides low-interest loans on a competitive basis to affordable housing developers each year.

¹⁴ The Florida Homeownership Assistance Program (HAP) provide funds to eligible homebuyers for down payments and closing costs. These non-interest bearing, nonamortizing second mortgage loans are used with the First Time Homebuyer Program.

¹⁵ "Operating" refers to the Florida Housing's Operating Fund. This fund, which includes the operating subfund and the bond management subfund, collects program fees from the various bond issues, fees for awarding housing credits, and administrative fees associated with federal and state housing programs. Expenses are those incurred in operating Florida Housing and the administration of its various programs.

¹⁶ 3/20/2023 Email Attachment Tracking Spreadsheet

¹⁷ Documentary stamp tax is an excise tax imposed on certain documents executed, delivered, or recorded in Florida. The most common examples are documents that transfer an interest in Florida real property, such as deeds; and mortgages and written obligations to pay money, such as promissory notes.

¹⁸ Florida Housing administers the State Housing Initiatives Partnership program (SHIP), which provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low and moderate income families.

October and November of 2022, and April, June, and September of 2023, to review and determine if the accounts were reconciled according to documented procedures provided by Financial Accounting. The OIG's review of the documentation for the selected sample included interviewing staff, observing staff's reconciliation process for April, as well as independently reviewing and reconciling February, October and November of 2022, and June and September 2023.

Results of Review

The OIG reviewed all available information and determined that staff did not avoid Mr. DiNapoli's request to explain the accounts, there is accountability for the accounts, and the \$900 million in investment assets that have been accessed daily in the last two decades. This is evidenced by the CFO providing Mr. DiNapoli detailed email messages and attachments that gave an explanation as to oversight and accountability around, *Florida Housing Finance Corporation Allocation of Pooled Investment Income for the Month Ended December 2022 Allocation*. Additionally, the OIG determined during the reconciliation review that the accounts are reconciled monthly, and Florida Housing has documented procedures and maintains all backup documentation. Finally, the "tracking spreadsheet which has all activity for 2022 in it" shows the accounts being accessed with deposits in (e.g., document stamp tax funds and legislative allocations) and withdrawals out to various Florida Housing programs (e.g., SAIL, HAP, Operating, etc.).

Statement 2: "Approximately 50 bank accounts open under Florida Housing with nearly \$2 billion are subject to a concerning low-level of oversight: reconciled only biannually, with little to no back-up documentation or verification, and all managed by simple spreadsheets."

In a documented response¹⁹ to the OIG, the CFO stated:

I believe [Mr. DiNapoli] is referring to the SPIA accounts – investment accounts in the state treasury's Special Purpose Investment Account program. Since we are a quasi-governmental entity, we can participate. He had asked for a list of all our SPIA accounts, which was sent to him on 3/14²⁰. On that list are 53 active accounts, with 16-18 of those ready for closing [subject to the bond trustee's approval]. The email with this list included full descriptions of the various account series, their purpose and duration.

Other than the Operating account, which we use and monitor activity on daily, these are accounts that were created for bond issues. There is one Guarantee Fund account, but the rest are SF [single family] bond issue related. These are managed by the trustee, which was explained to [Mr. DiNapoli]. The trustee for the bond issue is responsible for the investment, liquidation, tracking, documentation, and reconciliation of these accounts. Our program accounting section does review them, and posts activity into our GL [general ledger account] related to them. However, this activity comes from the trustee – we download

¹⁹ Reference Appendix B - CFO Response to items in Mr. DiNapoli's resignation letter dated 11/9/23

²⁰ 3/14/2023 Email Attachment Active SPIA Accounts

activity from the trustee to then review and upload into our accounting software. The “other side” of the investment and liquidation entries in SPIA are the trustee activity.

My email indicated that we monitor these accounts several times a year, and really work with the trustee annually to clean up any reconciling items. The activity is routine. My comments in the email were not completely correct. All accounts for Single Family and Guarantee are reconciled monthly, not biannually, and more frequently than what my email implied.

I will also note that all these funds are subject to review in our annual financial audit²¹. No comment has been received regarding the level of oversight of these accounts.

The statement by Mr. DiNapoli that “approximately 50 bank accounts open” was reviewed to determine the necessity for the number of accounts. Each of these accounts is associated with a single-family bond issuance. The master indenture covering these issuances has been in place since 1995. Florida Housing averages approximately 1-3 single family bond issuances per year. At any given time, Florida Housing has active bond issuances that are in their 1st, 5th, 10th etc., year of a 30-year lifespan. There are also those that have expended the bond proceeds and are ready for closing, subject to the approval of the trustee.

OIG Review of the Oversight, Reconciliation and Backup of Florida Housing’s SPIAs

The OIG’s review determined that the following services provide oversight, reconciliation, and backup of Florida Housing’s SPIAs:

- Bond Trustee Services
- Bond Counsel Services
- Single Family Cash Flow Provider Services
- Bond Ratings
- Florida Housing’s Yearly Financial Statement Audit
- Florida Housing Internal Reconciliation and Backup

Bond Trustee Services

Florida Housing has, under a Master Indenture²², retained the services of Bank of New York Mellon Trust Company, N.A (BNY) as the bond trustee for their single-family bond accounts that are invested in the SPIAs program. In this capacity, BNY is acting as a fiduciary²³ and is responsible for direct oversight and administration of many specific bond issues:

²¹ Florida Housing is required by Florida Statute 420.511(4) to ensure that their financial statements are audited by an independent certified public accountant. The purpose of the audit is to provide assurance that management has presented financial statements that are free from any misstatement. Accounting firm EY currently performs this yearly audit for Florida Housing.

²² A master trust indenture is a legal agreement between a bond issuer and a trustee. The master trust indenture is used to protect the bondholder’s interests by outlining the rules and responsibilities each party must adhere to.

²³ Fiduciaries are persons or organizations that act on behalf of others and are required to put the clients’ interests ahead of their own, with a duty to preserve good faith and trust. Fiduciaries are thus legally and ethically bound to act in their clients’ best interests.

- ensuring that the issuer complies with all applicable laws and regulations and the terms of the bond agreement;
- collecting and distributing interest payments to bondholders;
- maintaining accurate records of the bond issue and providing monthly statements to the bond issuer;
- enforcing the rights of the bondholders in the event of a default or other breach of the bond agreement;
- providing regular reports to bondholders on the status of the bond issue; and
- facilitating communication between the issuer and the bondholders.

The use of a bond trustee for oversight of Florida Housing’s single-family bond accounts extends back almost 30 years²⁴. The use of a bond trustee is a common, industry standard best practice but has also been a requirement of the Trust Indenture Act of 1939²⁵.

Bond Counsel Services

Florida Housing has, under a competitive solicitation²⁶ contract, retained Kutak Rock LLP as Florida Housing’s bond counsel. In addition to the legal services provided during single family bond development and issuance, Kutak Rock LLP provides ongoing support for tax law compliance, including review of permitted investments and the final yield analysis and the issuance of any no-adverse effect opinions required by single family bond documents. Finally, Kutak Rock LLP serves as a resource for program staff to ensure compliance with federal tax law and housing policy.

Single Family Cash Flow²⁷ Provider Services

Florida Housing has, under a competitive solicitation contract, retained RBC Capital Markets LLC as Florida Housing’s Single Family Cash Flow Provider Service. In this capacity they perform several management and oversight activities related to the Florida Housing’s single family bond program including but not limited to:

- Producing recurring consolidated cash flow reports and cash flow verification for Florida Housing’s Master Indenture, the New Issue Bond Program Indenture, and any future and stand-alone indentures;
- tracking of single-family bond repayment information;
- assisting with responses to questions from and participation in consultations with the bond the rating agency;
- modeling Florida Housing single family bond profitability projections including range of prepayment, production, and stress assumptions; and

²⁴ The master trust indenture with Bank of New York came into effect in 1995. As of October 1, 2023, there have been 61 supplemental trust indentures.

²⁵ The Trust Indenture Act of 1939 is a law that prohibits bond issues valued over \$10 million (now updated to \$50 million) from being offered for sale without a formal written agreement (an indenture). The indenture is a contract entered into by a bond issuer and an independent trustee to protect the interests of bondholders.

²⁶ Florida Administrative Code Rule 67-49.001 Definitions, Competitive Solicitation means any Request for Proposals, Request for Qualifications, Invitation to Bid, Invitation to Negotiate, or other process of requesting and receiving sealed bids, proposals, or replies in accordance with the terms of a competitive process, regardless of the method of procurement, including any publication or transmission by electronic means.

²⁷ Bond activity is reported on recurring cash flow reports from the security’s issuance to its eventual settlement date.

- presenting analyses of benefits and risks regarding single family cash flow issues.

Bond Ratings

Florida Housing bond funds have been consistently rated Aaa. “Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.”²⁸

Florida Housing’s Internal Reconciliation and Backup

Florida Housing’s Program Accounting section performs a monthly reconciliation of Florida Housing investment funds. These funds are associated with single family bond issuances with the State Treasury in the SPIAs. To provide assurance that Florida Housing’s Program Accounting section does perform a monthly reconciliation, the OIG selected a random sample of monthly reconciliations. The OIG selected February, October and November of 2022 and April, June, and September of 2023, to review and determine if the accounts were reconciled according to documented procedures provided by Program Accounting. The OIG’s review of the documentation for the selected sample included interviewing staff, observing staff’s reconciliation process for April of 2023, as well as independently reviewing and reconciling February, October and November of 2022 and June, and September of 2023.

Florida Housing’s Annual Financial Statement Audit

Florida Housing has, under a competitive solicitation contract, retained the accounting firm EY to perform Florida Housing’s annual financial statement audit as required by Florida Statute. The purpose is to ensure that management has presented financial statements that are free from any misstatement. Components of this audit include a review of the financial statement information related to Florida Housing’s oversight and reconciliation of their SPIAs. The OIG reviewed each audited financial statement report going back 20 years (2002-2022) and observed that EY had not rendered a “management letter²⁹” regarding Florida Housing SPIAs. Furthermore, EY stated they will expand their sample of the reconciliation documentation during the upcoming Florida Housing financial statement audit as an additional test of ongoing compliance.

Results of Review

The OIG reviewed all available information and determined that there is monthly oversight of the 50 bank accounts open under Florida Housing. These accounts are reconciled more frequently than biannually and there is back-up documentation and verification for these reconciliations. This is evidenced by the CFO providing Mr. DiNapoli with email messages and attachments that gave an explanation of oversight and accountability around, Florida Housing’s SPIAs. The OIG determined during the reconciliation review that the accounts are reconciled monthly, and Florida Housing has documented procedures and maintains all backup documentation. It should also be noted the majority of bond related issues and decisions, related to oversight and reconciliation, are not made by Florida Housing, but are managed by all external and independent entities: the bond trustee, with the advice of bond counsel and the single family cash flow provider. Additionally, bond related

²⁸ Moody’s *Global Long-Term Rating Scale*, <https://ratings.moodys.com/rating-definitions>

²⁹ A management letter is an auditing document that is submitted to clients after the completion of an external audit. It discusses findings and recommendations for improvements in internal control.

supporting documentation is readily available on Florida Housing's public website. www.floridahousing.org

ACKNOWLEDGEMENT

The Office of Inspector General would like to extend our appreciation to the management and staff of Florida Housing, EY LLP and Kutak Rock LLP for their assistance and cooperation during this review.

This review was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors. The review was conducted by David Merck, Systems Auditor, CIA, CISA, CIGA, CISSP-ISSMP, CGRC, CPM and Miranda Cross, Investigator/Auditor, CIGI, under the supervision of Justin Evans, Deputy Inspector General, CIA, CISA, CFE, CIGI, CIGA, CPM, CFE. This report and other reports prepared by Office of Inspector General can be obtained from the Corporation's website, <http://www.floridahousing.org/AboutUs/OfficeOfInspectorGeneral>.

APPENDIX

Appendix A

From: Michael DiNapoli
Sent: Friday, March 3, 2023 2:20 PM
To: Angie Sellers <Angie.Sellers@floridahousing.org>
Subject: FHFC SPIA Accounts03032023.xlsx

Angie,
Looks like FHFC has 52 SPIA accounts, can you have someone provide further descriptions to each account so I am, aware of what each one is for. This would be helpful to have each month.

From: Michael DiNapoli <Michael.DiNapoli@floridahousing.org>
Sent: Tuesday, March 14, 2023 1:30 PM
To: Angie Sellers <Angie.Sellers@floridahousing.org>
Subject: FW: FHFC SPIA Accounts03032023.xlsx

Angie, putting this on top of your inbox.

From: Angie Sellers <Angie.Sellers@floridahousing.org>
Sent: Tuesday, March 14, 2023 2:52 PM
To: Michael DiNapoli <Michael.DiNapoli@floridahousing.org>
Subject: RE: FHFC SPIA Accounts03032023.xlsx

Thank you for the reminder!

A short overview –

We have four series of accounts. The bulk of the accounts are related to bond funds. SPIA has been a pretty good place to hold the money for several reasons – safety, ok return, and simple to administer. The bond trustee is the one who manages the activity – both deposits and withdrawals. The general descriptions are:

4-501 Series – 2 accounts – This is the Operating account. We use this daily to fund our liquidity needs. This has increased fairly significantly in the last year due to the additional doc stamp appropriations we've received. It is a pooled cash/investment account, so it includes Operating, any state or federal funds we hold (like SAIL or other programs). The second account held CRF funds. Now that the program is finished, we have this one slated to close soon.

Please send me statement for the previous 12 months.

Please send me the breakdown of the funds (operating, state, federal)

4-502 Series – 1 account – This is for the Guarantee Fund. While there is a fairly high balance, the majority of those funds are technically committed to SAIL. When the Guarantee Fund was in full swing, this was one investment that held the GF Corpus. The funds that are not SAIL are required for the remaining outstanding guarantee.

What amount is not SAIL,
Please provide statements for the previous 12 months.

4-503 Series – 12 accounts – These accounts all relate to the NIBP indenture. As part of a recovery package back in 2009, the federal government had a program where we could issue bonds and I believe they purchased them. This indenture is still active, there are bonds and associated single family MBS still outstanding.

4-500 Series – 40 accounts – These accounts all relate to the active single family bond indenture. There are two “overall” accounts (that relate to the indenture, not a particular issue). Those are SF Escrow and the Accumulation Account. These funds are used to support the indenture, to warehouse loans, cover bond issuance expenses and the like. There are three types of accounts opened for each bond issue:

Capitalized Interest accounts – these held a deposit of funds that was intended to cover negative arbitrage (from the time of issuance until loans were made/MBS purchased). We used to open one for each issue, but in 2021, we switched to a more pooled account. This made the process a little more efficient and didn’t tie up as much money. We are working with the trustee and have targeted several of these for closing as they have completed their life cycle. At some point, we’ll be left with just one Cap I account.

Program account – these accounts hold bond proceeds from closing through the end of origination. There is one for each bond issue, and it can be closed a little after the proceeds are exhausted. We are working with the trustee on closing some of these as well. These start really big, and steadily decline until depleted.

Revenue account (some are called Float Fund) – there is one of these for each active issue. Repayments are deposited into the Revenue account until they are used to pay bonds on the semiannual payment dates. These are generally pretty active. Once the issue is paid off, and there is no activity for a bit, we work with the trustee to close these. The balances in these accounts fluctuate, accumulating until funds are drawn to pay P&I on 1/1 and 7/1.

The bulk of the accounts are related to bond funds. SPIA has been a pretty good place to hold the money for several reasons – safety, ok return, and simple to administer. The bond trustee is the one who manages the activity – both deposits and withdrawals. As you know, one of the controls for SPIA is that there is a fixed “destination” for withdrawals. So, draws from the operating account can only go to our Wells Fargo account, and draws from a bond account can only go to an account with the trustee. We used to have a separate destination account for each SPIA, which the treasury folks didn’t like. But more than a few years ago, we consolidated those. Now all the Program Accounts for the 95 indenture go to one account, and all the Revenue Accounts for the 95 indenture go to a

different account – regardless of bond issue. Same for the NIBP indenture. This change made Treasury pretty happy, and they didn't really care how many accounts we had, as long as we limited the number of destination accounts (or in their lingo, "wire lines").

The attached sheet is our tracking sheet. The top tab is only active accounts, but you can see the notes in column O for ones targeted for closing. Kirstin is working with the Trustee to see if we can close those. The second tab is all the accounts ever opened. You can see how many we've closed.

We check this a couple times a year, and really get with the trustee about once a year. With 2-3 SF bond issues each year, there isn't a lot of change. We can provide whatever info you need, but monthly may be a lot – especially for the bond accounts.

Let me know if you need any other info.

From: Michael DiNapoli <Michael.DiNapoli@floridahousing.org>
Sent: Monday, March 20, 2023 1:50 PM
To: Angie Sellers <Angie.Sellers@floridahousing.org>
Subject: RE: FHFC SPIA Accounts03032023.xlsx

Angie

Please see my highlighted requests, also pls add a column of last posted withdrawal date to each account and provided.

Thank you

Michael DiNapoli
Executive Director
Florida Housing Finance Corporation
850.666.0196
michael.dinapoli@floridahousing.org

From: [Angie Sellers](#)
To: [Michael DiNapoli](#)
Subject: RE: FHFC SPIA Accounts03032023.xlsx
Date: Monday, March 20, 2023 4:30:00 PM
Attachments: [SPIA - Operating and GF 1-12022 - 3-20-2023.xlsx](#)
[December interest apportionment.xlsx](#)

Attached are two spreadsheets.

Activity – two tabs. I pulled activity for 1/1/2022 – 3/20/2023. The first tab is the activity in the Operating account 4-501 series. There was no activity in 4-501-0200, the CRF account. The second tab is the Guarantee Fund.

You can see there is a lot more activity in the Operating account, since we use that almost daily. Very large deposits are generally doc stamp draws from the state. Very large withdrawals are

generally SHIP or HHRP disbursements. SAIL disbursements are scattered through out the year, so you don't normally see large chunks for those.

The Guarantee Fund does not have a lot of activity. You see interest earnings and fee, and then some transfers in and out. That's just the trustee's way to manage the funds and get the activity recorded in their trust system. They basically sweep the net interest out, and then sweep back into SPIA any excess cash they have. The only activity in that fund relates to agency fee (paying FHFC our fee) and trustee fees. This is all part of the GF corpus that the rating agencies look at. The amount of the \$145 million that's committed to SAIL is \$118 million.

Apportionment – This goes to your question about the breakdown of funds in the SPIA, but it also covers the investment managers as well. We consider this all one big pool of cash and investments. The normal inflows and outflows happen in the Wells Fargo accounts. We treat Operating (Fund 10) and the managing fund, so all during the year, all the activity happens in that fund. Fund 10 has a large negative account, the 18000 account, that you see on line 23 of the spreadsheet, shaded green. That negative amount is what Operating is holding for all the other funds. Each fund has a 18000 account, and most of them are positive. Look at these as the cash balance for each fund. If a transaction is made in Wells Fargo account for the benefit of another fund, like a SAIL draw, the cash transaction happens in operating, but there's an "interfund" transaction that automatically gets posted the reduces 18000 in SAIL and increases 18000 in Operating. This is essentially the SAIL fund reimbursing Operating for the outgoing ACH. So SAIL's share of the total pooled cash/investments of just over \$1B is 363,813,533. It's actually more than that, because as we draw doc stamps, we put them into Fund 26, and then usually once a year, sometime over the summer, I move the appropriated funds from 26 to SAIL, or whatever other fund received appropriations. We can chat about why that's the process.

Fund 12 plus any fund number that's greater than 20 is mostly restricted for the most part. There are a few exceptions, because of course! All funds in fund 22 must be used for SAIL, all funds in 23 are HAP, etc.

The December is the most current one we have completed. My staff is working on audit prep, so they haven't rolled into finalizing allocations for 2023 yet.

Appendix B

Response to items in Mike DiNapoli's resignation letter

"Staff avoided my request to explain – and therefore bring accountability to – nearly \$900 million in investment assets that have not been accessed in nearly two decades."

Mike was provided with full monthly reports for the accounts managed by the investment managers beginning in March 2023. We had previously discussed these accounts and the amount of funds in them.

3/14/2023 - I provided Mike a full listing of our SPIA accounts, with a description of the four account series. He requested this on 3/3, but I forgot, and he pinged me on 3/14. I immediately responded.

3/20/2023 – Mike requested some additional information, which was immediately sent. This gets to the heart of the allegation above. He requested information regarding the breakdown of funds that are housed in the Pooled Cash & Investment accounts – the approximately \$900 million. I sent him the tracking spreadsheet which has all activity for 2022 in it. You can clearly see what is in each fund – SAIL, HAP, Operating, etc.

"Approximately 50 bank accounts open under Florida Housing with nearly \$2 billion are subject to a concerning low-level of oversight: reconciled only biannually, with little to no back-up documentation or verification, and all managed by simple spreadsheets."

I believe Mike is referring to the SPIA accounts – investment accounts in the state treasury's Special Purpose Investment Account program. Since we are a quasi-governmental entity, we can participate.

He had asked for a list of all our SPIA accounts, which was sent to him on 3/14. On that list are 53 active accounts, with 16-18 of those ready for closing. The email with this list included full descriptions of the various account series, their purpose and duration.

Other than the Operating account, which we use and monitor activity on daily, these are accounts that were created for bond issues. There is one Guarantee Fund account, but the rest are SF bond issue related. These are managed by the trustee, which was explained to Mike. The trustee for the bond issue is responsible for the investment, liquidation, tracking, documentation, and reconciliation of these accounts. Our program accounting section does review them, and posts activity into our GL related to them. However, this activity comes from the trustee – we download activity from the trustee to then review and upload into our accounting software. The "other side" of the investment and liquidation entries in SPIA are the trustee activity.

My email indicated that we monitor these accounts several times a year, and really work with the trustee annually to clean up any reconciling items. The activity is routine. My comments in the email were not completely correct. All accounts for Single Family and Guarantee are reconciled monthly, not biannually, and more frequently than what my email implied.

I will also note that all these funds are subject to review in our annual financial audit. No comment has been received regarding the level of oversight of these accounts.