

**Florida Housing Finance Corporation
Office of Inspector General**

**ANNUAL AUDIT PLAN FOR FISCAL YEAR 2014
AND LONG-TERM PLANS FOR FISCAL YEARS 2015 AND 2016**

INTRODUCTION

The authority and responsibilities of the Florida Housing Finance Corporation (Florida Housing or the Corporation) Office of Inspector General (OIG) are established in Sections 20.055 and 420.506, Florida Statutes (F.S.). The OIG serves as a central point for coordination of activities that promotes accountability, integrity, efficiency and compliance in the Corporation's programs and activities.

OIG MISSION

The OIG's mission is to provide an independent, objective assurance and consulting activity designed to add value and improve Florida Housing's operations. The OIG accomplishes its mission by independently performing and reporting objective analyses¹ of Florida Housing's operations. These analyses must be informed, logical, supportable and timely and related to issues and matters of importance to Florida Housing and its stakeholders. Projects are conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, Inc. (IIA), the *General Principles and Standards for Offices of Inspector General* as published by the Association of Inspectors General, and, where appropriate, in accordance with generally accepted governmental auditing standards.

¹ The mission statement uses the term "objective analyses" rather than terms such as audit, internal audits, administrative investigations, evaluations, reviews or surveys which are traditionally associated with this body of work. The focus is on the end product rather than on the means by which the analysis was performed. All of the means of performing an analysis – audit, investigation, review, survey - are valid ways of performing objective analyses and the OIG will employ the method most appropriate under the circumstances.

THE IMPACT OF EXTERNAL OVERSIGHT

Florida Housing has been the subject of rather extensive oversight in recent years with audits or reviews by the Florida Auditor General, the Office of Program Policy Analysis and Government Accountability, the U.S. Department of Treasury, the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) and the external financial statement auditors, Ernst & Young LLP. Section 20.055(1)(g), F.S., requires the Inspector General to ensure effective coordination and cooperation between the Auditor General, federal auditors and other governmental bodies with a view toward avoiding duplication. The results of those reviews and the announcement that the U. S. Department of Treasury would be performing another review in early 2014 were taken into consideration when developing the 2014 audit plan.

OVERVIEW OF METHODOLOGY USED TO DETERMINE AREAS SELECTED FOR AUDIT PLAN

Each year, the Office of Inspector General performs a risk assessment of the Corporation to identify areas with the highest level of risk. Risk is any threat to achieving the Corporation's mission or the likelihood that an event or action may negatively impact the Corporation.

The risk assessment process included interviewing 18 of the Corporation's senior managers to gather their perspectives on the Corporation's current risks and exposures. During 2013, there was a 100% turnover of OIG employees filling the five positions funded from Corporation operating funds. To update and complete the risk assessment process that was started by the interim Inspector General and as a tool to gain a better understanding of the Corporation's activities, the new staff re-interviewed the senior managers. The information and perspectives gained from the interviews were important parts of the overall assessment and project identification. Other matters considered during the risk assessment and development of the annual audit plan included:

- Personnel hours and resources available;
- The dates and results of prior engagements;
- Updated assessments of risks and the effectiveness or risk management and control processes;
- Requests by the Executive Director and senior managers;
- Recent changes in operations, staff and systems;
- Opportunities to achieve more efficient and effective operating benefits;
- Opportunities to improve risk management, control and governance processes;
- Audits and/or reviews required by Section 20.055, F.S., professional auditing standards and/or contract;
- Opportunities to improve Corporation governance of information resources; and
- The results of a separate, more detailed risk assessment of the processes of the Hardest-Hit-Fund (HHF) Program.

Based on the information gathered, several auditable units were identified for further evaluation of risks. The OIG staff collectively ranked the risk level (very high, high, medium or low) for each auditable unit applying each of the following weighted risk factors:

- Compliance and Legal Requirements – 10%
- Management Concern – 15%
- Financial Impact – 15%
- Complexity/Volume of Transactions – 10%
- Information Security Risks – 10%
- Operational Changes – 10%
- Reputational Risks – 10%
- Internal Controls/Management Risks – 15%
- Prior Audit Coverage – 5%

The results of identifying the risk level for each auditable unit as it applied to each risk factor were documented on a risk ranking spreadsheet. The total risk score for each auditable unit was calculated and used as the basis for developing the audit plan.

In addition to the auditable units determined through the risk assessment process, other projects required by statute, contract, or professional auditing standards were included in the audit plan.

AVAILABLE HOURS

The OIG has three positions, including the Director of Auditing, assigned to perform audits and audit-related activities. One of those positions is funded through the federal Hardest Hit Funds Program and is dedicated to audits and investigations related to that program. Two other OIG positions provide assistance to the Internal Audit section as needed. For the five OIG positions, a total of 5324 hours are available for audits and audit-related projects for Fiscal Year 2014².

²There are 2080 work hours available per year for each full time position. Hours not allocated to audit activities will be used for internal investigation activities, administrative duties, staff meetings, training, leave and holidays.

AUDIT PLAN FOR FISCAL YEAR 2014

Based on the results of the risk assessment and consideration of available resources, the following audits and audit-related activities are planned for Fiscal Year 2014:

Assurance Services

Internal Audits and Reviews:

- Contract Development and Administration
- Audit of Process for Responding to Public Records Requests
- Review of Information Technology Policies and Procedures
- Review of Records Management Procedures for Storage and Retention of Personally Identifiable Information (PII)
- Audit of Corporation's Ethical Climate (IIA Standard 2120.A1)
- Reviews of Performance Measures Submitted to the Dept. of Economic Opportunity
- Audit of Selected Areas in the Hardest Hit Fund (HHF) Program
 - Security of PII
 - Advisor Agencies' Quarterly Follow-up on Eligibility Determinations
 - Review of Payments to Loan Servicers

Coordination of External Audits:

- Auditor General's 2014 Quality Assurance Review (QAR) of the Internal Audit Function
- U. S. Treasury's Compliance Review of the HHF Program
- Ernst & Young's Audit of Corporation's 2013 Financial Statements
- Ernst & Young's Agreed Upon Procedures related to HHF
- SIGTARP's Review of HHF

Audit Follow-Up:

- Auditor General's 2014 QAR of the Internal Audit Function
- Internal audits issued by June 30, 2014
- U. S. Treasury's Compliance Review of HHF Program

Other Services

Special Projects:

- Internal Audit Function Self-Assessment (IIA Standard 1311)
- 2013 Office of Inspector General Annual Report
- 2015 Risk Assessment and Audit Plan
- Investigative assistance projects as assigned by the Inspector General
- Projects assigned by the Inspector General or Audit Committee


LONG-TERM AUDIT PLANS FOR FISCAL YEARS 2015 AND 2016

The long-term audit plans for Fiscal Years 2015 and 2016 will continue to focus on those areas most vulnerable to fraud, waste and abuse. Based on the results of the current risk assessment, we plan to allocate direct audit hours each year to audit activities that include the following:

- Hardest Hit Funds Program
- Bond Administration
- State Housing Initiatives Partnership (SHIP) Program
- Foreclosure Counseling Programs

During the current year, the OIG staff will review procedures, perform walk-throughs and observe the operation of the various organizational units to gain a more comprehensive understanding of the Corporation's programs and functions. Using the knowledge gained, the staff will be better equipped to perform more detailed interviews and more in-depth risk assessments which may result in changes in the long-term plans. Changes may also occur in response to requests made by the Audit Committee to evaluate particular programs.

Respectfully Submitted by:


Inspector General

Date:

3/14/14

Audit Plan Approved by:


Audit Committee Chair

Date:

3/14/14