

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

**ANNUAL AUDIT PLAN FOR FISCAL YEAR 2017
AND LONG-TERM PLANS FOR FISCAL YEARS 2018 AND 2019**

INTRODUCTION

The authority and responsibilities of the Florida Housing Finance Corporation (Florida Housing) 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 promote accountability, integrity, efficiency and compliance in Florida Housing's programs, and activities.

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.

Section 20.055, F.S, provides that the Inspector General shall develop annual and long-term audit plans based on findings of periodic risk assessments. The OIG conducted a risk assessment during the period from December 2016 through January 2017, to identify areas within Florida Housing with the highest level of risk. Risk is any threat to achieving Florida Housing's mission or the likelihood that an event or action may negatively impact Florida Housing.

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.

OVERVIEW OF METHODOLOGY USED TO DETERMINE AREAS SELECTED FOR AUDIT PLAN

The development of the annual and long-term audit plans is risk-based to provide the most effective coverage of programs, activities, and functions. The OIG conducted a risk assessment during the period from December 2016 through January 2017 and included the auditable entities identified within Florida Housing. For each of the auditable entities, the Senior Managers and OIG staff ranked the risk level (very high, high, medium or low) applying the following weighted risk factors:

- Compliance, Legal and Liability Risk – 10%
- Management Concern – 10%
- Financial/Funding Impact – 15%
- Frequency/Complexity/Volume of Transactions – 10%
- Information Security Risks – 10%
- Operational Changes – 10%
- Reputational Risks – 15%
- Internal Control 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 analyzed by OIG staff. Senior managers were interviewed if additional information was needed regarding the ratings. The risk rankings were then discussed with the Interim Executive Director. After receiving his input, OIG staff collectively determined which areas would be included in the 2017 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.

THE IMPACT OF OVERSIGHT BY OTHER ENTITIES

Section 20.055(2)(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. In past years, Florida Housing has been the subject of oversight by the Florida Auditor General, the Office of Program Policy Analysis and Government Accountability, the U. S. Department of Housing and Urban Development, 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.

Within Florida Housing, other units perform accountability activities. For example, the Quality Assurance Unit performs compliance reviews of agencies and organizations that contract with

Florida Housing to provide services under various Florida Housing programs. A separate compliance monitoring unit performs compliance reviews of local government entities receiving funds from the State Housing Initiatives Partnership (SHIP) Program. For HHF, contracted underwriters verify the eligibility determinations made by advisor agencies and then the HHF Compliance Unit verifies, on a sample basis, the underwriters' assessments.

The activities of these external and internal oversight entities were taken into consideration when developing this audit plan.

AVAILABLE HOURS

The OIG has two positions, including the Director of Auditing, assigned to perform audits and audit-related activities. Two other OIG positions provide assistance to the Internal Audit section as needed. From these four OIG positions, a total of 2766 hours are available for audits and audit-related projects for Fiscal Year 2017.²

The OIG also has a part-time position assigned to provide assistance to the Chief Inspector General (CIG), as a member of the Opa-locka Financial Emergency Oversight Board. In addition, 192 hours are budgeted for the position, which are dedicated to audits services and special projects related to Florida Housing programs.

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

AUDIT PLAN FOR FISCAL YEAR 2017

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 2017:

Audit Services

Internal Audits, Consulting Engagements and Reviews:

- Review of Responsibilities for Oversight of SHIP-funded Entities (Project carried over from 2016 Audit Plan)
- Review of Compliance with Selected Requirements of the Florida Single Audit Act (Project carried over from 2016 Audit Plan)
- Completion of Management Review - Review of Carlisle Development Group Investigation and Subsequent Enhancement of Related Internal Controls (Project No. 2016-23)
- Quarterly Review of Performance Measurement Data Submitted to the Department of Economic Opportunity
- Consulting Engagement – ITS Security Frameworks
- Audit of Florida Housing's Enterprise Application Administration
- Audit of Mortgage Credit Certificate Program
- Review of Loan Servicing and Related Internal Controls
- Hardest Hit Fund (HHF) – Review of Withdrawn Applications Across HHF Programs

Coordination of External Audits:

- Auditor General's Quality Assessment Review of Florida Housing OIG's Internal Audit Activity
- Ernst & Young's Audit of Florida Housing 2016 Financial Statements
- Ernst & Young's Agreed Upon Procedures related to HHF
- Other External Audits Performed in 2017

Audit Follow-Up:

- Follow-up on Auditor General Operational Audit (Report No. 2017-047)
- Follow-up on OIG Consulting Services Engagement - Data Management Initiative - What Other HFAs are Doing (Report No. 2016-10)
- Follow-up on OIG Audit of IT Disaster Recovery Process (Report No. 2016-19)

Other Services

Special Projects:

- Assistance to CIG - Opa-locka Financial Emergency Oversight Board
- Continue to Monitor Implementation of Enterprise Risk Assessment Framework
- Tracking 2017 Legislation Applicable to Inspectors General
- OIG Outreach (Fraud Training)
- Completion of 2017 Audit Plan

Other Services (continued)

- 2017 Risk Assessment and Development of 2018 Audit Plan
- Preparation of the 2016 OIG Annual Report
- Implementation of the Revised Internal Auditing Standards
- Responsibilities Related to Random Number Assignment during the Requests for Application Process
- Investigative assistance projects as assigned by Inspector General
- Projects assigned by the Inspector General or Audit Committee

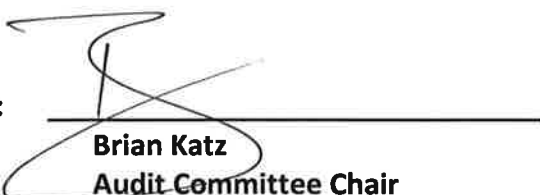
LONG-TERM AUDIT PLANS FOR FISCAL YEARS 2018 AND 2019

The long-term audit plans for Fiscal Years 2018 and 2019 will continue to focus on the areas with the highest levels of risk. In addition to risk identified by the OIG's annual risk assessment, the high-risk areas will be determined by the continued implementation of the Enterprise Risk Assessment Framework. Based on the results of the current risk assessment, we plan to allocate direct audit hours in Fiscal Years 2018 and 2019 to audit activities in the following areas:

- Carryover Projects from Prior Year Audit Plan
- Hardest Hit Funds program (2018)
- Audit of Ethical Climate (2018)
- Quarterly Review of Performance Measurement Data Submitted to the Department of Economic Opportunity (2018/2019)
- Review of Multifamily Mortgage Revenue Bonds (2019)
- Financial Expenditure Review – Personnel/Payroll/Travel (2019)

During the current year, the OIG staff will continue to review procedures, perform walk-throughs and observe the operation of the various organizational units to gain a more comprehensive understanding of Florida Housing's programs and functions. Using the knowledge gained, the staff will monitor Florida Housing's risk environment and identify emergent issues that may require immediate attention. Changes in the audit plan may also occur in response to requests made by the Audit Committee and senior management to evaluate particular programs.

Respectfully Submitted by:  Date: 2-23-17
Chris Hirst
Inspector General

Audit Plan Approved by:  Date: 2/21/17
Brian Katz
Audit Committee Chair