



Ernst & Young LLP  
 Suite 1700  
 390 North Orange Avenue  
 Orlando, FL 32801-1671

Tel: +1 407 872 6600  
 Fax: +1 407 872 6626  
 ey.com

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

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) between Florida Housing and the U.S. Department of the Treasury, for the year ended December 31, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those 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>	
CA1.1 – In accordance with 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 the Unemployment Mortgage Assistance Program (UMAP), Mortgage Loan Reinstatement Payment (MLRP) Program, Modification Enabling Pilot Program (MEP), Principal Reduction Program (PR), and Elderly Mortgage Assistance Program (ELMORE).	We obtained from management of Florida Housing the HPA Term Sheet included in the Agreement, which identifies the program guidelines, policies and procedures. We also obtained from management of Florida Housing guidelines for the following programs: UMAP, MLRP, MEP, PR 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. 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 and ELMORE Programs.

Control Activity	Procedures Performed
<p>CA1.2 – 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 2013 HHF applicants and randomly selected a sample of 25 applications. 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 CA6.6 for testing of staff training procedures performed.</p>
<p>CA1.3 – Participating Advisor Agency staff understand the specific HHF program eligibility criteria and require identification and documentation for each of these criteria in the loan underwriting files.</p>	<p>We obtained from management of Florida Housing a listing of all eligible/ineligible 2013 HHF applicants and randomly selected a sample of 25 applications. For each selected application, we obtained applicant information, recommendations per AA staff, and supplemental documentation supporting the eligible or ineligible determination.</p> <p>We also obtained from management of Florida Housing the “HHF Program Procedure Manual” dated April 31, 2012, noting it is created and maintained by Florida Housing. We confirmed this procedure manual was updated for any changes based on information provided by management. 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 and ELMORE Program.</p>
<p>CA1.4 – 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; contracted underwriting staff 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 all 2013 HHF applicants submitted for underwriting and randomly selected a sample of 25 applications. 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>

<b>Control Activity</b>	<b>Procedures Performed</b>
CA1.5 – 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.	We obtained from management of Florida Housing a listing of the 2013 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.
CA1.6 – Checklists and review forms are used from application intake and processing by AA staff to underwriting by HHF staff.	We obtained from management of Florida Housing a listing of all 2013 HHF applicants submitted for underwriting and randomly selected a sample of 25 applications. 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 staff.
CA1.7 – 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.	We obtained from management of Florida Housing the review of an AA performed by Florida Housing Internal Audit and the review of a sample of underwriter files performed by the HHF Compliance Officer. The documentation for both reviews included findings, recommendations, and remediation results.
<b>HHF Funds, Property, and Other Assets</b>	
CA2.1 – Florida Housing has documented policies and procedures that describe in detail the requirements over HHF funds, property and other assets.	We obtained from management of Florida Housing all policies and procedures detailing requirements over HHF funds, property, and other assets.
CA2.2 – Florida Housing maintains acceptable bank accounts for HHF funds and reconciles the bank accounts on a monthly basis.	<p>We obtained from management of Florida Housing the HPA between Florida Housing and the Treasury Department, noting that it included the Treasury’s approval of the Bank of New York Mellon depository account.</p> <p>We obtained from management the bank reconciliations prepared for the HHF account with Bank of New York Mellon for the months of June 2013 and December 2013, noting that they were prepared by Florida Housing staff.</p>

<b>Control Activity</b>	<b>Procedures Performed</b>
<p>CA2.3 – Routine reviews of HHF funds, property and other assets 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 2013 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.</p>
<p>CA2.4 – For HHF program and administrative funds, property and other assets, 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 processes 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>
<b>Reporting</b>	
<p>CA3.1 – 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 Q4 2013, including supporting schedules and reconciliations.</p> <p>We obtained from management of Florida Housing an email from the Treasury department granting Florida Housing a filing extension for the fourth quarter. We then obtained from management of Florida Housing a copy of an email sent by Florida Housing staff to the Treasury department. We observed that the email, with the Q4 reports attached, was submitted to Treasury on February 21, 2014. We obtained from management of Florida Housing a screenshot of the QPR upload to the Florida Housing website, nothing that the upload date was February 21, 2014.</p>

<b>Control Activity</b>	<b>Procedures Performed</b>
<p>CA3.2 – Florida Housing performs monthly and quarterly reconciliations of HHF trial balances (loans) and financial reports to the general ledger. Additional reconciliation of Counselor Direct 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 2013 and December 2013 reconciliations of the HHF trial balance of loans outstanding to the Counselor Direct 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 2013 and Q4 2013 reconciliations of the quarterly Treasury financial reports to the Counselor Direct system and the general ledger, including supporting documentation, as prepared by Florida Housing staff.</p>
<p>CA3.3 – 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 Monthly Hardest Hit Fund Report Procedures utilized to prepare the monthly HHF report for internal reporting purposes. We also obtained from management of Florida Housing Section XIV, “Treasury Report Preparation,” from the HHF Program Procedure Manual, which is used by management to prepare external reports for the Treasury Department.</p>
<p>CA3.3 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 2013 and reviewed for evidence that the certificate was submitted timely.</p>

<b>Control Activity</b>	<b>Procedures Performed</b>
<p>CA3.4 – Florida Housing maintains documentation of the ICP (updated quarterly) and IACMP, as revised, and proof of submission of IACMP revision to Treasury.</p>	<p>We obtained from management of Florida Housing the Q2 2013 and Q4 2013 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 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. 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>CA4.1 – 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 2013 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, agreed the supporting documentation to the detail of our selection, and observed evidence of approval by Florida Housing staff.</p>
<p>CA4.2 – 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 322 servicers. We randomly selected a sample of 25 servicers.</p> <p>We obtained from management of Florida Housing documentation that Florida Housing provides the CDF to all servicers. We observed that all of the 25 selected servicers utilize the CDF when returning applicant information to Florida Housing and the CDF's were retained.</p>
<p>CA4.3 – 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>

<b>Control Activity</b>	<b>Procedures Performed</b>
<p>CA4.4 – 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 all 2013 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>CA4.5 – Florida Housing performs monthly and quarterly reconciliations of HHF trial balances (loans) and financial reports to the general ledger. Additional reconciliation of Counselor Direct 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 2013 and December 2013 reconciliations of the HHF trial balance of loans outstanding to the Counselor Direct 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 2013 and Q4 2013 reconciliations of the quarterly Treasury financial reports to the Counselor Direct system and the general ledger, and supporting documentation, as prepared by Florida Housing staff.</p>
<b>Administrative expenses</b>	
<p>CA5.1 – 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>CA5.2 – 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 HHF, are in place to ensure proper calculation and allocation of expenses in accordance with OMB Circular A-87.</p>	<p>We obtained the disbursement policy that includes the use of a standardized check request form and required supervisory approvals.</p> <p>We obtained from management of Florida Housing a detail of 2013 cash disbursements for administrative expenses (check, wire, EFT, ACH) and randomly selected a sample of 25 disbursements. For each disbursement selected, we obtained the corresponding standardized check request form and observed approval by Florida Housing staff.</p>

<b>Control Activity</b>	<b>Procedures Performed</b>
<p>CA5.3 – Appropriate levels of review of the administrative expense payment files and documentation are incorporated in the payment approval, disbursement, and reporting processes.</p>	<p>We obtained from management of Florida Housing a detail of all 2013 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 and observed evidence of approval by Florida Housing staff.</p>
<p>CA5.4 – 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 Q4 2013 QFR and compared the amounts in the worksheet to the QFR submitted to the Treasury Department, observing that they agreed.</p>
<b>Anti-Fraud and Compliance Monitoring</b>	
<p>CA6.1 – Florida Housing has documented policies and procedures that describe in detail the requirements over the prevention and detection of fraud and non-compliance issues. 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 2013 Office of Inspector General risk assessment of HHF programs and activities.</p>



Control Activity	Procedures Performed
<p>CA6.2 – Florida Housing 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. All reports of actual or suspected fraud are monitored by the Office of Inspector General (OIG) 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 OIG by the receipt of communication from the Inspector General, in response to our “test” complaints.</p>
<p>CA6.3 – 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 2013 and randomly selected a sample of 25 HHF issues/cases.</p> <p>We obtained documentation for each selected fraud issue/case, including supporting documentation detailing the recording, investigation, and resolution of each selected case.</p>
<p>CA6.4 – 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 2013. We haphazardly selected a sample of 2 training sessions out of a total population of 4 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>CA6.5 – Florida Housing uses a formal Request for Quotation (RFQ) and Request for Proposal (RFP) processes in compliance with state and federal requirements to secure contractors. Florida Housing uses a review team to evaluate and score each response. Review team members are independent of the requested business process. Florida Housing also has access to the Prevent Loan Scam (PLS) database to determine if complaints have been submitted against potential vendors or employees.</p>	<p>Per inquiry with management, no RFQs or RFPs related to the HHF Program were initiated in 2013.</p>
<p>CA6.6 – 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. HHF contracted underwriters are required to execute a Non-Disclosure/Confidentiality 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 listing of all training sessions provided to HHF employees and contractors during 2013. We haphazardly selected a sample of two training sessions out of a total population of four 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>We also obtained from management of Florida Housing a list of HHF contracted underwriters and selected a sample for testing. We verified that the selected employees’ Non-Disclosure/Confidentiality Agreement is included within the employee file. We then obtained from management of Florida Housing a list of Florida Housing employees and selected a sample for testing. We verified that the selected employees’ Employee Acknowledgement and Disclosure Agreement was signed and included within the employee file.</p>

<b>Control Activity</b>	<b>Procedures Performed</b>
<p>CA6.7 – 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 selected a sample of employees for testing. 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>CA7.1 – 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>CA7.2 – 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 disaster recovery test performed from November 14, 2013 to November 16, 2013, in the form of a 2013 Disaster Recovery Test Plan which outlined the procedures performed and personnel involved in the test, a detailed test timeline showing specific tests performed and at what times, and an invoice from the disaster recovery contractor, which included a testing event fee related to the disaster recovery test.</p> <p>We also obtained from management of Florida Housing documentation evidencing the security assessment tests performed by an independent third-party contractor in 2013 in the form of a Security Posture Review performed at Florida Housing on May 1, 2013 and May 2, 2013.</p>

Control Activity	Procedures Performed
<p>CA7.3 – Florida Housing limits access to borrower Personally Identifiable Information (PII) to authorized users only within both the Counselor Direct portal and the U:\Hardest Hit Fund subfolder on the Florida Housing internal shared network drive. Counselor Direct provides a Statement on Standards for Attestation Engagements (SSAE) 16 report annually for review.</p>	<p>We obtained from management of Florida Housing a listing of authorized users with access to PII via the Counselor Direct 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 Counselor Direct system and the U:\Hardest Hit Fund folder and noted that the individual was denied access to both.</p> <p>We also obtained from management of Florida Housing the SSAE 16 report dated May 1, 2012 through April 30, 2013 for the Counselor Direct platform.</p>
<p>CA7.4 – 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 2013. We haphazardly selected a sample of 2 training sessions out of a total population of 4 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>CA7.5 – IT operations and IT development teams have segregated duties and responsibilities. In addition, HHF staff control user access to the Counselor Direct portal.</p>	<p>We obtained from management of Florida Housing an organizational chart for the IT department and position descriptions for each individual listed therein.</p>

Control Activity	Procedures Performed
<p>CA7.6 – Review of IT security and the safeguarding of HHF data and borrower PII via external audits/reviews.</p>	<p>We obtained from management of Florida Housing evidence of the security assessment tests performed by an independent third-party contractor in 2013 in the form of a Security Posture Review which was performed on May 1, 2013 and May 2, 2013 at Florida Housing.</p> <p>Furthermore, two external annual checks were performed in 2013: the Treasury OFS-Compliance Initial HHF Review and SHI review of IT Security. We obtained from management of Florida Housing OIG’s review and follow-up on the Treasury OFS-Compliance Initial HHF Review.</p>
<p>CA7.7 – 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 Advisory Agents, contracted staff, and Florida Housing staff. We randomly selected a sample of 25 (or 10%, if less than 250 population) and reviewed application documentation for inclusion of PII handling.</p>

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on management’s assertion. Accordingly, we do not express such an opinion. 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 management and the Board of Directors of Florida Housing, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst + Young LLP*

April 29, 2014