

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 (the Corporation or FHFC), solely to assist you in evaluating the effectiveness of the Corporation’s internal control over compliance related to administration of the Hardest Hit Fund Program (HHF) established pursuant to the HFA Participation Agreement (the Agreement) between the Corporation and U.S. Department of the Treasury, for the year ended December 31, 2012. The Corporation is responsible for the effectiveness of the internal control over compliance for the Hardest Hit Fund Program. 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.

Our procedures performed and findings for each control activity are as follows:

Control Activity	Procedures Performed
Eligibility/Underwriting	
CA1.1 – FHFC has internally created manuals that document program guidelines, policies, and procedures describing the eligibility determination and underwriting requirements in accordance with the HFA Participation Agreement (HPA) Term Sheet and FHFC requirements for the Unemployment Mortgage Assistance Program (UMAP) and the Mortgage Loan Reinstatement Payment (MLRP) Program.	We obtained from management of the Corporation the HPA Term Sheet included in the Agreement, which identifies the program guidelines, policies and procedures. We also obtained from management of the Corporation the “HHF Program Procedure Manual” dated April 30, 2012, noting it was created and is maintained by FHFC. We noted that the manual included guidelines, policies, and procedures describing FHFC eligibility determination and underwriting requirements related to the UMAP and MLRP Program.
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.	We obtained from management of the Corporation a detail of all eligible/ineligible 2012 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.

Control Activity	Procedures Performed
<p>CA1.3 – AA 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 the Corporation a detail of all eligible/ineligible 2012 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 the Corporation the “HHF Program Procedure Manual” dated April 30, 2012, noting it is created and maintained by FHFC. We noted that the manual included guidelines, policies, and procedures describing FHFC eligibility determination and underwriting requirements related to the UMAP and MLRP Program.</p>
<p>CA1.4 – Properly trained HHF staff perform reviews of applications submitted 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.</p>	<p>We obtained from management of the Corporation a detail of all 2012 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 to the applicant’s file in connection with the process of underwriting.</p>
<p>CA1.5 – Properly trained Monitor Agency (MA) staff perform sample reviews of applications deemed ineligible or canceled due to borrower inactivity by AAs, checks for appropriate supporting documentation, recalculates income/ratios, etc. as needed, reviews AA policies and procedures for adherence to program governance, and AA staff recommendations for HHF loan denial.</p>	<p>We obtained from management of the Corporation a detail of the 2012 HHF applications reviewed by the MA and randomly selected a sample of 25 applications. For each selected application, we obtained applicant information, AA documentation, and evidence of the MA review of both staff recommendations and AA policies and procedures for adherence to program governance.</p>
<p>CA1.6 – Checklists and review forms are used from application intake and processing by AA staff to underwriting by HHF staff.</p>	<p>We obtained from management of the Corporation a detail of all 2012 HHF applicants submitted for underwriting and randomly selected a sample of 25 applications. For each application, we obtained from management of the Corporation the checklists and review forms which are used throughout the process, from application intake and processing by AA staff to underwriting by HHF staff.</p>
<p>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.</p>	<p>We obtained from management of the Corporation the review of an AA performed by FHFC 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.</p>

Control Activity	Procedures Performed
HHF Funds, Property, and Other Assets	
CA2.1 – FHFC has documented policies and procedures that describe in detail the requirements over HHF funds, property and other assets.	We obtained from management of the Corporation all policies and procedures detailing requirements over HHF funds, property, and other assets.
CA2.2 – FHFC maintains acceptable bank accounts for HHF funds and reconciles the bank accounts on a monthly basis.	<p>We obtained from management of the Corporation the HPA between FHFC and the Treasury Department, noting that it included the Treasury’s approval of the Bank of New York Mellon depository account.</p> <p>We also obtained from management the bank reconciliations prepared for the HHF account with Bank of New York Mellon for the months of June 2012 and December 2012, noting that they were prepared by FHFC staff.</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.	We obtained from management of the Corporation a detail of 2012 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.
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.	We obtained from management of the Corporation an organizational chart for FHFC, including the Financial Accounting department. We also obtained the policy process narratives prepared by FHFC, 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 noted that separate individuals are assigned each of the above responsibilities.
Reporting	
CA3.1 – FHFC 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; FHFC posts the completed QPR on its website quarterly.	<p>We obtained from management of the Corporation the QPR and QFR for Q4 2012, including supporting schedules and reconciliations.</p> <p>We obtained from management of the Corporation a copy of an email sent by FHFC staff to the Treasury department. We noted that the email, with the Q4 reports attached, was submitted to Treasury on February 15, 2013. We obtained from management of the Corporation a screenshot of the QPR upload to the FHFC website, noting that the upload date was February 20, 2013.</p>

Control Activity	Procedures Performed
<p>CA3.2 – FHFC 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 the Corporation the June 2012 and December 2012 reconciliations of the HHF trial balance of loans outstanding to the Counselor Direct system and the general ledger, including supporting documentation, as prepared by FHFC staff.</p> <p>We also obtained from management of the Corporation the Q2 2012 and Q4 2012 reconciliations of the quarterly Treasury financial reports to the Counselor Direct system and the general ledger, including supporting documentation, as prepared by FHFC staff.</p>
<p>CA3.3 – FHFC 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 the Corporation the Monthly Hardest Hit Fund Report Procedures utilized to prepare the monthly HHF report for internal reporting purposes. We also obtained from management of the Corporation 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>CA3.4 – FHFC maintains documentation of the Internal Control Program (ICP) (reviewed quarterly). FHFC maintains documentation of the Internal Antifraud and Compliance Monitoring Program (IACMP) and, when revised, submits to Treasury.</p>	<p>We obtained from management of the Corporation the Q2 2012 and Q4 2012 ICPs, including supporting documentation showing quarterly updates made and noted evidence of review of the documentation by FHFC staff.</p> <p>We also obtained from management of the Corporation the IACMP dated June 2012, as well as email correspondence, noting that the IACMP was attached to an email submitted to Treasury on July 7, 2012.</p>
<p>Program expenses</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 the Corporation a detail of all 2012 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 noted evidence of approval by FHFC staff.</p>

Control Activity	Procedures Performed
<p>CA4.2 – FHFC 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 the Corporation a list of servicers, noting there were 187 servicers. We randomly selected a sample of 19 servicers (representing approximately 10% of servicers).</p> <p>We obtained from management of the Corporation documentation that FHFC provides the CDF to all servicers. We noted that 16 of the 19 selected servicers utilize the CDF when returning applicant information to FHFC. For 1 of the 19 selected servicers, we noted that no return borrower information has been received from the servicer to FHFC, and therefore no information was available to evidence the servicer’s use of the CDF. For 2 of the 19 selected servicers, we noted that no borrowers have been assigned to the servicer, and therefore the use of CDF was not required during 2012 for the selected servicers.</p>
<p>CA4.3 – FHFC has documented policies and procedures that describe in detail the requirements over HHF program expenses.</p>	<p>We obtained from management of the Corporation the policies and procedures that describe the requirements related to HHF program expenses.</p>
<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 the Corporation a detail of all 2012 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 noted evidence of approval by FHFC staff.</p>
<p>CA4.5 – FHFC 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 the Corporation the June 2012 and December 2012 reconciliations of the HHF trial balance of loans outstanding to the Counselor Direct system and the general ledger, including supporting documentation, as prepared by FHFC staff.</p> <p>We also obtained from management of the Corporation and reviewed the Q2 2012 and Q4 2012 reconciliations of the quarterly Treasury financial reports to the Counselor Direct system and the general ledger, and supporting documentation, as prepared by FHFC staff.</p>
<p>Administrative expenses</p>	
<p>CA5.1 – FHFC has documented policies and procedures that describe in detail the requirements over HHF administrative expenses.</p>	<p>We obtained from management of the Corporation the policies and procedures that describe the requirements related to HHF administrative expenses.</p>

Control Activity	Procedures Performed
<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 the Corporation a detail of 2012 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 noted approval by FHFC staff.</p>
<p>CA5.3 – Levels of review of payment requests are incorporated in the disbursement process to ensure the transaction is entered appropriately into FHFC’s financial accounting system.</p>	<p>We obtained from management of the Corporation a detail of all 2012 cash disbursements for administrative expenses (check, wire, EFT, ACH) and randomly selected a sample of 25 disbursements (same sample as CA5.2). For each disbursement selected, we obtained from management of the Corporation the supporting documentation, including the information entered into the financial accounting system and agreed the information to the original detail and the supporting documentation.</p>
<p>CA5.4 – 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 the Corporation a detail of all 2012 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 noting evidence of approval by FHFC staff.</p>
<p>CA5.5 – All HHF related accounts are reviewed quarterly as part of the preparation of the QFR.</p>	<p>We obtained from management of the Corporation the HHF administrative expense tracking worksheet used to prepare the Q4 2012 QFR and compared the amounts in the worksheet to the QFR submitted to the Treasury Department, noting they agreed.</p>
<p>Anti-Fraud and Compliance Monitoring</p>	
<p>CA6.1 – FHFC has documented policies and procedures that describe in detail the requirements over the prevention and detection of fraud and non-compliance issues.</p>	<p>We obtained from management of the Corporation the FHFC Employee Policy and Procedures Handbook, noting that Section 2155, “Anti-Fraud Policy,” detailed the requirements over the prevention and detection of fraud and non-compliance issues.</p>

Control Activity	Procedures Performed
<p>CA6.2 – 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. 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 noted 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 FHFC funding programs.</p>	<p>We obtained from management of the Corporation a detail of fraud issues/cases reported during 2012 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 – FHFC management ensures routine 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 the Corporation a listing of all training sessions provided to HHF employees and contractors during 2012. 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 the Corporation a copy of the training materials and the list of attendees.</p>
<p>CA6.5 – FHFC uses a formal Request for Quotation (RFQ) and Request for Proposal (RFP) processes in compliance with state and federal requirements to secure contractors. FHFC uses a review team to evaluate and score each response. Review team members are independent of the requested business process. FHFC 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 discussion with management, no RFQs or RFPs were initiated in 2012.</p>
<p>CA6.6 – FHFC defines conflict of interest in contracts with external HHF business partners/vendors; Ensures routine training to HHF employees and contractors regarding the definition and prohibition of conflicts of interest; Documents the training materials and attendees.</p>	<p>We obtained from management of the Corporation a listing of all training sessions provided to HHF employees and contractors during 2012. 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 the Corporation a copy of the training materials and the list of attendees.</p>

Control Activity	Procedures Performed
<p>CA6.7 – FHFC defines conflict of interest in the employee manual and certifications of understanding are maintained in employees’ files.</p>	<p>We obtained from management of the Corporation the FHFC 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 the Corporation the internal employee file review conducted on December 10, 2012, by the FHFC Human Resources Director, and noted that the deficiencies found relating to employee conflicts of interest were documented as having been remediated.</p> <p>We obtained from management of the Corporation the Compliance Review Report issued to FHFC by the Treasury Department based on file reviews performed from December 10, 2012 through December 12, 2012 and noted that the deficiencies identified in the report were addressed in a formal response from the FHFC Executive Director.</p>
<p>Information Technology (IT) Environment and Data Security</p>	
<p>CA7.1 – FHFC has documented policies and procedures that describe the requirements over the IT environment and data security functions.</p>	<p>We obtained from management of the Corporation the IT Services Network and Systems Support Procedures handbook utilized by FHFC, noting that it contained descriptions of the requirements over the IT environment and data security functions.</p>
<p>CA7.2 – FHFC 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 the Corporation documentation evidencing the disaster recovery test performed during June 2012, in the form of a 2012 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 the Corporation documentation evidencing of the security assessment tests performed by an independent third-party contractor in 2012 in the form of a Security Posture Review which was performed at FHFC during November 2012.</p>

Control Activity	Procedures Performed
<p>CA7.3 – FHFC 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 the Corporation a listing of authorized users with access to PII via the Counselor Direct portal, and a listing of users with access to PII via the U:\Hardest Hit Fund.</p> <p>We observed an unauthorized employee, whose name did not appear in the aforementioned lists, attempt to access both the Counselor Direct system and the U:\Hardest Hit Fund folder and noted that she was denied access to both.</p> <p>We also obtained from management of the Corporation the SSAE 16 report for the Counselor Direct platform for the period from November 1, 2011 through April 30, 2012.</p>
<p>CA7.4 – FHFC 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 the Corporation a listing of all training sessions provided to HHF employees and contractors during 2012. 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 the Corporation 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 the Corporation an organizational chart for the IT department and position descriptions for each individual listed therein.</p>
<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 the Corporation evidence of the security assessment tests performed by an independent third-party contractor in 2012 in the form of a Security Posture Review which was performed at FHFC during November 2012.</p> <p>Per discussion with management of the Corporation, the OIG did not formally review and follow-up on the external review of IT during 2012.</p>
<p>CA7.7 – The handling of PII is outlined in the AA contracts with FHFC. In addition, FHFC has provided PII training to Advisor Agency staff.</p>	<p>We obtained from management of the Corporation a detail of AAs. We randomly selected a sample of 9 AAs, which represented 10% of the population, and obtained from management of the Corporation the contracts with FHFC for each of the AAs, noting that the contract for each selected AA included a PII handling provision.</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 management and the Board of Directors of the Corporation and is not intended to be and should not be used by anyone other than this specified party.

Ernst + Young LLP

April 23, 2013