Florida Housing Finance Corporation
Office of Inspector General

ANNUAL AUDIT PLAN FOR FISCAL YEAR 2016
AND LONG-TERM PLANS FOR FISCAL YEARS 2017 AND 2018

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.

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 analyses\(^1\) 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, Florida Statutes, 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 April 2016 through May 2016 to identify areas within Florida Housing 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.

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\(^1\) 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 risk assessment, usually performed in October and November, was postponed until 2016 to allow time for the Auditor General’s staff to determine the processes and functions to be included in their 2016 Operational Audit of Florida Housing. For those auditable entities not included in the Operational Audit, the Senior Managers and OIG staff ranked the risk level (very high, high, medium or low) for each auditable entity applying the following weighted risk factors:

- Compliance, Legal and Liability Risk – 10%
- Management Concern – 15%
- Financial/Funding Impact – 15%
- Frequency/Complexity/Volume of Transactions – 10%
- Information Security Risks – 10%
- Operational Changes – 10%
- Reputational Risks – 10%
- 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 Executive Director. After receiving his input, the OIG staff collectively determined which areas would be included in the 2016 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.
Currently, the Auditor General is performing an operational audit and Ernst & Young LLP is completing the 2015 financial statement audit. Staff from the U.S. Department of Treasury have announced they will arrive in June to conduct a limited scope review of the HHF Down Payment Assistance Program.

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. For those four OIG positions, a total of 3298 hours are available for audits and audit-related projects for Fiscal Year 2016\(^2\).

An additional OIG position is funded through the federal Hardest Hit Funds Program and 1442 hours are dedicated to audits and investigations related to that program.

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\(^2\)There 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.
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 2016:

**Audit Services**

Internal Audits, Consulting Engagements and Reviews:
- Completion of Consulting Engagement - Compliance and Internal Controls for Foreclosure Counseling Program (Project #2015-04)
- Completion of Review of Process for Responding to Public Records Requests (Project #2015-21)
- Quarterly Review of Performance Measurement Data Submitted to the Dept. of Economic Opportunity
- Consulting Engagement - Data Management Processes
- Audit - IT Disaster Recovery Processes
- Review of Compliance with Selected Requirements of the Florida Single Audit Act
- Review of Responsibilities for Oversight of SHIP-funded Entities
- Hardest Hit Fund (HHF) - Audit/Review of Advisor Agency's Compliance with Selected Contract Requirements

Coordination of External Audits:
- Auditor General Operational Audit of Florida Housing
- Ernst & Young's Audit of Corporation 2015 Financial Statements
- Ernst & Young's Agreed Upon Procedures related to HHF
- U. S. Treasury Review of HHF DPA Program

Audit Follow-Up:
- Completion of Follow-Up on OIG Contract Management Review (Project #2015-15)
- 2nd Follow-up on OIG Audit of the Ethical Climate
- Final Follow-up on OIG Audit of IT Policies

**Other Services**

Special Projects:
- Monitor Development and Implementation of Enterprise Risk Assessment Framework (Project # 2015-14)
- Tracking 2016 Legislation Applicable to Inspectors General (Project #2015-24)
- OIG Outreach (Fraud Training)
- Completion of 2016 Audit Plan
Other Services (continued)

- 2016 Risk Assessment and Development of 2017 Audit Plan
- Preparation for 2017 Quality Assurance Review of the Internal Audit Function
- Investigative assistance projects as assigned by Inspector General
- Projects assigned by the Inspector General or Audit Committee

**LONG-TERM AUDIT PLANS FOR FISCAL YEARS 2017 AND 2018**

The long-term audit plans for Fiscal Years 2017 and 2018 will continue to focus on those areas with the highest levels of risk. In addition to the results of the OIG’s risk assessment, those areas will be determined based on the findings from the Auditor General’s Operational Audit. We will also allocate direct audit hours each year to audit activities related to the Hardest Hit Funds program.

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 the Corporation’s programs and functions. Using the knowledge gained, the staff will monitor the Corporation’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: [Signature]  Date: 6-24/14

Chris Hirst
Inspector General

Audit Plan Approved by: [Signature]  Date: 6/24/14

Brian Katz
Audit Committee Chair