

May 25, 2017

Mr. Harold Price III, Executive Director  
Florida Housing Finance Corporation  
227 North Bronough Street, Suite 5000  
Tallahassee, FL 32301

Dear Mr. Price,

Attached is a six-month status report on the Auditor General's *Operational Audit of Florida Housing Finance Corporation*, Report Number 2017-047, issued November 2016. This status report is issued in accordance with the statutory requirement to report on corrective actions resulting from the Auditor General's recommendations, no later than six months after the published report.

We are available to answer any questions you may have.

Sincerely,



Christopher T. Hirst  
Inspector General

Cc: Kathy Dubose, Coordinator, Joint Legislative Auditing Committee  
Board of Directors, Florida Housing Finance Corporation  
Christi Alexander, Audit Manager, Auditor General

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Rick Scott, Governor

Board of Directors: Bernard "Barney" Smith, Chairman • Ray Dubuque, Vice Chairman  
Natacha Bastian • Renier Diaz de la Portilla • John David Hawthorne Jr. • Martha Lanahan • Ron Lieberman  
Julie Dennis, Florida Department of Economic Opportunity

Harold "Trey" Price, Executive Director

**Florida Housing Finance Corporation**  
**Operational Audit**  
**Auditor General Report Number 2017-047**  
**Six-Month Status of Audit Findings**  
**May 25, 2017**

**Quality Assurance Review Program**

**Finding 1:** The Corporation contracted with service organizations to perform, among other things, credit underwriting, loan servicing, and compliance monitoring services. As similarly noted in our report No. 2013-047, the Corporation had not documented the service organization controls relied upon by the Corporation or always ensured that related service auditor's reports clearly and specifically addressed the design and operating effectiveness of all applicable controls. In addition, the Corporation did not always verify that the service organizations monitored and evaluated the adequacy and effectiveness of controls established by subservice organizations.

**Recommendation:** We recommend that Corporation management enhance procedures for documenting the service organization controls relied upon by the Corporation and work with its service organizations to ensure that SSAE [Statement on Standards for Attestation Engagements] 16 reports clearly and specifically address the design and operating effectiveness of all relevant controls. We also recommend that Corporation management enhance procedures to verify that service organizations monitor and evaluate the organization controls or otherwise ensure that subservice organization SSAE 16 reports provide the necessary assurances.

**Corrective Action Status: In Progress**

Florida Housing revised the checklist used for the Service Organization Controls (SOC) reports received, which is tailored to fit the controls identified in the reports that relate to transactions provided by the service organization that may have a material impact on the FHFC financial statements. In addition, the revised checklist will document the level of interaction among all parties on an ongoing basis and the controls FHFC has implemented to mitigate any control issues identified in the SOC reports.

The enhanced checklist which incorporates the enhanced procedures was completed by March 31, 2017, and is currently being used during the ongoing SOC report reviews, which are expected to be completed by June 30, 2017.

**Finding 2:** Corporation processes for conducting quality assurance reviews need enhancement to ensure that risk assessments are documented and include criteria to assess the risks associated with specific functions performed by the Corporation and its service organizations.

**Recommendation:** We recommend that Corporation management document the QARP [Quality Assurance Review Program] risk assessment used to develop annual QARP work plans and ensure that the risk assessment includes criteria for assessing the risks associated with the specific functions performed by the Corporation and those performed by service organizations utilized by the Corporation.

**Corrective Action Status: In Progress**

Quality Assurance will use the OIG annual risk assessment, which will be completed in the fall of 2017, in the development of its annual work plan for 2018.

### **Hardest Hit Fund**

**Finding 3:** Corporation controls for reassessing applicant eligibility for certain Hardest Hit Fund (HHF) programs need enhancement.

**Recommendation:** We recommend that, for each UMAP [Unemployment Mortgage Assistance Program], MLRP [Mortgage Loan Reinstatement Program], and PR [Principal Reduction] Program applicant deemed ineligible for assistance and whose file was subject to a quality assurance review that determined that the credit underwriting review had not been conducted in accordance with program guidelines, the Corporation timely reevaluate applicant eligibility to ensure applicants receive program funds for which they are eligible.

#### **Corrective Action Status: Closed**

Florida Housing's current processes adequately ensure determinations have been correctly made as shown by our most recent quality assurance review of the HHF eligibility determination, which showed that all eligibility determinations in 2016 were fully documented.

**Finding 4:** The Corporation should work with the Legislature to ensure that the Corporation is authorized to conduct level 2 background screenings on all personnel designated as holding a position of special trust. In addition, the Corporation did not ensure that non-Corporation personnel with CounselorDirect user access privileges were subject to appropriate background screenings.

**Recommendation:** We recommend that Corporation management work with the Legislature to ensure that the Corporation is authorized to conduct level 2 screenings on all personnel designated as holding a position of special trust. Additionally, we recommend that Corporation management ensure that appropriate background screenings are performed and documented for all individuals who have been, or will be, granted access to CounselorDirect by the Corporation.

#### **Corrective Action Status: In Progress**

Florida Housing is currently in the process of exploring various options for access to level 2 background screenings. With regard to CounselorDirect user access privileges, the Corporation has enhanced its background screening procedures for non-Corporation personnel.

**Finding 5:** The Corporation had not conducted periodic reviews of user access privileges to CounselorDirect or always ensured that access privileges granted to non-Corporation personnel were timely deactivated after the privileges were no longer required.

**Recommendation:** We recommend that Corporation management enhance procedures to require periodic reviews of CounselorDirect user access privileges.

#### **Corrective Action Status: Closed**

HHF Compliance staff has enhanced procedures to include a review of Counselor Direct user access privileges on a quarterly basis.

### **State Housing Initiatives Partnership (SHIP) Program**

**Finding 6:** Improvements in Corporation controls over the electronic transfer of SHIP Program funds to sub-recipients were needed.

**Recommendation:** We recommend that Corporation management maintain listings of individuals authorized to submit EFT [electronic funds transfer] forms and to make changes to EFT instructions and enhance procedures to ensure that EFT instructions are adequately supported and validated.

#### **Corrective Action Status: Closed**

Florida Housing has implemented changes to the EFT procedures and removed the EFT form from Florida Housing's website. SHIP recipient local governments now must request a copy of the form if changes to the deposit account for SHIP are needed. In addition, the form has been revised to require two signatures – one must be the chief elected official or SHIP Administrator and the other the Finance Director or Manager. Florida Housing's revised procedure ensures that all EFT forms requesting a change in banking information are verified by Florida Housing program staff through follow up calls or emails to the local government.

### **Selected Administrative Activities**

**Finding 7:** Corporation expenses associated with a lender appreciation dinner and receptions for the Corporation's Board of Directors (Board) did not appear to be clearly necessary to the performance of the Corporation's statutory duties, commensurate with the recognition programs authorized by State law, or limited to the amounts provided by State law.

**Recommendation:** We recommend that Corporation management ensure that the totality and nature of the expenses associated with lender appreciation dinners are clearly necessary to the performance of the Corporation's statutory duties and commensurate with the recognition programs authorized by State law. We also recommend that, should meals be provided to Board members, the Corporation limit expenses to the amounts provided by State law.

#### **Corrective Action Status: Closed**

In the future, Florida Housing will exclude the lender appreciation dinner from its recognition programs.

**Finding 8:** Corporation policies and procedures for employee bonuses did not specify a methodology for calculating bonus amounts or determining the total amount of funds available for bonuses. Additionally, Corporation records did not evidence Board approval prior to awarding bonuses, totaling \$12,500, to the Corporation's Inspector General in 2014 and 2015.

**Recommendation:** We recommend that Corporation management enhance policies and procedures to specify a methodology for calculating employee bonus amounts and determining the total amount available for bonuses each year. We also recommend that Corporation management ensure that evidence of prior Board approval is maintained for all bonuses paid to the Executive Director and Inspector General.

#### **Corrective Action Status: In Progress**

Florida Housing management will work with the Board to develop performance based metrics to use when calculating bonus amounts and determine the total amount of funds available for bonuses. We

are working toward having the methodology completed in 2017. Additionally, Florida Housing has implemented a policy that prohibits its Inspector General from receiving a bonus.

**Finding 9:** Corporation policies and procedures need enhancement to ensure that Board members disclose, in writing, all direct or indirect conflicts of interest and recuse themselves from participating in any action where a conflict of interest related to a Board agenda item is encountered.

**Recommendation:** We recommend that Corporation management strengthen policies and procedures to ensure that Board members disclose, in writing, all possible direct or indirect conflicts of interest and recuse themselves from participating in any action where a conflict of interest related to a Board agenda item is encountered.

**Corrective Action Status: Closed**

New Board member training materials have been revised to include additional conflict of interest language specifying that Board members should avoid even the appearance of a conflict. Revisions to Florida Housing's Ethics Policies regarding Board member conflicts of interest have been completed. In addition, the General Counsel will provide in-person ethics training for all current and new board members.

**Finding 10:** The Corporation had not established a mechanism for tracking the payments made under each Corporation contract. A similar finding was included in our report No. 2013-047.

**Recommendation:** We again recommend that Corporation management establish a means for tracking contract payments for each Corporation contract.

**Corrective Action Status: In Progress**

A solution to track contract payments for each Florida Housing contract has been identified and is expected to be implemented during the 3<sup>rd</sup> quarter of 2017.

**Finding 11:** Corporation controls continue to need improvement to ensure that all property items of a portable and attractive nature are properly recorded and accounted for in Corporation records.

**Recommendation:** We recommend that Corporation management enhance policies and procedures to ensure that portable and attractive items costing less than \$5,000 be recorded to Corporation records in sufficient detail to facilitate an annual physical inventory.

**Corrective Action Status: In Progress**

Florida Housing has revised the Portable and Attractive Asset Control policy and established the associated procedures to facilitate an annual inventory.

Additionally, asset tags have been acquired and affixed to all currently assigned assets during an initial inventory completed in October of 2016. Entry of this information into the centralized tracking system is underway and expected to be completed by June 30, 2017.

**Finding 12:** The Corporation had not established policies and procedures for the collection and use of social security numbers or evaluated its collection and use of social security numbers to ensure compliance with State law.

**Recommendation:** We recommend that Corporation management establish written policies and procedures regarding the collection and use of individuals' SSNs [social security numbers] and take appropriate steps to demonstrate compliance with applicable statutory requirements.

**Corrective Action Status: Closed**

Florida Housing's policies and procedures regarding the collection and use of individuals' SSNs was finalized in February 2017. Additionally, all employees received the policy and acknowledged receipt electronically. New employees will receive the policy during their onboarding meeting with Human Resources staff.

**Finding 13:** Corporation controls for reviewing the appropriateness of network, OnBase, and ShareFile user access privileges need enhancement. Additionally, the Corporation did not always timely deactivate employee access privileges to the network, OnBase, or ShareFile upon an employee's separation from Corporation employment.

**Recommendation:** We recommend that Corporation management establish procedures requiring the conduct of periodic reviews of the appropriateness of network, OnBase, and ShareFile user access privileges. We also recommend that Corporation management ensure that user access privileges to the Corporation's network, OnBase, and ShareFile are immediately deactivated upon an employee's separation from Corporation employment.

**Corrective Action Status: In Progress**

Written procedures for the Quarterly Account review process are in draft and expected to be completed by June 30, 2017. In addition, revised IT termination procedures and an on-line checklist are in the production stage at this time and will include a second check and verification steps. The revisions to the procedures are expected to be completed by June 30, 2017.

**Finding 14:** Certain security controls related to audit logging and monitoring of OnBase and Corporation network activity need improvement to better ensure that inappropriate or unauthorized system activity, should it occur, is timely detected and resolved.

**Recommendation:** We recommend that Corporation management strengthen security controls related to audit logging and monitoring of OnBase and Corporation network activity to better ensure that, inappropriate or unauthorized system activity, should it occur, is timely detected and resolved.

**Corrective Action Status: In Progress**

Florida Housing has begun implementation of the various tools identified to strengthen security controls related to audit logging and monitoring of its systems and network. Full implementation is expected to be completed by June 30, 2017.