



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

**ANNUAL AUDIT PLAN FOR FISCAL YEAR 2019
AND LONG-TERM PLANS FOR FISCAL YEARS 2020 AND 2021**

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. This analysis 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 October through December 2018 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 October through December 2018 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) based on the following risk factors:

- Compliance, Legal and Liability Risk
- Financial/Funding/Allocation Impact
- Frequency/Complexity/Volume of Transactions
- Information Security
- Operational Changes
- Reputational Risks
- Internal Control Risks
- Other Management Concerns

The results of identifying the risk level for each auditable unit, as it applied to each risk factor, were documented within the Consolidated Enterprise Risk Management 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 Audit Committee and Executive Director. After receiving their input, OIG staff collectively determined which areas would be included in the 2019 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 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 the Hardest Hit Fund (HHF) Program, 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 2019.²

AUDIT PLAN FOR FISCAL YEAR 2019

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 2019:

Audit Services

Internal Audits, Consulting Engagements and Reviews:

- Completion of Audit of Ethical Climate
- Audit of Low-Income Housing Tax Credit Program
- Review of Loan Servicing and Related Internal Controls (Project carried over from the 2018 Audit Plan)
- Audit of Records Management Processes and Procedures
- Financial Expenditure Review – Personnel/Payroll/Travel
- Compliance Audit of Procurement
- Quarterly Review of Performance Measurement Data Submitted to the Department of Economic Opportunity

Coordination of External Audits:

- Ernst & Young's Audit of Florida Housing 2018 Financial Statements
- Ernst & Young's Agreed Upon Procedures related to HHF
- Other External Audits Performed in 2019

²Florida Housing's fiscal year is January through December. 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.

Audit Services (continued)

Audit Follow-Up:

- Follow-up on OIG Consulting Services Engagement - Data Management Initiative - What Other HFAs are Doing (Report No. 2016-10)
- Follow-up on Management Review of the Low-Income Housing Tax Credit Program's Internal Controls (Report No. 2016-23)
- Follow-up on Enterprise IT Audit (Report No. 2018-06)
- Follow-up on Audit of Ethical Climate (Report No. 2018-10)

Other Services

Special Projects:

- Preparation for 2020 Quality Assurance Review of the Internal Audit Function
- Technical Assistance – HHF Close-out
- Continue to Monitor Implementation of Enterprise Risk Assessment Framework
- Tracking 2019 Legislation Applicable to Inspectors General
- OIG Outreach (Fraud Training)
- Completion of 2019 Audit Plan
- 2019 Risk Assessment and Development of 2020 Audit Plan
- Preparation of the 2018 OIG Annual Report
- Continue 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 2020 AND 2021

The long-term audit plans for Fiscal Years 2020 and 2021 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 2020 and 2021 to audit activities in the following areas:

- Carryover Projects from the Prior Year Audit Plan
- Audit of Low-Income Housing Tax Credit Administration (2020)
- Review of Multifamily Mortgage Revenue Bonds (2020)
- Quarterly Review of Performance Measurement Data Submitted to the Department of Economic Opportunity (2019/2020)
- Audit of Public Records Requests (2021)
- Audit of HOME Investment Partnerships (HOME) Program (2021)

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:



Chris Hirst
Inspector General

Date: 1-31-19

Audit Plan Approved by:



Natacha Bastian
Audit Committee Chair

Date: 2-11-19