

FLORIDA HOUSING FINANCE CORPORATION  
OFFICE OF THE INSPECTOR GENERAL

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ENHANCING PUBLIC  
TRUST IN FLORIDA'S  
AFFORDABLE HOUSING



ANNUAL REPORT - FISCAL YEAR 2019

WELCOMING FAMILIES HOME

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## INTRODUCTION

Section 20.055, Florida Statutes, requires each Inspector General to submit an annual report summarizing its activities during the preceding fiscal year (FY). This report includes, but is not limited to:

- A summary of each audit and investigation completed during the reporting period;
- A description of significant abuses and deficiencies relating to the administration of programs and operations of the agency disclosed by investigations, audits, reviews, or other activities during the reporting period; and
- A description of recommendations for corrective action made by the Office of Inspector General (OIG) during the reporting period with respect to significant problems, abuses, or deficiencies identified.

This annual report summarizes the OIG's activities and accomplishments for FY 2019 (January 1 – December 31).



## BACKGROUND

Florida Housing Finance Corporation (Florida Housing) was created by the state Legislature 35 years ago to assist in providing a range of affordable housing opportunities for residents that help make Florida communities great places in which to live, work, and do business. Florida Housing is a public corporation of the State of Florida and is considered a financial institution. Additionally, Florida Housing is not a department of the executive branch of state government but is an instrumentality of the State.

Florida Housing's vision is to be recognized as an outstanding provider of innovative, measurable, data-driven and fiscally sustainable solutions that respond to the affordable housing challenges of the state.

Today, Florida Housing continues its mission by increasing affordable housing opportunities and ensuring that its programs are well matched to the needs of those served. Florida Housing knows that they cannot accomplish the mission alone. As such, Florida Housing continues to work with federal, state and local governments, non-profits, elected officials and others to help spread the importance of affordable housing in Florida's communities.



## FLORIDA HOUSING'S PROGRAMS

### **MULTIFAMILY DEVELOPMENT**

Multifamily development programs (or rental housing program) include State Apartment Incentive Loan (SAIL), Multifamily Mortgage Revenue Bonds (MMRB), HOME Investment Partnerships, Elderly Housing Community Loan (EHCL), Low Income Housing Tax Credit (LIHTC) program, Grants to Serve Persons with Developmental Disabilities and National Housing Trust Fund.

#### **State Apartment Incentive Loan (SAIL)**

Provides developers with the gap financing needed to obtain full financing of affordable rental housing.

#### **Elderly Housing Community Loan (EHCL)**

Offers up to \$750,000 in loans to make substantial improvements to existing affordable rental housing for the elderly.

#### **HOME Investment Partnerships**

Makes low or no interest, non-amortizing loans to developers who acquire, rehabilitate or construct housing for low income families.

#### **Low Income Housing Tax Credits ("Housing Credits")**

Provides nonprofit and for-profit developers with a dollar-for-dollar reduction in federal tax liability in exchange for the development of affordable rental housing.

#### **Multifamily Mortgage Revenue Bonds (MMRB)**

Uses both taxable and tax-exempt bonds to provide below market rate construction loans to nonprofit and for-profit developers of affordable housing.

#### **Predevelopment Loan Program**

Assists affordable housing developers with up to \$750,000 in financing for predevelopment activities associated with the construction of affordable housing, such as rezoning, title searches, impact fees and other requirements.

# FLORIDA HOUSING'S PROGRAMS

## Grants for Housing to Serve Persons with Developmental Disabilities

Grants are available to private nonprofit organizations with a primary mission includes serving persons with developmental disabilities. Developments eligible for these grants include community residential homes (CRHs) as defined in Section 419.001, Florida Statutes, and licensed by the Florida Agency for Persons with Disabilities; individual supported living units; and apartment properties that provide permanent supportive housing units. Funds may be used to renovate existing CRHs or build new properties.

Florida Housing's evaluation process for competitive development applications includes the extent of funds from local and other sources used to leverage these grant funds; employment opportunities and supports that will be available to residents of the housing; a plan for residents to effectively access community-based services, resources, and amenities; and partnerships with other supportive services agencies.

Developments receiving these grant funds must commit to serve persons with developmental disabilities with incomes at or below 60% of the median income in the area where the property is to be built.

## National Housing Trust Fund (NHTF)

A federal program that provides funding for affordable housing for Extremely Low Income (ELI) households with incomes at or below 30% of Area Median Income. Each state must develop an allocation plan to guide how the funds will be used and update the plan each year. This plan is part of the Annual Action Plan associated with the State of Florida's adopted 5-year Consolidated Plan.

The Plan is part of the 5-year State of Florida Consolidated Plan and affiliated Annual Action Plan that describes the priorities, uses and distribution of four other programs administered at the state level: the Community Development Block Grant program, administered by the Florida Department of Economic Opportunity; the Emergency Solutions Grant, administered by the Florida Department of Children and Families; the Housing Opportunities for Persons with AIDS program, administered by the Florida Department of Health; and the HOME program, also administered by Florida Housing.

## HOMEBUYERS

Florida Housing offers homeownership programs through our Homebuyer Programs and our Mortgage Credit Certificate (MCC) Program.

### Homebuyer Programs

Offers 30-year fixed rate first mortgage loans to first time homebuyers through participating lenders and lending institutions throughout the State of Florida. Eligible borrowers may also participate in one of Florida Housing's second mortgage programs to assist borrowers with down payment assistance and closing costs.

### Mortgage Credit Certificate Program (MCC)

Offers eligible first-time homebuyers a nonrefundable Federal income tax credit, which can be utilized with a lender's first mortgage. The MCC reduces an eligible borrower's Federal income taxes and, in effect, creating additional income for the borrower to use in making mortgage payments or other household expenses. Florida Housing's Program offers a tax credit amount of up to 50%, based on loan amount.

### Down Payment Assistance Program

Offers down payment and closing cost assistance in the form of a second mortgage loan to assist eligible homebuyers with their down payment and closing costs. Down payment assistance is only available when used in conjunction with Florida Housing's first mortgage loan. Down payment assistance is NOT available as "stand alone" down payment assistance.

# FLORIDA HOUSING'S PROGRAMS

## HOMEOWNERS

Florida Housing also offers assistance to homeowners such as: Florida Hardest-Hit Fund, Foreclosure Counseling Program and SHIP Disaster Relief Programs.

Florida Hardest-Hit Fund (HHF) Program details are listed below:

- **Hardest-Hit Fund Down Payment Assistance (HHF-DPA) Program**

Provides qualified first-time homebuyers with up to \$15,000 in down payment and closing costs assistance in specified counties.

- **Elderly Mortgage Assistance Program (ELMORE)**

The Florida HHF Elderly Mortgage Assistance Program (ELMORE) is designed to assist seniors who are in arrears on their reverse mortgage (also known as a HECM—home equity conversion mortgage) by providing up to \$50,000 to pay past due and future property charges, so that they may avoid foreclosure and can stay in their homes.

- **Unemployment Mortgage Assistance Program (UMAP)**

Provided up to 12 months of payments (with a cap of \$24,000, whichever comes first) paid directly to the mortgage lender to assist unemployed or underemployed borrowers with their first mortgage. In addition, up to \$18,000 could be paid to help satisfy all or some of any past due amounts owed to the mortgage lender; this assistance would have been paid prior to the UMAP payments beginning and cannot exceed \$18,000 total. Total assistance available was up to \$42,000.

- **Mortgage Loan Reinstatement Payment (MLRP) Program**

Used as a one-time payment to the mortgage lender to help satisfy all or some of any past due amounts owed on the first mortgage, only. This assistance could not exceed \$25,000 total, and any past due amounts over and above the \$25,000 could not be paid by the MLRP program and were the responsibility of the homeowner.

- **Principal Reduction (PR) Program - Closed**

Was designed to assist eligible homeowners by providing up to \$50,000 to reduce the principal balance of the first mortgage, only, thereby reducing the loan-to-value (LTV) of their outstanding principal loan balance to no less than 100 percent.

### Foreclosure Counseling Program (FCP)

Helps prevent homeowners from going into foreclosure; and Provides at-risk homeowners with good financial management education to help them better manage their money and assist them with credit problems to become financially stable. Florida Housing delivers these services through HUD approved housing counseling agencies (HCAs) that will carry out foreclosure counseling services and more extensive financial management education.

### Disaster Relief Resources and Information

Works with state and federal officials to provide information on disaster relief resources and information and provides available resources to assist individuals with recovery efforts.

# FLORIDA HOUSING'S PROGRAMS

## **RENTERS**

### **Find an Affordable Apartment**

Floridahousingsearch.org is a free, online affordable housing locator service that makes it easier to find affordable rental housing around the State. This locator is part of Florida Housing's ongoing effort to respond to housing needs in general and specifically during natural disasters. Floridahousingsearch.org provides real time information on property vacancies, features and amenities, rents and deposits and detailed information on the number of bedrooms and bathrooms. The locator also allows users to map the location of the property.

## **PRESERVATION INITIATIVES**

### **Florida Preservation Fund**

In 2008 Florida Housing, with direction from the Florida State Legislature, established a pilot demonstration program to help preserve affordable rental housing in Orange, Palm Beach, and Pasco counties. The Florida Community Loan Fund (FCLF) was competitively selected as administrator of the pilot. FCLF is a nonprofit, statewide Community Development Financial Institution established in 1994. FCLF's "Florida Preservation Fund" uses private and public funding sources to:

- Preserve affordable multifamily rental housing in Florida;
- Provide loans to developers for acquisition and/or rehabilitation of affordable multifamily rental properties; and
- Help ensure the availability of homes for families receiving project-based rental assistance.

## **SPECIAL PROGRAMS**

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

Florida Housing administers the State Housing Initiatives Partnership program (SHIP), which provides funds to local governments as an incentive to create partnerships that produce and preserve affordable homeownership and multifamily housing. The program was designed to serve very low, low and moderate-income families.

### **Catalyst Program**

The Catalyst Program provides community-based organizations and state and local governments with technical assistance to meet affordable housing needs.

### **Predevelopment Loan Program**

The Predevelopment Loan Program (PLP) helps nonprofit and community-based organizations, local governments, and public housing authorities plan, finance, and develop affordable housing.

### **Preservation Rehabilitation Pilot Program**

From the funds in Specific Appropriation 1616, \$10,000,000 in non-recurring funds in the State Housing Trust Fund is provided for a preservation rehabilitation pilot program in Pasco, Palm Beach and Orange counties targeting rental housing that receives or has received funding from any federal or state housing funding program.



## OFFICE OF INSPECTOR GENERAL

In 2000, Florida Housing re-established the internal audit function and in 2011, Sections 20.055 and 420.506, Florida Statutes, were amended to create the OIG within Florida Housing.

The OIG is an essential component of Florida Housing providing independent, objective assurance and consulting services designed to add value and improve operations.

The OIG serves as a central point of coordination and is responsible for activities that provide accountability, integrity, and efficiency. This is accomplished by the OIG conducting independent audits, investigations, and other accountability activities. The OIG's purpose is to promote economy and efficiency and to prevent and detect fraud, waste, and abuse in programs and operations carried out or financed by Florida Housing.

The OIG ensures effective coordination and cooperation between the Florida Auditor General, the Office of Program Policy Analysis and Government Accountability (OPPAGA), federal auditors, and other governmental bodies to ensure efficiency and avoid duplication of services.

Pursuant to statute, the OIG has full, free, and unrestricted access to all Florida Housing activities, records, data, and property, and may request any other information deemed necessary to carry out audit assignments or investigative needs. The unrestricted access ensures audits, investigations, and other activities are independent.

## PROFESSIONAL STANDARDS

Pursuant to Section 20.055, Florida Statute, the OIG is required to:

- Comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.
- Conduct audits in accordance with the current International Standards for the Professional Practice of Internal Auditing as published by the Institute of Internal Auditors, Inc., or, where appropriate, in accordance with Generally Accepted Governmental Auditing Standards.

Since receiving accreditation, the OIG is also following the Commission for Florida Law Enforcement Accreditation's, The Florida Inspectors General Standards Manual for the investigative section.



## STATUTORY REQUIREMENTS

As outlined in Section 20.055, Florida Statutes, the specific duties and responsibilities of the Inspector General include:

- Providing direction for, supervising, and coordinating audits, investigations, and management reviews relating to the programs and operations of the agency;
- Keeping the agency head [the Board of Directors of Florida Housing] informed of fraud, abuses, and deficiencies relating to programs and operations administered or financed by the agency, recommending corrective actions concerning fraud, abuses, and deficiencies, and reporting on the progress made in implementing corrective action;
- Reviewing the actions taken by the agency to improve program performance and making recommendations for improvement;
- Conducting, supervising, and coordinating activities that promote economy and efficiency and prevent or detect fraud, waste, and abuse;
- Ensuring effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies;
- Reviewing rules relating to programs and operations and making recommendations regarding impact;
- Assessing the reliability and validity of information provided on performance measures and standards and making recommendations as needed; and
- Ensuring an appropriate balance between audit, investigative, and other accountability activities.

## PROFESSIONAL CERTIFICATIONS

Current staff members hold the following certifications:

- Certified Authorization Professional (1)
- Certified Fraud Examiner (3)
- Certified Government Audit Professional (1)
- Certified Information Systems Auditor (1)
- Certified Information Systems Security Professional - Information Systems Security Management Professional (1)
- Certified Inspector General (1)
- Certified Inspector General Auditor (4)
- Certified Inspector General Investigator (4)
- Certified Internal Auditor (2)
- Certified Public Manager (2)
- Notary Public (3)



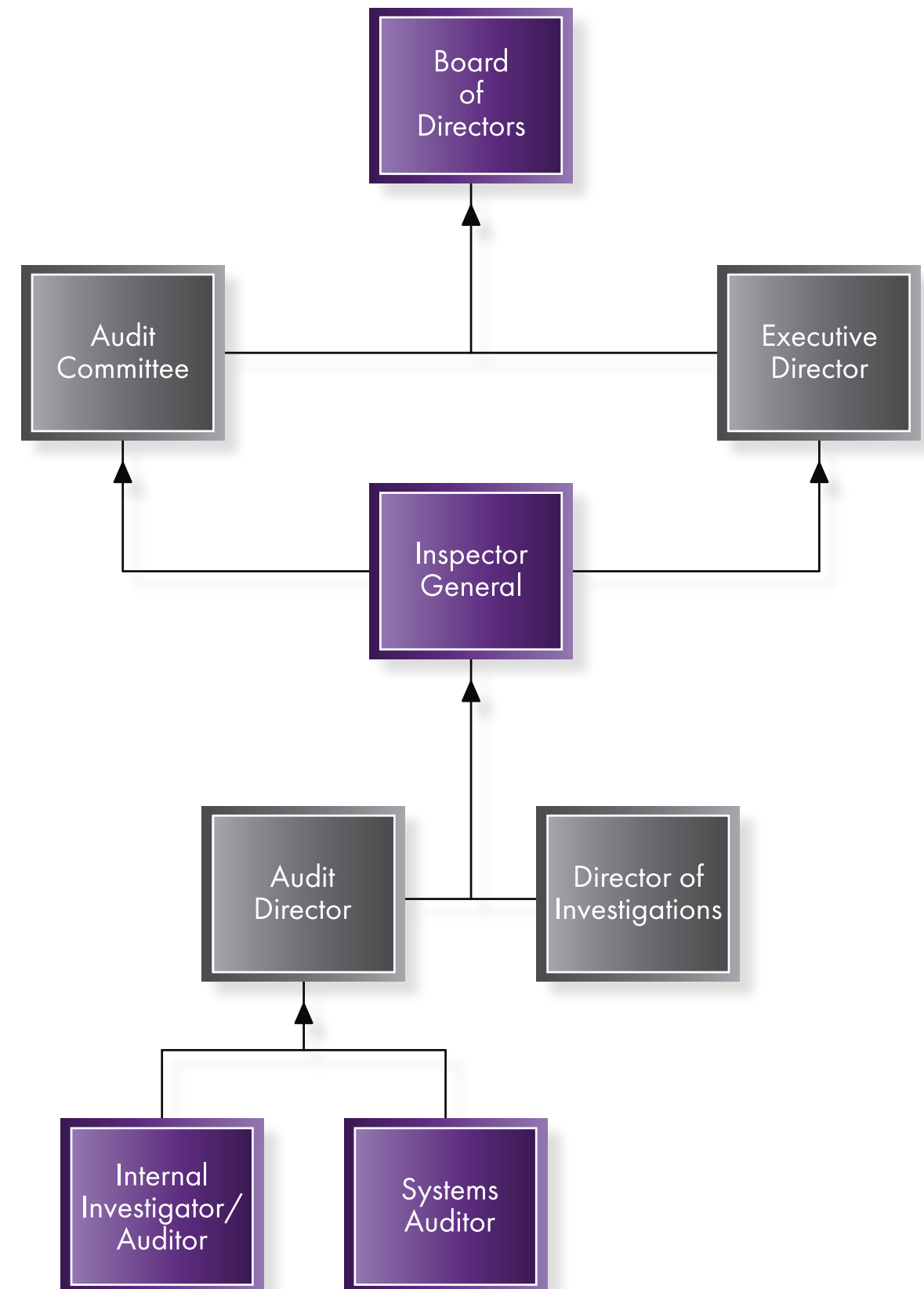
# PROFESSIONAL ORGANIZATIONS

Current staff members belong to the following organizations:

- Association of Certified Fraud Examiners (ACFE)
- Association of Government Accountants (AGA)
- Association of Inspectors General (AIG)
- Federal Bureau of Investigation National Academy (FBINA)
- Institute of Internal Auditors (IIA)
- Information Systems Audit and Control Association (ISACA)
- International Information Systems Security Certification Consortium ((ISC)<sup>2</sup>)



# ORGANIZATIONAL CHART



# INVESTIGATIONS SECTION

## INVESTIGATIVE SECTION

The Investigative Section's primary responsibility is initiating, conducting and coordinating investigations that are designed to detect, deter, prevent and eradicate fraud, waste, abuse, mismanagement, misconduct and other abuses within Florida Housing and the contracted entities of Florida Housing.

The OIG typically receives complaints or requests for assistance from the Office of the Chief Inspector General, Florida Housing or Contracted Agency employees, and the general public via website complaint form submission, telephone, letter, fax, or email. The OIG received a total of 102 complaints or requests for assistance during 2019, with 14 notifications/requests received from Florida Housing management and program staff. Complaints received by the OIG are reviewed and either resolved, referred, or investigated as detailed below:

Of the total number of requests for assistance (91) and complaints (11) received in 2019:	
21	requests for assistance were non-jurisdictional and were referred to the appropriate entity;
67	requests for assistance were referred to Florida Housing Program management for resolution as deemed appropriate;
3	requests for assistance were in response to public records requests;
7	complaints were opened for management review, investigative review or investigation; and
4	complaints were processed, with one pending receipt of additional information from Florida Housing Program Management to determine whether an OIG review is needed (i.e.: management review, investigative review or investigation).
<b>102</b>	<b>Total requests for assistance and complaints received in 2019</b>

OIG staff initiate management reviews, investigative reviews and investigations when violations of rule, statute, policy and/or contract requirements are alleged, including those filed under the Whistle-blower's Act.<sup>1</sup> While investigations are administrative in nature, criminal violations are sometimes discovered during the investigative process. When a determination is made that a potential criminal violation has occurred, the investigation is coordinated with the Florida Department of Law Enforcement (FDLE), the applicable State Attorney's Office, or other appropriate law enforcement agencies for criminal prosecution.

<sup>1</sup> The Whistle-blower's Act, §112.3187-112.31895, F.S., is intended to protect current employees, former employees, or applicants for employment with state agencies or independent contractors from retaliatory action. Whistle-blower designation is determined by the OIG in consultation with the Governor's Chief Inspector General's office. If a complaint meets whistle-blower criteria, the whistle-blower's identity is protected from release and an investigation is conducted pursuant to §112.3189, F.S.



# INVESTIGATIONS SECTION

## INVESTIGATIONS

The table below provides a summary of the management reviews, investigative reviews, or investigations opened or closed in 2019:

2019 Investigative Activity		
Activity	Opened in 2015, 2017 & 2018	Closed in 2019
Number of investigations previously referred to law enforcement agencies pending results of their investigation:	9	4
Activity	Opened in 2017 & 2018	Closed in 2019
Number of complaints resulting in either management review or investigative review:	5	5
Activity	Opened in 2019	Closed in 2019
Number of complaints resulting in management review, investigative review or investigation:	16	13
<b>Combined total:</b>	<b>16</b>	<b>14</b>

## FINAL INVESTIGATIVE REPORTS

Final investigative reports are distributed to the Audit Committee, the Executive Director, and others as needed for review, resolution, and/or any needed actions. Final investigative reports are also distributed to program leadership responsible for the employee or program investigated for appropriate personnel actions or recommended policy changes. Additionally, the final investigative reports are posted on the Florida Housing website: <http://www.floridahousing.org/contact-us/inspector-general/investigations>.

## RECOMMENDED CORRECTIVE ACTIONS

Based on the investigative findings, the OIG may make recommendations in the form of a corrective action. The recommendations are for the purpose of process improvement and are made to Florida Housing management or contracted providers. The recommendations are tracked by the OIG.





**FUNDS RECOVERED**

Recovered Monies in 2019 due to OIG Investigative Reviews and Investigations		
OIG Case Number	Circumstances of Repayment	Total Amount of Repayment
130709-03	On 9/26/19, a demand letter was sent to Land Title of America. On 10/07/19, a repayment check was sent to Florida Housing on behalf of the HHF recipient in the amount of \$3,479.88.	\$3,480
130729-02	On 8/17/19 and 12/13/19, repayment checks were sent to Florida Housing from the US Treasury for a total amount of \$65,963, leaving an amount due of \$70,987 <sup>2</sup> .	\$65,963
150414-01	On 7/24/18, the home sold: outstanding balance = \$27,804; \$16,586 was paid; and amount due = \$11,218, with a demand letter sent on 10/18/19.	\$16,587
171204-01	On 10/01/19, a repayment was made to Florida Housing for \$10,000. The total amount due from the HAP Bond DPA loan.	\$10,000
180731-01	The recipient's loan was over funded by \$11,531.46. In May 2019, a \$9,000 repayment was submitted to Florida Housing, leaving an amount due of \$2,531, which was forgiven <sup>3</sup> .	\$9,000
<b>Grand Total:</b>		<b>\$105,030</b>

<sup>2</sup> As a result of the collaborative investigation with the HUD OIG, an individual was charged with: three counts of Theft of Government Property; two counts of Aggravated Identity Theft; one County of False Statements to a Federal Agency; and received a judgement to repay proceeds obtained from the violations.

<sup>3</sup> It was found that the subject did not intentionally alter their SSN or other PII to receive additional benefits. Although they were over the MLRP cap of \$25,000, they were under the total UMAP/MLRP threshold of \$42,000. Program Staff felt it was appropriate to continue with forgiveness as normal to not negatively impact the borrower.



**SUMMARY OF MANAGEMENT REVIEWS AND INVESTIGATIVE REVIEWS COMPLETED DURING FY 2019**

180223-01 and 180419-01

Between February and August 2018, the Florida Housing Finance Corporation (Florida Housing), Office of Inspector General (OIG) received correspondence from the Agency for Persons with Disabilities (APD) and Florida Housing Asset Management/Housing Policy staff regarding complaints received from family members of residents of Promise in Brevard (Promise) and Noah's Landing (Noah's). These two housing communities are for persons with intellectual and development disabilities (I/DD). Specifically, some of the complaints included concerns involving the daily operation of the communities, such as the use of a Lifestyle Enrichment Fee (LEF) and the process of tenant selection. Between February and August 2018, OIG staff members, in conjunction with Florida Housing Asset Management and Housing Policy staff, Seltzer, and AmeriNat, conducted documentary reviews, onsite visits, and interviews. Regarding the use of the LEF, the OIG recommended that Promise and Noah's consider having the management companies collect/manage the LEF funds and ensure the LEFs do not contain services paid for by other entities, such as APD or required by the Request for Application (RFA). Regarding the process of tenant selection, the OIG recommended that Promise and Noah's implement changes to further enhance objective and fair selection of persons eligible to include possibly having a neutral tenant selection committee. Some of the concerns expressed are not within the purview of the Florida Housing OIG and are being reviewed by the appropriate Florida Housing Asset Management and Housing Policy staff, along with APD Program and OIG staff, and HUD fair housing staff. Therefore, the OIG closed the matter.

**180904-02**

On September 4, 2018, the Office of Inspector General (OIG) staff received a call from an individual, who expressed concerns about activities they reported had occurred at Kenwood Place Apartments. Specifically, the complainant said the leasing management staff of Kenwood Place allowed people, who were over income limits, to become residents during the initial leasing period when the property first opened. OIG staff members conducted interviews, reviewed documents related to the apartment complex; and then requested the Florida Housing Compliance Monitoring Administrator, to conduct a compliance review of the complex. Based on the compliance review results, the files were found "to be in order . . . with no household found to be over income." Therefore, the OIG closed the matter.

**181102-01**

On November 2, 2018, Florida Housing Finance Corporation (Florida Housing) Office of Inspector General (OIG) staff received a complaint from an anonymous complaint alleging the subject, a Hardest-Hit Fund (HHF) Program recipient, had "bragged about forging documents" in order to receive HHF Program funding. In addition, the subject's wife was reported to have recently moved out and some of his neighbors were reported to have pending court cases against him due to harassment issues. OIG staff members obtained relevant information, conducted interviews, requested assistance from the U.S. Navy Office of Inspector General, and sent this information to the HHF Program Management for their review. The Assistant Director provided the following response:

. . . When we reviewed the NCIS [Naval Criminal Investigative Service] file and the files that we had for [the subject] we determined that there would have been no change in the eligibility determination for HHF. [The subject] remained eligible for assistance.

Based on the review, it appears that the HHF recipient would still be eligible to receive the funding. Therefore, the OIG closed the matter.

**190204-01**

In an email dated February 4, 2019, the Office of Inspector General (OIG) received a request for assistance from a Florida Housing Finance Corporation Hardest-Hit Fund (HHF) Analyst, regarding a HHF recipient who failed to disclose an account, which could have made them ineligible to receive funding. A letter of explanation

was provided by the HHF Advisor who stated they made a typo mistake on the eligibility form and accepted full responsibility of the error. OIG staff: obtained relevant information, conducted interviews with the HHF Advisor; subject; and consulted with the HHF Program management, who explained that they are in agreement that the subject did not intentionally withhold information pertaining to their assets since they were disclosed on their intake application. Additionally, a review was going to be conducted of the agency/advisor's files to see if this is more of a systemic issue. HHF Program Management confirmed there would be no actions taken against the subject and that if anything is revealed during the review, it will be reviewed for action deemed appropriate. Therefore, the OIG closed the matter.

## 190204-02

Pending criminal investigation by Office of the Special Inspector General for Troubled Asset Relief Program (SIGTARP).

## 190517-01

Pending criminal investigation by Office of the Special Inspector General for Troubled Asset Relief Program (SIGTARP).

### **SUMMARY OF INVESTIGATIONS AND CORRECTIVE ACTIONS COMPLETED DURING FY 2019**

## 150414-01

**Allegation:** A Hardest-Hit Fund (HHF) Modification Enabling Pilot Program (MEP) recipient provided false information regarding their primary residence on the application. The 2015 HHF Advisor Guide and the HHF Program loan documents require applicants to occupy the property indicated on their HHF application as their primary residence.

**Finding:** Supported

**Note:** On July 18, 2018, the recipient sold the home and Florida Housing received a partial payment of \$16,586.52 towards the outstanding balance of \$27,804.35.

**Corrective Action:** The investigation was coordinated with the Florida Department of Law Enforcement (FDLE) and the Office of the Special Inspector General for Troubled Asset Relief Program (SIGTARP). On August 28, 2019, an Assistant State Attorney, Economic Crimes Unit, Office of the State Attorney, declined to prosecute.

The OIG recommended: HHF Program Management require the recipient to return the remaining balance of the HHF Program assistance funds totaling \$11,217.83; and a demand letter was sent by Florida Housing General Counsel staff. The OIG forwarded the investigative report to the U.S. Treasury in accordance with HHF procedures.

## 170221-01

**Allegation:** A Hardest-Hit Fund (HHF) Program recipient provided falsified documents and made false statements/certifications on their HHF Program application and their Quarterly Touches (QTs) involving, but not limited to their TD Bank account records, in order to be found eligible to receive payments from HHF Program funds.

**Finding:** Supported

**Corrective Action:** The investigation was coordinated with the Florida Department of Law Enforcement and the Office of the Special Inspector General for Troubled Asset Relief Program (SIGTARP). On August 30, 2019, an Assistant State Attorney, Economic and White Collar Crime Unit, declined to prosecute.

The OIG recommended: HHF Program Management require the recipient to return the \$8,310.47 in HHF Program funds they were provided in assistance; and a demand letter was sent to the recipient by Florida Housing General Counsel staff. The OIG forwarded the investigative report to the U.S. Treasury in accordance with HHF procedures.

## 170313-01

**Allegation:** A Hardest-Hit Funds (HHF) Down Payment Assistance (DPA) Program applicant provided a falsified document and made false statements/certifications on their HHF DPA Program application by providing a Gift Letter, which contained false information, in order to be found eligible to receive payments from HHF DPA Program funds.

**Finding:** Supported

**Corrective Action:** The investigation was coordinated with the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) for a possible violation of federal and/or state laws. On Oct 3, 2019, SIGTARP declined to investigate.

On October 10, 2019, HHF DPA Program Management stated the loan should not be forgiven. The investigative report was forwarded to the U.S. Treasury in accordance with HHF procedures.

## 170913-01

**Allegation:** A Hardest-Hit Fund (HHF) Principle Reduction (PR) recipient failed to notify their HHF Advisor that they did not occupy their primary residence during the application process and at the time of receiving HHF-PR Program funds. The 2013 HHF Advisor Guide and the HHF-PR Program loan documents require applicants to occupy the property indicated on their HHF-PR Program application as their primary residence during the application and as of the date of HHF-PR Program funding.

**Finding:** Supported - However, the local county property appraiser provided the following information related to their review of homestead exemption status related to this matter:

We could not definitively demonstrate he was not residing at the HEX [homestead exemption], although anecdotally, it appears he spent more time at his mother's than at his HEX during the entire period in question. . . The appeal decision could have been a denial; however, because of the presented documents and photographs supporting his assertions, and no contrary evidence was present, the benefit of doubt was weighed in the taxpayer's favor.

**Corrective Action:** The investigation was coordinated with the Office of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP). On October 3, 2019, SIGTARP advised that they conducted a criminal investigation, but closed their case due to "lack of sufficient evidence".

The Office of Inspector General is closing this file. However, if additional information is received indicating the subject did not occupy their primary residence, during the HHF-PR application process and at the time of receiving HHF-PR Program funds, then this will be reviewed for action deemed appropriate. The investigative report was forwarded to the U.S. Treasury in accordance with HHF procedures.



## INVESTIGATIONS SECTION

### 180327-01

**Allegation:** A Hardest-Hit Funds (HHF) Program applicant committed fraud by making false statements and providing falsified documents regarding their income in 2016, on their HHF Program application in order to be found eligible to receive payments from HHF Program funds.

**Finding:** Supported

**Corrective Action:** The investigation was coordinated with the Office of the Special Inspector General for the Trouble Asset Relief Program (SIGTARP). On September 28, 2018, SIGTARP advised that they would not initiate a criminal investigation due to "lack of evidence."

On October 1, 2018, HHF Program staff were notified of the response from SIGTARP; therefore, the processing of the applicant's appeal was resumed, which included new requests for the applicant to provide documentation showing they had a new hardship in 2017. In an email dated February 21, 2019, a HHF Program Manager provided an update on the file - that they were still waiting for the applicant to respond for a final determination of eligibility to be made. On May 22, 2019, a HHF Program Analyst reported that the applicant qualified for HHF Program funds based on hardship.

The Office of Inspector General is closing this file. However, if additional information is received from program staff indicating the subject has made false statements and/or provided falsified documents regarding their income in 2017 on their HHF Program application in order to be found eligible to receive payments from HHF Program funds, then this will be reviewed for action deemed appropriate. The investigative report was forwarded to the U.S. Treasury in accordance with HHF procedures.



## INVESTIGATIONS SECTION

### 190328-01

**Allegations:** A Whistle-blower investigation was initiated concerning activities associated with CEO Auger and the Osprey Pointe development for the time period after the development was accepted into credit underwriting on June 19, 2017, to determine whether:

1. Former Florida Housing staff members may have violated Florida Statutes and/or Florida Housing Policies regarding Post-employment Restrictions.
2. Florida Housing staff members may have violated Florida Statutes and/or Florida Housing Policies regarding Conflicts of Interest.
3. Florida Housing staff members may not have consistently applied rules governing the Multifamily development process, which allowed CEO Auger to receive special treatment on the Osprey Pointe development.



### Findings:

1. Not Supported
2. Not Supported
3. Not Supported
4. Not Supported

**Corrective Action:** The OIG recommended Florida Housing Management:

- conduct a review of the policy related to post-employment;
- implement a formal exit process which would provide written guidance to exiting staff of the statutory two-year post-employment restrictions;
- conduct a sufficiency review of the Conflicts of Interest policy, which states specifically, "All Employees have a duty to avoid conflicts of interest and the appearance of a conflict of interest, and a duty to disclose and rectify any such conflicts that may occur in the scope of their employment. . ."; and
- create additional training with scenario-based examples to reinforce and further convey the requirements of the Conflict of Interest policy.

Furthermore, prior to the receipt of this complaint:

- OIG staff had initiated an audit of the Multifamily Program, which was selected as a result of the 2018 Annual Risk Assessment.
- ED Trey Price requested a comprehensive audit of the Multifamily Program be included as part of the 2019 Annual Audit Plan.
- Two other reviews of this program have been conducted since 2015 (OIG Project Numbers: 2015-10 Management Review of the RFA Intake Process; and 2016-23 Carlisle Management Review).

## INTERNAL AUDIT SECTION

### **INTERNAL AUDIT SECTION**

The Internal Audit Section's primary responsibility is to assist Florida Housing management in determining whether adequate controls exist, and risks are mitigated to ensure the orderly and efficient conduct of business. In addition, Section 20.055(2)(a) and (b), F.S., requires a description of activities related to the development, assessment, and validation of performance measures. These activities are integrated into the audit process.

The Internal Audit Section conducted two audits, which included nine recommendations for improvement; six management reviews; and one consulting engagement. A third audit was initiated; however, it was not completed by the end of the fiscal year. Coordination and/or follow-up on four external audits and two internal audit projects were completed. Internal audit reports and advisories are posted on the Florida Housing website.

<http://www.floridahousing.org/contact-us/inspector-general/audits>

As of December 31, 2019, the following corrective actions, for significant recommendations described in previous annual reports, were still outstanding:

#### **2018-06 – Enterprise Information Technology Audit**

Internal Audit follows guidance provided by Section 282.318, F.S., providing that findings related to IT security should be considered confidential information and exempt from public disclosure.<sup>4</sup> Therefore, the outstanding recommendations are as follows:

- For recommendation 1 – Completed
- For recommendation 2 – Not Completed/In Progress
- For recommendation 3 – Completed
- For recommendation 4 – Not Completed/In Progress
- For recommendation 5 – Completed
- For recommendation 6 – Not Completed/In Progress
- For recommendation 7 – Not Completed/In Progress
- For recommendation 8a – Not Completed/In Progress
- For recommendation 8b – Not Completed/In Progress
- For recommendation 9a – Not Completed/In Progress
- For recommendation 9b – Not Completed/In Progress
- For recommendation 10a – Not Completed/In Progress
- For recommendation 10b – Not Completed/In Progress
- For recommendation 11 – Not Completed/In Progress
- For recommendation 12 – Not Completed/In Progress
- For recommendation 13 – Not Completed/In Progress
- For recommendation 14a – Not Completed/In Progress
- For recommendation 14b – Not Completed/In Progress

<sup>4</sup> Section 282.318(4)(g) Ensure that periodic internal audits and evaluations of the agency's information technology security program for the data, information, and information technology resources of the agency are conducted. The results of such audits and evaluations are confidential information and exempt from s. 119.07(1), except that such information shall be available to the Auditor General, the Cybercrime Office of the Department of Law Enforcement, the Agency for State Technology, and, for agencies under the jurisdiction of the Governor, the Chief Inspector General.

## INTERNAL AUDIT SECTION

### **ASSURANCE ENGAGEMENTS**

Assurance engagements are conducted to provide an independent assessment on governance, risk management, and control processes for Florida Housing. The nature and scope of the assurance engagements are determined by the OIG Internal Audit staff and are performed in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) published by the Institute of Internal Auditors (IIA).

The assurance engagements result in a written report of observations and recommendations, including any response by management. The reports are distributed to the Audit Committee, Executive Director, affected program managers, the Executive Office of the Governor's Chief Inspector General, and the Office of the Auditor General.

### **CONSULTING ENGAGEMENTS**

Consulting engagements provide assistance to Florida Housing management or staff with the intention of improving specific program operations and/or processes. Consulting engagements are usually performed at the request of management, in which the OIG Internal Audit staff agree upon the nature and scope and management. The engagements are performed in accordance with the Standards. The written reports are issued to the affected program management.

### **MANAGEMENT REVIEWS**

Management Reviews are reviews of programs or processes that do not require a complete audit. These reviews may include compliance reviews of Florida Housing contractors or entities under Florida Housing's oversight. Management reviews result in a written report or a letter of observations and recommendations, including responses by management. The Standards are not cited. These reports are typically distributed to the Audit Committee, Executive Director and affected program management. Additionally, certain reports may be sent to the Executive Office of the Governor's Chief Inspector General and to the Office of the Auditor General.



**SUMMARY OF INTERNAL AUDIT REPORTS COMPLETED DURING FY 2019****2018-10 - Audit of Ethical Climate**

In accordance with the OIG's Annual Audit Plan for Fiscal Year 2018, an Audit of Ethical Climate was conducted. The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors, requires the internal audit activity to evaluate the design, implementation, and effectiveness of the organization's ethics and sexual harassment related objectives, guidance and activities. The objectives of the audit were to determine whether Florida specific laws, rules, and regulations are applicable to Florida Housing. Additionally, to evaluate the implementation, compliance, and effectiveness of Florida Housing's ethics and sexual harassment related objectives, guidance, and activities. The audit disclosed that, overall, staff held a positive, favorable view of Florida Housing's ethical climate. Furthermore, it was concluded that Florida Housing was adequately complying with the requirements of applicable ethics and sexual harassment codes and regulations; however, some key areas could be improved, such as adding additional language to Florida Housing's ethics and sexual harassment policies to strengthen compliance with the requirements of the Governor's Executive Orders on ethics, fraud and sexual harassment.

As such, the following recommendations were made:

- The OIG **recommended** that Florida Housing's current sexual harassment policy be amended to include additional language from Executive Order 17-319, as detailed below.
  - Training timeframes - Florida Housing "shall provide training addressing sexual harassment for all new employees no later than 30 days after the start of employment."
  - Additional training – Florida Housing "shall provide additional training addressing sexual harassment for all employees in a management or supervisory position."
  - Privacy - Florida Housing "take steps to protect the privacy of those involved during its review and any related investigation and to protect against the disclosure of personal identifying information of a victim in an allegation of sexual harassment. To the extent practicable, Florida Housing will take action to eliminate further contact between the complainant and the subject of the complaint until the conclusion of the investigation."
  - Communication - Florida Housing "shall confer with the person filing the sexual harassment complaint to address any steps that have been taken by the agency and to offer any resources available from the state's employee assistance program. Each agency shall maintain the confidentiality of personal identifying information of an alleged victim in accordance with state law."
  - Acknowledgment - Florida Housing "shall make available to all employees a copy of the agency's procedures for investigating and resolving complaints of sexual harassment. Documented evidence of each employee's acknowledgement of the agency's procedures shall be retained in the employee's personnel file."
  - In addition, procedures should be developed and implemented to place these policy statements into practice. Language in the policy that mirrors the above "must and shall" statements of Executive Order 17-319, (Preventing Sexual Harassment in State Agencies) will provide a clearer understanding of Florida Housing's compliance expectations and of what controls should be implemented to address these requirements.

- The OIG **recommended** that the Office of General Counsel amend the current Gift policy and develop documented procedures to provide guidance to Florida Housing staff members for the documenting/recording of gift(s) received and their subsequent disposition. A log of all gifts received should be maintained and should, at a minimum, include:

- date item received;
- item description;
- estimated value of item;
- who sent the item;
- who received the item;
- disposition of item; and
- date of disposition.

**2019-06 Audit of Multifamily Program – Selected Controls**

In accordance with the OIG's Annual Audit Plan for Fiscal Year 2019, an Audit of the Multifamily Program-Selected Controls was conducted. After conducting a risk assessment of the program area, the audit scope was narrowed to focus on the Multifamily Program requirements, responsibilities, and controls for minimizing risk within the tax credit pricing process. In addition, the audit also focused on the adequacy of controls around the Multifamily Program development cost certification review process.

The audit objectives were to determine the:

- adequacy of the Multifamily Program's controls for compliance with authoritative sources, internal policies and procedures, and best practices that govern the final cost certification process;
- accuracy and validity of selected final cost certifications;
- adequacy of the program's controls to reasonably constrain project development cost outcomes between projected and actual;
- adequacy of the program's controls for compliance with authoritative sources, internal policies and procedures, and best practices that govern developer performance;
- adequacy of controls, under the administration of Florida Housing, that govern the sale of LIHTC between developers and investors to render assurance on the adequacy of those controls; and
- authoritative sources, internal policies and procedures, and best practices that govern Florida Housing's management and control of the pricing and sale of LIHTC transactions between developers and investors.



## INTERNAL AUDIT SECTION

As such, the following recommendations were made:

- The OIG **recommended** that the Multifamily Program research the possibility of developing or procuring a web-based, electronic version of the current hard copy developer final cost certification and general contractor cost certification forms.
- The OIG **recommended** that the Multifamily Program implement a process for the periodic review/audit of final cost certifications to be performed by the OIG on a selected basis.
- The OIG **recommended** that the Multifamily Program develop a LIHTC pricing attestation document and require the syndicator to attest that there are no side agreements regarding pricing manipulations related to the sale of tax credits between developer and investor.
- The OIG **recommended** the Multifamily Program develop and implement a formalized method of documenting the results of staff's computation on the LPA.
- The OIG **recommended** that the Multifamily Program add a section to the final cost certification checklist to serve as an acknowledgement that their staff have performed the mathematical computation.
- The OIG **recommended** that the Multifamily Program develop and implement a formalized process for the review and analysis of LIHTC pricing outside of an established acceptable range.
- The OIG **recommended** that the Multifamily Program consider adding language to F.A.C. Rules 67-21 and 67-48 to ensure that Florida Housing has timely access to any documentation necessary to complete the review and approval of the required cost certifications.

### **SUMMARY OF REVIEWS COMPLETED DURING FY 2019**

**2019-05 – Review of 2018 4th Quarter Performance Measures Review**  
**2019-12 – Review of 2019 1st Quarter Performance Measures Review**  
**2019-15 – Review of 2019 2nd Quarter Performance Measures Review**  
**2019 18 – Review of 2019 3rd Quarter Performance Measures Review**

Section 20.055, Florida Statutes, requires that the OIG perform a validity and reliability assessment of the agency performance measures and, if needed, make recommendations for improvements. The Florida Housing Performance Measures Reports, prepared pursuant to the Affordable Housing Services Contract with the Department of Economic Opportunity (DEO), are reviewed quarterly. These reports contain data pertaining to the performance measures and targets established by Section 420.511 (1)(a) through (e), Florida Statutes. The OIG reviewed the performance measure data to ensure its accuracy prior to submission of the report to the DEO Executive Director. Each of the OIG's reviews determined that the reports were accurate and supported by the appropriate documentation.



### **COORDINATED EXTERNAL AUDIT REPORTS DURING FY 2019**

Ernst & Young's Audit of Florida Housing's 2018 Financial Statements  
SIGTARP Audit of HHF Program  
U.S. Treasury HHF Compliance Review  
Department of Economic Opportunity's Desktop Monitoring of Workforce Affordable Housing Program

### **FOLLOW-UP REVIEWS COMPLETED DURING FY 2019**

Project No. 2019-16 – Follow-up on Enterprise IT Audit  
Project No. 2019-19 – Follow-up on Audit of Ethical Climate



# SPECIAL PROJECTS

## **SPECIAL PROJECTS AND OTHER PROJECTS**

Services other than assurance engagements, consulting engagements, and management reviews performed by OIG staff members for Florida Housing management or entities outside of Florida Housing, are considered special projects. Special projects may include things such as participation in intra-agency reviews and/or workgroups; or assisting the Governor’s office or the Legislature. Special projects may also include atypical activities that are completed within the OIG such as self-assessments or policy revisions. Four examples of special projects are listed below.

### **Legislative Tracking**

The OIG conducts bill analysis and monitors/tracks legislative actions related to Florida Housing and the Inspector General community.

### **Lottery Number Assignments**

Lottery numbers<sup>5</sup> are generated to use when tiebreakers are needed by any of Florida Housing’s competitive funding applications. Florida Housing’s OIG has a process to assign lottery numbers using random numbers generated in Microsoft Excel. The instructions for various Florida Housing competitive funding programs provide that each request for application (RFA) will receive a random lottery number at or prior to the issuance of final scores or ranking. In 2019, OIG staff assigned lottery numbers for the following RFAs listed below:

**RFA 2019-101**  
**RFA 2019-102**  
**RFA 2019-103**  
**RFA 2019-104**  
**RFA 2019-105**  
**RFA 2019-106**

**RFA 2019-107**  
**RFA 2019-108**  
**RFA 2019-109**  
**RFA 2019-110**  
**RFA 2019-111**  
**RFA 2019-112**

**RFA 2019-113**  
**RFA 2019-114**  
**RFA 2019-115**  
**RFA 2019-117**  
**RFA 2019-118**

In addition, at the final review committee meeting for each RFA, the OIG verifies the accuracy of the lottery numbers used in the review committee’s scoring spreadsheet; and on the applications recommended for funding spreadsheet, which is provided to the Board for approval.

<sup>5</sup> The term “lottery number” used by Florida Housing does not refer to the commonly known lottery process.



## **Enterprise Risk Assessment and Mitigation**

### *Background*

Florida Housing’s Strategic Plan includes the following goal: “Establish an environment in which risk assessment and mitigation is integrated into all business practices and decisions.” While the management and assessment of risk is the primary responsibility of each business unit, an Enterprise Risk Assessment (ERM) project team was tasked with creating a policy and the related process that will help integrate enterprise risk management into business processes, ultimately creating the “environment” (i.e. corporate culture) sought in the Strategic Plan. That ERM project was completed in 2016 and is currently being utilized to assess, identify, mitigate and monitor risk throughout Florida Housing’s business units.

The OIG plays a vital role in Florida Housing’s ongoing ERM efforts by collecting, compiling and analyzing the data throughout the year. As the process continues to mature, the data gathered will continue to expand and offer greater insight into the key risk drivers for each business unit. Additionally, the OIG uses the associated data gathered through the ERM process as a component of its annual risk assessment process, which is used to develop the subsequent years audit plan. The OIG plans to continue improving the process and educating staff on the benefits of a fully functioning ERM process for Florida Housing.

### **Risk Assessment and Development of Annual Audit Plan**

In accordance with Section 20.055, F.S., the OIG performed a risk assessment of Florida Housing’s programs and activities to assist in the development of the Annual Audit Plan. The risk assessment process included identifying programs and activities performed by Florida Housing; interviewing managers to gather their perspectives on Florida Housing’s current risks and exposures; addressing concerns of the Audit Committee members; identifying applicable risk factors (such as compliance risk, financial risk, reputational risk, etc.); and determining the risk ranking for selected programs and activities. The risk ranking of each program and activity was reviewed and evaluated by the OIG and used to develop the Annual Audit Plan.

The 2019 Annual Audit Plan identified the programs and activities to be audited or reviewed. The plan established the priorities of the Internal Audit staff while optimizing the use of internal audit resources and allowing the OIG to add value to Florida Housing. The plan also included audit issues that may be addressed in FY 2020 and FY 2021. The Audit Committee and Board approved the audit plan.

# SPECIAL PROJECTS

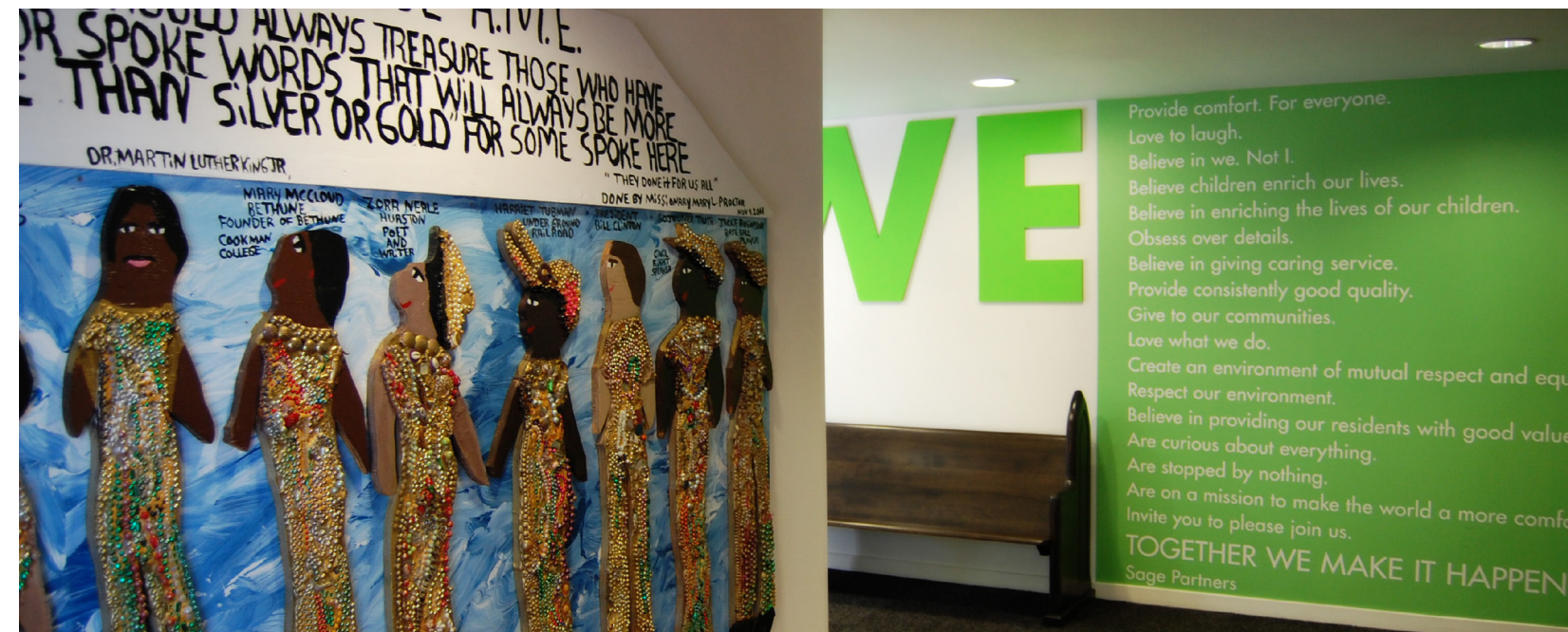
## OFFICE OF INSPECTOR GENERAL FY 2018 INTERNAL AUDIT PROJECTS

Project Number	Project Type	Project Name	Final Report Issued
2017-07	Consulting Engagement	ITS Security Framework Review	Report Issued 3/29/2019
2017-16	Special Project	Implementation of the Revised Internal Auditing Standards	Closed 12/31/2019
2018-10	Audit	Audit of Ethical Climate	Report Issued 4/1/2019
2019-01	Special Project	OIG Admin (staff meetings; P&P reviews; Annual Report; etc.)	Closed 12/31/2019
2019-02	Special Project	Random Number Generator	Closed 12/31/2019
2019-03	Special Project	Non-HHF Investigative Activity	Closed 12/31/2019
2019-04	Special Project	Assistance to the Chief Inspector General's Office	Closed 12/31/2019
2019-05	Management Review	Review of 2018 4th Quarter Performance Measures Report	Memo Issued 1/29/2019
2019-06	Audit	Audit of Multifamily Programs-Selected Controls	Closed 12/5/2019
2019-07	Special Project	Quality Assurance Review – Self Assessment	In Progress
2019-08	Special Project	Coordinate E&Y Financial Statement Audit	E&Y Audit Report Issued 06/07/2019
2019-09	Special Project	SHIP Assistance	Closed 12/31/2019
2019-10	Special Project	Tracking Legislation	Closed 12/31/2019
2019-11	Special Project	SIGTARP Audit	In Progress
2019-12	Management Review	Review of 2019 1st Quarter Performance Measures Report	Memo Issued 4/29/2019
2019-13	Special Project	CDBG – DR Oversight Activities	In Progress
2019-14	Special Project	2019 Risk Assessment and Development of 2020 Audit Plan	Audit Committee Signed on 12/12/2019
2019-15	Management Review	Review of 2019 2nd Quarter Performance Measures Report	Memo Issued 7/30/2019
2019-16	Management Review	Follow-up on Enterprise IT Audit	Memo Issued 8/6/2019
2019-17	Special Project	Selection and Implementation of Audit Management Program	In Progress
2019-18	Management Review	Review of 2019 3rd Quarter Performance Measures Report	Memo Issued 10/30/2019
2019-19	Management Review	Follow-up on Audit of Ethical Climate	Memo Issued 12/3/2019
2019-20	Audit	Audit of Records Management	In Progress

# OIG INITIATIVES

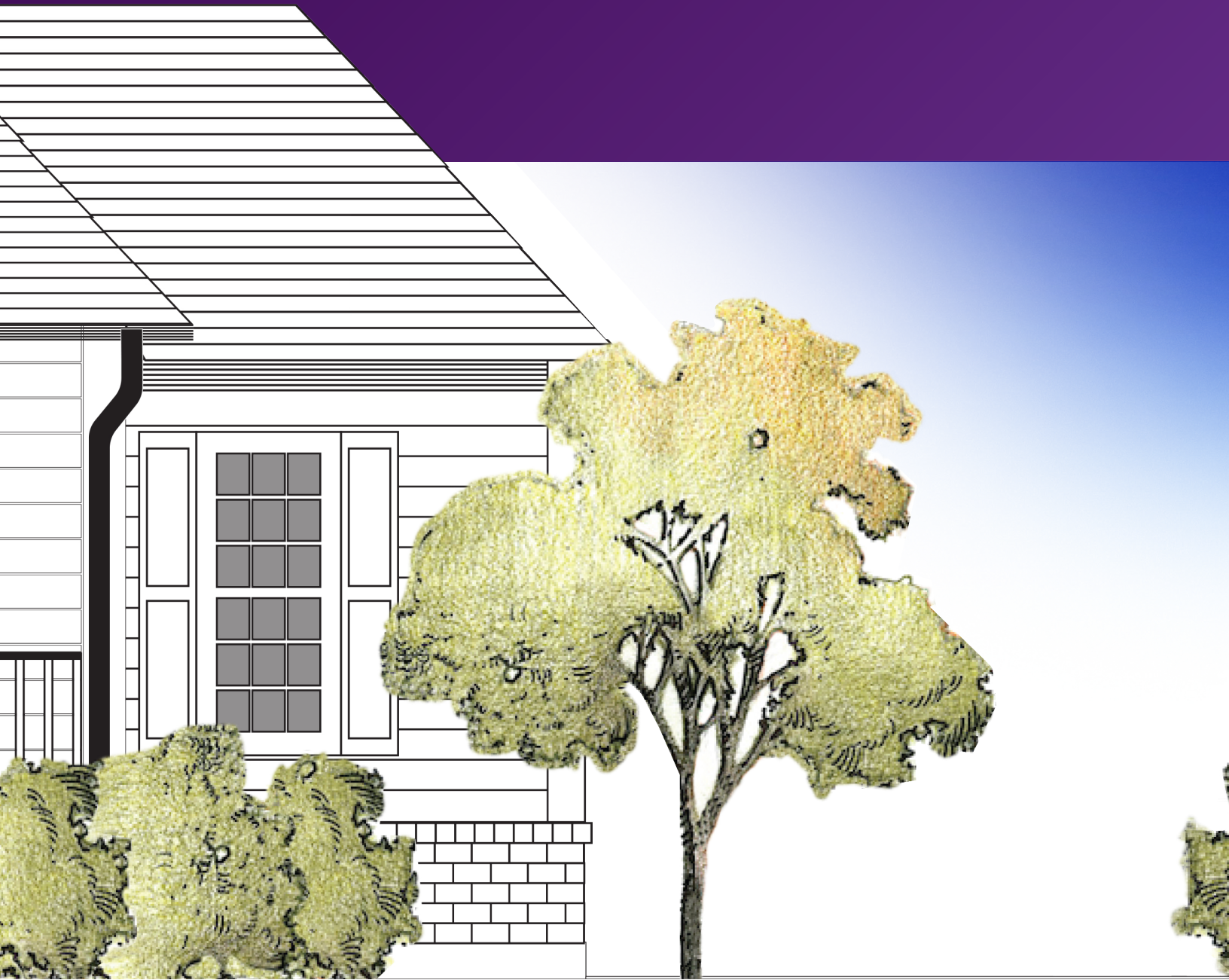
Since the start of the 2019 fiscal year, the OIG has continued and began several projects to improve the efficiency and effectiveness of the office. The OIG is working diligently to meet its statutory mandates and fulfill its mission of “Enhancing Public Trust in Florida’s Affordable Housing.” These projects include:

- The OIG, in collaboration with the Office of General Counsel, conducted several training sessions on Fraud and Ethics for all Florida Housing staff members.
- The OIG completed follow-up activities related to the Auditor General’s 2016 Operational Audit of Florida Housing.
- The OIG will continue to work with the Governance Committee to monitor the implementation and effectiveness of the Enterprise Risk Management process.
- Since the Governor’s mandate on sexual harassment and trainings, Executive Order 17-319 Preventing Sexual Harassment in State Agencies, the OIG continues to work with the Human Resources office, as needed, for reviewing, revising, and implementing training for Florida Housing’s Sexual Harassment Policy, 2.11.
- The Investigations Section of the OIG underwent the Commission for Florida Law Enforcement Accreditation’s assessment for re-accreditation. The Investigations Section will receive the final decision during the Board Panel Review in February 2020.
- The OIG initiated a project to select and implement an Audit Management System. At the close of 2019, the OIG had entered into an agreement with the selected vendor and will begin implementation in 2020. When implemented, the Audit Management System will replace the outdated manual work paper system, currently in use by the OIG, and create efficiencies with risk assessments, audit planning, audit fieldwork, audit testing, and audit reports. The efficiencies realized will be allocated to additional audit projects that will provide increased assurances to Florida Housing, without adding additional staff.



This report was prepared by the Office of Inspector General at the Florida Housing Finance Corporation, in compliance with Section 20.055(8)(b), Florida Statutes, which states: *The inspector general of the Florida Housing Finance Corporation shall, not later than 90 days after the end of each fiscal year, prepare an annual report summarizing the activities of the office of inspector general during the immediately preceding fiscal year.*





 we make housing affordable™  
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