



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

September 28, 2010

The Honorable Alex Sink
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399

Dear CFO Sink:

In accordance with Section 20.055(7), Florida Statutes, I am submitting the Office of Inspector General's 2009-2010 Annual Report which summarizes accountability activities during the prior fiscal year.

We look forward to continuing to serve you, our Department of Financial Services colleagues and the citizens of Florida with objectivity, professionalism and integrity.

Respectfully submitted,

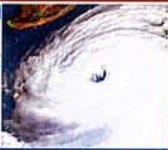
A handwritten signature in blue ink that reads "Robert E. Clift".

Robert E. Clift
Inspector General

REC:sc

Enclosure

Florida Department
of Financial Services



Alex Sink
Chief Financial Officer

Office of Inspector General

Robert E. Clift
Inspector General

ANNUAL REPORT

FISCAL YEAR 2009-2010

*"OUR MISSION IS TO PROMOTE INTEGRITY,
ACCOUNTABILITY AND PROCESS IMPROVEMENT
IN THE DEPARTMENT OF FINANCIAL SERVICES."*

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INTRODUCTION

BACKGROUND

The role of the Office of Inspector General (OIG) is to provide a central point for coordination of, and responsibility for, activities that promote accountability, integrity, and efficiency in the Department. Section 20.055, Florida Statutes, defines the duties and responsibilities of agency inspectors' general.

The Statute requires that each inspector general shall submit to the department head an annual report, not later than September 30 of each year, summarizing its activities during the preceding state fiscal year. This report includes, but is not limited to:

- A description of activities relating to the development, assessment, and validation of performance measures.
- 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.
- A description of recommendations for corrective action made by the Inspector General during the reporting period with respect to significant problems, abuses, or deficiencies identified.
- The identification of each significant recommendation described in previous annual reports on which corrective action has not been completed.
- A summary of each audit and investigation completed during the reporting period.

This document is presented to the Chief Financial Officer in accordance with the statutory requirements and to describe how the OIG accomplishes its mission as defined by Florida Law.

MISSION STATEMENT

The mission of the Office of Inspector General is to promote integrity, accountability and process improvement in the Department.

VISION

The vision of the Office of Inspector General is to provide objective fact-based perspectives to the DFS Team. We want to be:

- **Championed by our customers;**
- **Benchmarked by our counterparts; and**
- **Dedicated to quality in our products and services.**

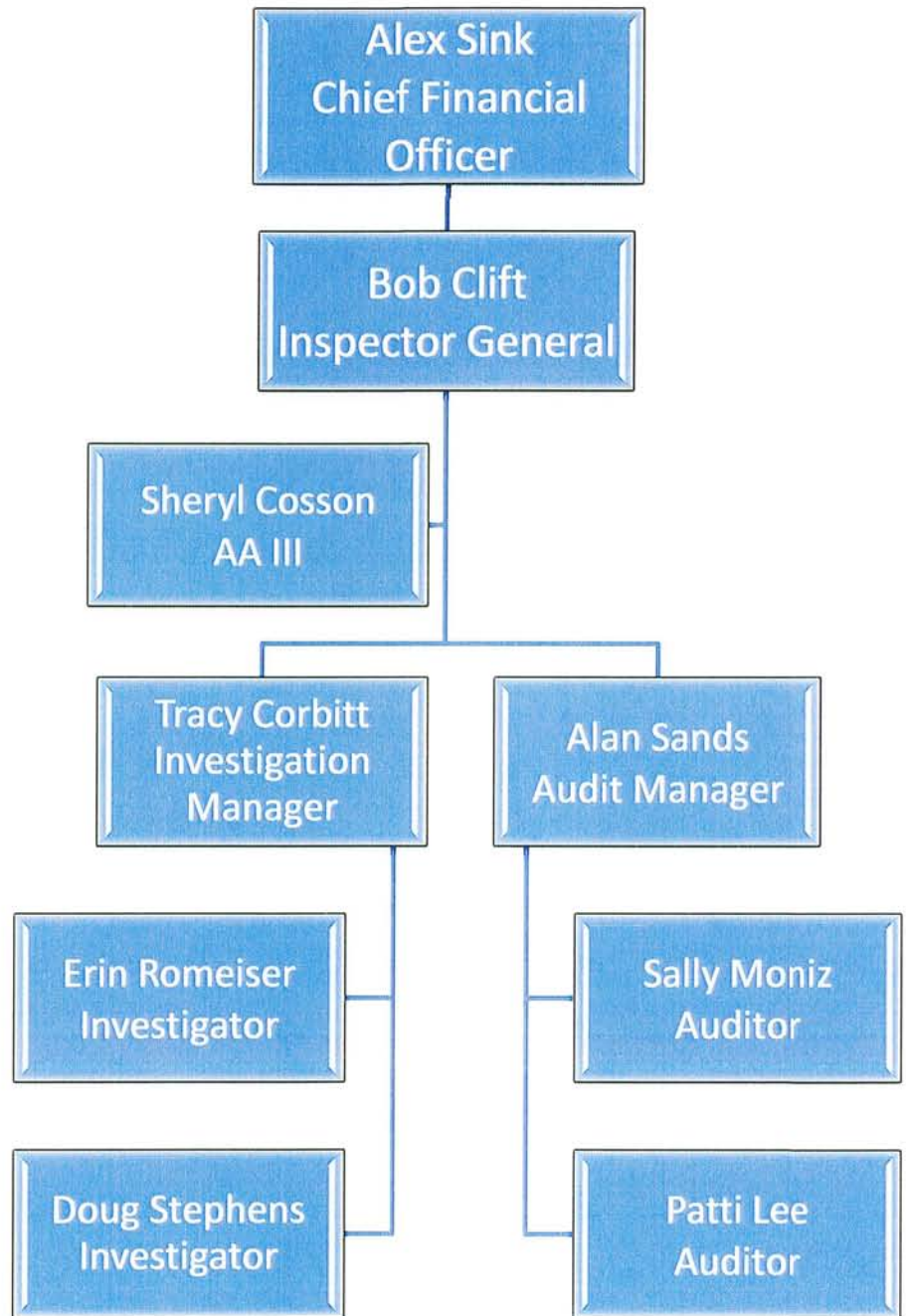
OIG RESPONSIBILITIES

The specific duties and responsibilities of the Inspector General, according to Section 20.055(2), F.S., include:

- Providing direction for, supervision and coordination of audits, investigations, and management reviews relating to the programs and operations of the state agency.
- Keeping the agency head informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the state agency, recommended corrective action concerning fraud, abuses, and deficiencies, and report on the progress made in implementing corrective action.
- Reviewing the actions taken by the state agency to improve program performance and meet program standards and making recommendations for improvement, if necessary.
- Advising in the development of performance measures, standards, and procedures for the evaluation of state agency programs.
- Ensuring effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Maintaining an appropriate balance between audit, investigative, and other accountability activities.

OIG ORGANIZATION

The Inspector General is appointed by and reports to the Chief Financial Officer. Within the OIG, there are two sections: the Audit Section and the Investigation Section.



TRAINING

The Association of Inspectors General specifies that each staff person who performs investigations, audits, inspections, evaluations, or reviews shall receive at least 40 hours of continuing professional education every two years that directly enhances the person's professional proficiency.

In addition, the International Standards for the Professional Practice of Internal Auditing and Government Auditing Standards require internal Audit Unit staff to maintain their professional proficiency through continuing education and training. Each auditor must receive at least 80 hours of continuing education every two years.

These training requirements are fulfilled by attending courses, webinars and audio conferences throughout the year. See Exhibit E for a list of training received during the reporting period.

CERTIFICATIONS AND ADVANCED DEGREES

The Inspector General and staff bring various backgrounds of expertise to the Department. Certifications or advanced degrees held by the Inspector General and his staff during the reporting period include:

- Certified Inspector General
- Certified Internal Auditor
- Certified Public Accountant
- Certified Fraud Examiner
- Two Certified Government Auditing Professionals
- Two Certified Inspector General Investigators
- Masters in Business Administration
- Masters in Public Administration
- Juris Doctor

PROFESSIONAL AFFILIATIONS

Members of the Office of Inspector General staff belong to a variety of professional associations to maintain currency, establish and advance professional networks, and participate in professional community activities.

- Association of Inspectors General (AIG)
- Florida Chapter of the AIG
- Institute of Internal Auditors (IIA)
- Tallahassee Chapter of the IIA
- Association of Certified Fraud Examiners
- Association of Government Accountants (AGA)
- Tallahassee Chapter of the AGA

MAJOR ACTIVITIES

INTERNAL AUDIT SECTION FUNCTIONS

The Internal Audit Section is an independent and objective assurance and consulting activity with the purpose of providing information on the adequacy and effectiveness of the Agency's system of internal controls and reasonable assurances the Department's goals and objectives are achieved. This Section performs Audit and Consulting engagements.

ENGAGEMENTS

Audit Engagements are performed in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards) published by the Institute of Internal Auditors. Audit Engagements may be classified as compliance, performance or comprehensive, and result in written reports of findings and recommendations, including responses by management. Consulting engagements do not necessarily conform to professional standards.

ENGAGEMENT TYPES

Compliance Engagements seek to determine if the program or process is complying with applicable laws, rules, and regulations. This type of engagement includes an evaluation of the adequacy of the control framework to manage the risk of not achieving the goals and objectives of the program or process. Compliance engagements may include a determination of the reliability and validity of data and the adequacy of controls to ensure information security.

Performance Engagements analyze the efficiency and economy of programs or processes that are performed by the program area. Performance engagements also address each of the objectives of a compliance engagement.

Comprehensive Engagements assess the effectiveness of the program or process in achieving the Department's goals and objectives. Comprehensive engagements also address all of the objectives of a performance engagement.

**ENGAGEMENTS
(CONTINUED)**

Consulting Engagements are intended to provide value-added services to management through various alternative methods such as counsel, advice, facilitation, inspection, reviews, and training. Consulting engagements usually do not include the need to prepare a written engagement plan, to hold entrance and exit conferences, or to prepare a formal report.

A summary of the Audit Section engagements completed during the 2009/2010 fiscal year can be found in Exhibit A.

**EXTERNAL AUDIT
ACTIVITY**

The OIG is the coordinator for external audits or reviews conducted by the Auditor General, Office of Program Policy Analysis and Government Accountability, Federal Agencies, and other governmental and non-governmental entities. The Audit Section coordinated 5 external audits completed by the Auditor General and had 5 ongoing audits during fiscal year 2009/2010. A summary of the external audits completed in the 2009/2010 fiscal year can be found in Exhibit B.

**RISK
ASSESSMENT**

A risk assessment of the Department's programs and activities is performed annually to assist in the development of the Annual and Long Term Audit Work Plan.

The risk assessment was conducted using information from a variety of Department databases to assess the risks inherent to the activities performed by each Division. These databases included those associated with contracting, revenue collections, and legislative appropriations. Selected data elements, such as the number of contracts and monetary receipts were assigned to risk factors and then allocated to each Division. These risk factors were identified by OIG staff and based on characteristics of activities that serve to increase risks of not fully achieving intended objectives.

For example, high dollar value monetary transactions were selected as a risk factor because of the extent of the adverse impact if these transactions were not adequately safeguarded or accurately recorded.

**ANNUAL AND
LONG RANGE
WORK PLAN**

The OIG developed a Work Plan covering the period July 1, 2010, through June 30, 2012, based on the risk assessment. The Work Plan includes activities that are to be audited, activity schedules, budgeted hours, and assignment of staff.

**OUTSTANDING
CORRECTIVE ACTIONS
FROM PRIOR ANNUAL
REPORTS**

As of June 30, 2010, corrective actions remained outstanding for recommendations from the audits for the following Divisions: Funeral, Cemetery & Consumer Services (Project No. 06/07-02), Division of Risk Management (Project No. 09030), Division of Treasury Internal and External Portfolios (Project No. 09030), and Division of Administration Cash Receipts (Project No. 09004). See Exhibit C for a description of all unresolved recommendations and current status.

**INVESTIGATION
SECTION FUNCTIONS**

The Investigation Section is responsible for evaluating complaints and conducting internal investigations of Department employees. These inquiries and complaints may be received from the Department of Financial Services employees, Chief Financial Officer's "Get Lean" Hotline, other state agencies, and the general public.

**DUTIES &
RESPONSIBILITIES**

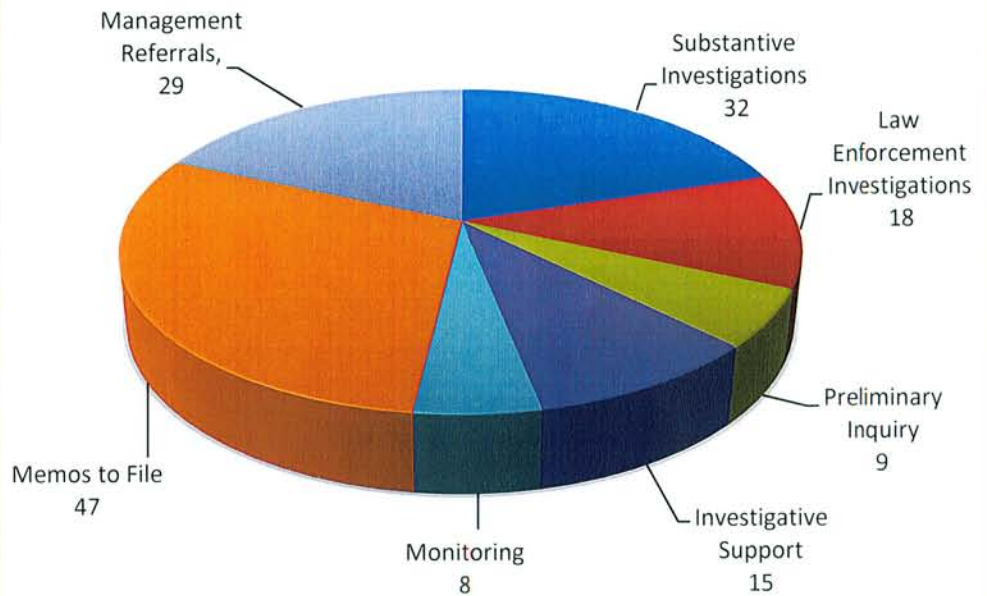
Investigations are designed to deter and detect fraud, waste, mismanagement, misconduct and other abuses. The investigative duties and responsibilities of the Inspector General (Section 20.055, F.S.) include:

- Receiving complaints and coordinating activities of the Department as required by the Whistle-blower's Act pursuant to Sections 112.3187 - 112.31895, F.S.
- Receiving and considering the complaints which do not meet the criteria for an investigation under the Whistle-blower's Act and conducting, supervising, or coordinating such inquiries, investigations, or reviews as the Inspector General deems appropriate.
- Reporting expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Inspector General has reasonable grounds to believe there has been a violation of criminal law.

**DUTIES &
RESPONSIBILITIES
(CONTINUED)**

- Conducting investigations and other inquiries free of actual or perceived impairment to the independence of the Inspector General or the OIG. This includes freedom from any interference with investigations and timely access to records and other sources of information.
- Submitting in timely fashion final reports on investigations conducted by the Inspector General to the Department head, except for Whistle-blower's investigations, which are conducted and reported pursuant to Section 112.3189, F.S.

**INVESTIGATION
STATISTICS**



**TYPES OF
INVESTIGATIONS**

The Office of Inspector General uses several types of cases; substantive investigations, law enforcement officer investigations, investigative support, memorandum to file, management referral, monitor investigations and preliminary investigations.

**SUBSTANTIVE
INVESTIGATIONS**

Substantive investigations typically stem from complaints involving alleged employee misconduct, which, if proved, would result in a suspension of the employee, at a minimum (substantive violation). The conduct may include alleged violations of Department standards such as: conduct unbecoming a public employee; unauthorized disclosure of confidential information; theft/misuse of property, records or documents; violation of nepotism policy, and falsification of records.

**SUBSTANTIVE
INVESTIGATIONS
(CONTINUED)**

During FY 2009/2010, twenty (20) substantive investigations were opened and 32 completed. Of the 32 completed investigations, 16 were opened during fiscal year 2008/2009. Of the substantive investigations completed, 21 were categorized as proved; 8 were disproved, 1 was inconclusive and 2 had no applicable findings because the case was closed prior to obtaining all the evidence necessary to make a categorization; e.g., employee resigned prior to conclusion of investigation. A summary of these investigations can be found in Exhibit D.

**LAW ENFORCEMENT
INVESTIGATIONS**

Law enforcement officer investigations stem from complaints involving alleged misconduct by a sworn law enforcement employee (Division of Insurance Fraud or Division of State Fire Marshal, Bureau of Fire and Arson). These investigations require the Office of Inspector General to comply with the Law Enforcement Officers' Bill of Rights, the Firefighters' Bill of Rights and in some cases, with the Police Benevolent Association Union Contract or the Florida State Fire Service Agreement. Until the investigative report is published or disciplinary action occurs, whichever is later, by law these cases are confidential in nature.

During the fiscal year 2009-2010, eighteen (18) law enforcement officer investigations were opened and 23 were completed; 5 of which were opened during fiscal year 2008-2009. Of the 23 investigations completed, 12 were categorized as proved and 5 were disproved; 2 were inconclusive and 4 had no applicable findings. A summary of these investigations can be found in Exhibit D.

**MANAGEMENT
REFERRALS**

Management Referral cases are opened when the Office of Inspector General receives complaints which do not rise to the level of significance to warrant a substantive investigation. These complaints are referred to the management of the appropriate division and monitored until a report of the outcome is received and reviewed by the OIG. During FY 2009/2010, the OIG referred 29 complaints to management.

**INVESTIGATIVE
SUPPORT**

Investigative Support cases are opened when the Bureau of Human Resource Management (HR) contacts the Office of Inspector General indicating they have received a complaint regarding allegations of discrimination. The Office of Inspector General assists in these cases by taking sworn statements from involved parties and forwarding them to HR to determine whether acts of discrimination occurred. During FY 2009/2010, the OIG received and completed 15 requests for assistance from HR.

MONITORING

Monitoring cases involve issues monitored by the Office of Inspector General to receive and report the outcome to management. For example, the Office of Inspector General may monitor an employee's case after an arrest. During FY 2009/2010, the OIG opened 8 monitoring cases.

**MEMORANDUM
TO FILE**

Memorandum to File cases arise when the Office of Inspector General receives a complaint and the subject of the complaint is not something addressed by the Department of Financial Services. The complaints are referred to the agency having jurisdiction over the matter, if any. During FY 2009/2010, the OIG opened 47 such cases.

**PRELIMINARY
INQUIRY**

Preliminary Inquiry cases are opened when the Office of Inspector General is not certain the known facts warrant a full investigation. In these type cases, some fact-gathering is conducted and a determination is made whether to proceed with an investigation. During the fiscal year 2009/2010, ten (10) Preliminary Inquiry cases were opened. In five cases, information gathered during the inquiry evidenced no investigation was required; in one case action was taken; in one case the inquiry resolved the issue without the need for further action, and two of the preliminary inquiries remain open.

OTHER OIG ACTIVITIES

PROCESS ACTION TEAM ACTIVITIES

Office of Inspector General staff have been active participants in several process action teams. This fiscal year, these have included the Application Access Control Process Improvement Team, Remittance Project Team, and Commodities Efficiency Review Workgroup (CREW).

EXTERNAL THREAT WORKING GROUP

The Inspector General is the coordinator for the Department's External Threat Working Group and publishes cautionary threat advisories to DFS employees when warranted.

STATUS OF DISCIPLINE MEETINGS

The Inspector General participates in scheduled status of discipline meetings to inform managers and counsel of facts regarding ongoing or recently completed investigations.

NEW EMPLOYEE ORIENTATION

The Inspector General briefs all new employees on conduct standards expectations and examples of violations of these standards to deter employee misconduct.

BASIC SUPERVISORY TRAINING

The Inspector General emphasizes ethical conduct and stresses the significance of supervisors as role models for their subordinates at every Basic Supervisor Training Program session.

CSIRT

The Inspector General is a core member of the Department's Computer Security Incident Response Team (CSIRT).

OIG ALERTS

The Office of Inspector General periodically issues alerts to department employees when trends in investigations indicate pervasive violations of policy.

EXHIBIT A

INTERNAL AUDIT SECTION ENGAGEMENTS

Audits Completed

Project Number 09046: The OIG conducted a performance audit of the Bureau of Auditing. The purpose of this audit was to evaluate the Bureau's payment processes. The finding and recommendations for this audit are summarized below:

- **Finding:** Increased automation would increase the Bureau's ability to comprehensively analyze payment requests.
Recommendation: The Bureau should consider adding automated analytics to the pre and post payment review process.
- **Finding:** Pre-audit discrepancies identified by the Bureau may not be remedied by state agencies.
Recommendation: Pre-audit procedures should be revised to ensure that all identified discrepancies are adequately remedied by state agencies.
- **Finding:** Procedures for agencies exempt from initial and continued pre-audit eligibility should be improved.
Recommendation: The Bureau should develop a system to demonstrate whether the state agency internal controls over the payment process adequately mitigate each identified risk. The procedures should stipulate when an agency will be reevaluated to determine if the agency's internal controls remain adequate.
- **Finding:** Documented quality assurance reviews of the pre-audit process would benefit the Bureau by identifying whether pre-audited and approved invoices are sufficient and compliant.
Recommendation: The Bureau should continue its efforts to establish a documented quality assurance review of pre-audited invoices.
- **Finding:** Updated payment processing guidance would help improve agency payment compliance.
Recommendation: The Bureau should perform a comprehensive review of all applicable rules and memoranda, as well as the Reference Guide for State Expenditures. In addition to ensuring compliance with statutory requirements relating to administrative rules, a comprehensive review of all applicable procedural and documentation standards would help ensure clear and uniform guidance is being provided to state agencies.

Consulting Engagements Completed

Project Number 10039: The project was undertaken in part to address the current remittance process for efficiencies and improvements. The goal of the project is to achieve an efficient receipting process through automation and standardization. As of the end of September 2010, the project is ongoing.

The Division of Administration (DOA) provides processing services for the majority of the money collection activities provided by the Department, the Office of Financial Regulation (OFR), and the Office of Insurance Regulation (OIR). These payments are generally associated with fees and penalties submitted by citizens or entities benefiting from Department services. There are two systems currently in place to receive these payments, the Receipts System (RCP) and the Cashier's Office Deposit Automation (CODA). The forms of payment include:

- Checks, money orders, cash
- Journal Transfers
- Wire Transfers
- E-Commerce (Credit Card, ACH, EFT)

From both of the receipting systems, through a combination of automated and manual processes, the various business unit systems are updated, the Florida Accounting Information Resource (FLAIR) is updated, bank deposits are made, and the Division of Treasury is updated.

The Office of Inspector General (OIG) previously completed an audit of DOA's paper payment receipt processes. The recommendations include:

- Promote increased use of electronic payments
- Consider outsourcing selected payment receipts processing functions to the Department of Revenue
- Require a periodic reconciliation of payment receipt data with bank deposit information
- Require payments received in district offices be deposited locally as an alternative
- Delegate to the DOA director the responsibility for effective implementation of all payment receipt processing procedures
- Develop measures to monitor the performance of the cash receipt process.

Project Number 10143: Correspondence Tracking: The Chief of Staff requested our assistance in designing and implementing a Correspondence tracking system that would, at a glance, indicate the status of CFO responses to citizen letters and emails.

We became the lead office to assess the needs of the CFO Correspondence unit and recommend a process and/or product to more adequately account for and respond to citizen correspondence. We recruited a team from various areas of the Department to assist. The situation as we found it was as follows:

- Staffing limited the current ability to assess volume of communications received, referred, responded to, and outstanding.
- Staffing limited the ability to ensure citizens received responses.
- Lack of automation limited staff's ability to effectively manage the CFO correspondence process.

Management's objective was to establish a system for the Correspondence unit to identify, record, refer, and monitor timely responses to all letters and emails received by the CFO. We reviewed various correspondence tracking programs including those in place at the Department of Children and Families, the Department of Business and Professional Regulation, and the Department's Divisions of Consumer Services, Agent and Agency Services, and Information Services.

The team unanimously chose the tracking program used by the Department of Business and Professional Regulation. An Implementation team was appointed and a goal of full implementation by November 1, 2010, was established. As of the end of September 2010, the Department is well situated to meet this goal.

Project Number 10144: Disaster Recovery Tape Handling: The Division Director of Information Services requested our assistance in reviewing the process of storing, shipping, and testing critical data at a remote location.

Backup tapes of the critical systems and data are created daily and housed offsite in case of an emergency. Twice each year, the tapes are sent to a disaster recovery contractor in Philadelphia for test purposes to determine if critical systems can be recovered in case of emergency with minimum Department disruption.

After the February 2010 disaster recovery test in Philadelphia, the Department's tapes were sent back to Tallahassee as usual by the contractor. When the tapes arrived, there was some confusion as to whether all had been sent back and accounted for. In the end, all tapes were accounted for, but the potential seriousness of the situation caused DIS management to reassess controls over tape-handling accountability.

We reviewed DIS tape-handling procedures, and conducted a walk-through of the process. We also made several recommendations for improvement including, but not limited to:

- documenting a chain of custody for the back-up of tapes,
- documentation and notification to management in the event data is not backed up on tapes,
- initiating a contract amendment to required the contractor to inventory the back-up tapes before shipping them back to Florida, and
- periodic monitoring of tape-handling accountability over both Department and contractor procedures.

EXHIBIT B

EXTERNAL AUDIT ACTIVITY

Auditor General Audits Completed

- **Project Number 09049 (AG Report Number 2010-005)**
This information technology audit focused on evaluating selected internal controls over the Payment Card Programs at the Department of Financial Services and other selected state agencies for the period October 2008 through January 2009, and selected actions through March 2, 2009.
- **Project Number 09101 (AG Report Number 2010-074)**
This operational audit focused on selected operational aspects and activities of the Department's administration of the My Safe Florida Home Program during the period July 2007 through February 2009.
- **Project Number 09114 (AG Report Number 2010-049)**
This operational audit focused on the operations of the Public Deposits Program administered by the Bureau of Collateral Management during the period January 2008 through December 2008, and selected actions through May 21, 2009.
- **Project Number 09128 (AG Report Number 2010-021)**
This information technology audit evaluated internal controls for FLAIR during the period July 1, 2008, through June 30, 2009, and also determined the status of corrective actions regarding prior audit findings disclosed in a prior audit report.
- **Project Number 09163 (AG Report Number 2010-165)**
This operational audit focused on compliance and internal controls over financial reporting and the federal awards program administered by the State of Florida for the fiscal year ended June 30, 2009.

EXHIBIT C

OUTSTANDING CORRECTIVE ACTIONS FROM PRIOR ANNUAL REPORTS

■ **Project Number 06/07-02**

The OIG conducted a performance audit of the Division of Funeral, Cemetery & Consumer Services. The purpose of this audit was to evaluate the effectiveness of the Division's process to administer the preneed contract fee assessments to licenses. The Division's response for the one outstanding recommendation is summarized below:

- **Finding:** The current process to collect fees associated with issuing preneed contracts does not provide adequate assurances that all required remittances are received.

Recommendation: To improve the overall effectiveness of the Division, we recommend that the Division obtain Board approval to amend Chapter 497, Florida Statutes, by eliminating the requirement for licensees to submit quarterly remittances for each preneed contract fee and instead incorporate these preneed contract fees into the annual license renewal fee.

Division Update (06/30/10): The Division reported that legislation to enact the recommended change has not been successful.

■ **Project Number 09040**

The OIG conducted a performance audit of the Department's Cash Receipting process. The purpose of this audit was to evaluate the effectiveness of the Department's over-the-counter (OTC) payment receipting process as administered by the Division of Administration (DOA). DOA's response to each of the three outstanding recommendations is shown below.

- **Finding:** OTC payments cost more to process than electronic payments.
Recommendation No. 1: Promote increased use of electronic payments.
Division Update (06/30/10): The Department is in the process of indentifying potential electronic payments. In addition, the Department's policies and procedures have been updated to promote the increased use of electronic payments.
- **Finding:** Lack of payment receipt data increases risk of loss and prevents reliable performance measurement.

Recommendation No. 3: Require a periodic reconciliation of OTC payment receipt data with bank deposit information.

Division Update (06/30/10): DOA is still evaluating OTC payments that can be received electronically or can be outsourced to the Department of Revenue. Once these evaluations are completed, DOA will modify their procedures to record unique identifier information for each OTC payment and periodically reconcile to the bank deposit.

Recommendation No. 4: Require that OTC payments received in district offices be deposited locally.

Division Update (06/30/10): DOA concluded that it would be more feasible to deposit certain payments through a remote deposit service in which receipts were electronically recorded, and direct payers to submit other payments directly to DOA instead of district offices.

■ **Project Number 09030**

The OIG conducted a performance audit of the Treasury Investment Pool. The purpose of the audit was to evaluate the adequacy of the controls over the assets of the Treasury Investment Pool. The Division's response to each outstanding recommendation is shown below:

- **Finding:** External oversight of investment policies and procedures is limited. External financial advisory services can provide independent assessment that investment objectives are being achieved.

Recommendation 2: We recommend that advisory services include a biennial audit of Treasury's compliance with its written policies and operating procedures.

Division Update (06/30/10): Due to funding limitations, compliance audits were outside of the scope of our contract with the external investment consultant. To ensure the Treasury's compliance with investment policies, we have worked with our custodial bank to develop daily systematic compliance reports and a sequence of corresponding mitigating management controls based on these reports.

Recommendation 3: We recommend that these external financial advisory services include a review of each investment policy every four years.

Division Update (06/30/10): The Division reports that this recommendation will be implemented pending the completion of a current risk review by the external consultant.

- **Finding:** The Certificate of Deposit Program can be enhanced to provide a direct contribution to economic development in Florida.

Recommendation 5: To further stimulate economic activity in the State, we recommend that Treasury consider available alternatives to promote economic development in Florida through its CD Program.

Division Update (06/30/10): As resources become available, we will pursue the necessary statute changes and implement a program that will promote economic development in Florida.

■ **Project Number 08118**

The OIG conducted a comprehensive audit of the Division of Risk Management. The purpose of this audit was to assess the effectiveness of the Division's processes in achieving the Department's goals and objectives. The Division's response appears after each outstanding recommendation:

- ***Finding:*** Use of State Fire Marshal property inspection data may result in reduced insurance premiums and lower Division operating costs.

Recommendation 6: We recommend that a uniform methodology be used by the Division to determine the appropriate insured value for each property. This could be accomplished by using information from the State Fire Marshal and FLAIR databases.

Division Update (6/30/10): The Division is exploring the feasibility of purchasing property valuation software and sufficient licenses to make them available to the agencies for use.

EXHIBIT D

INVESTIGATION SECTION PROJECTS

Substantive Investigations Completed

- **Project Number 09177**
Accusation employee displayed conduct unbecoming a state employee towards a regulated entity. The accusation was disproved.
- **Project Number 10005**
An employee was accused of breaching IT security by entering time in People First for a co-worker on numerous occasions without the appropriate access authorization. The accusation was proved and the employee received a suspension.
- **Project Number 10008**
Former employee complained regarding DFS' hiring practice when applying for re-employment with the Department. The case was closed when the complainant admitted allegations were based on suspicion rather than fact.
- **Project Number 10016**
An accusation was made an employee failed to exercise due care and reasonable diligence in the performance of supervisory duties; and revealed personal account passwords and allowed use of personally assigned accounts by others. The accusations were proved and the employee resigned.
- **Project Number 10017**
An accusation was made an employee made false, incomplete or misleading timesheet submissions and disclosed confidential password information so a co-worker could make timesheet entries for the employee. The allegations were proved and the employee was terminated.
- **Project Number 10018**
An accusation was made an employee stole money from the Division of State Fire Marshal's Bureau of Fire Standards and Training. The employee resigned during the investigation which was categorized as proved. The facts in this case were briefed to the Marion County Sheriff's Department.

■ **Project Number 10020**

An employee was accused of permitting subordinates to refer customers to specific research companies for assistance in their public records requests, and by giving preferential treatment to a research company owned by a former employee. The allegation was disproved.

■ **Project Number 10037**

An accusation was made an employee (a supervisor) altered documents submitted with a hiring packet. The allegation was disproved.

■ **Project Number 10045**

An accusation was made an employee submitted a falsified State of Florida Employment Application, by failing to disclose past pleas and convictions. The allegation was proved and the employee was terminated.

■ **Project Number 10069**

An accusation was made an employee was insubordinate by making the statement, "I'm going to take this project down" in reference to an information technology project. The allegation could be neither proved nor disproved (inconclusive).

■ **Project Number 10113**

An accusation was made an employee was negligent by failing to exercise due care and diligence in handling and storing of bail bond public records resulting in their loss. The allegation was proved and the employee was suspended.

■ **Project Number 10114**

An accusation was made an employee failed to exercise due care and reasonable diligence when handling and storing public records resulting in their loss. The allegation was proved and the employee was suspended.

- Sixteen investigations were opened and completed into accusations employees violated Department policy by sending excessive personal emails, sending inappropriate emails as defined by policy, or a combination of both. One investigation was opened, but not completed as the employee resigned from the Department before any significant investigative activity was begun. Of the sixteen completed investigations, five were disproved and eleven were proved. Disciplinary Action varied from memorandums of counseling to termination, based upon the employee's history and the egregiousness of the conduct revealed by the investigation.

- Four investigations were opened and completed into accusations employees' breached confidentiality requirements. In one case an employee was accused of giving confidential information to an unauthorized person. The accusation was proved and the employee received a documented counseling. In one case an employee was accused of accessing confidential information for a non-business purpose. The allegation was proved and the employee was terminated. In two cases employees were accused of accessing confidential information for a non-business purpose and providing the information to a co-worker. In both cases the accusation was proved and the employee received a suspension.

Law Enforcement Investigations Completed

- **Project Number 09131**
An accusation was made an employee was insubordinate, displayed conduct unbecoming and acted in an unethical manner. The allegation was proved and the employee was given a suspension which was reversed at a disciplinary predetermination hearing.
- **Project Number 09170**
An accusation was made an employee submitted a falsified State of Florida Employment Application by inaccurately reporting past employment. The allegation was disproved.
- **Project Number 09189**
An accusation was made an employee (supervisor) falsified forms submitted in a hiring packet. The allegation was disproved.
- **Project Number 09190**
An accusation was made an employee submitted a falsified State of Florida Employment Application by inaccurately reporting past employment. The allegation was disproved.
- **Project Number 09191**
An accusation was made an employee submitted a falsified State of Florida Employment Application by untruthfully indicating the EEO Survey minority status. The allegation was disproved.
- **Project Number 10001**
An accusation was made an employee entered a field office evidence room without being accompanied by an evidence custodian in violation of Division policy. The allegation was proved.

■ **Project Number 10002**

An accusation was made an employee displayed conduct unbecoming by treating his employees rudely and using racial and ethnic comments. The allegation was proved and the employee was suspended.

■ **Project Number 10007**

An accusation was made an employee displayed conduct unbecoming a public employee by cursing and displaying aggressive behavior towards officials at a theme park. The allegation was proved and the employee was reprimanded.

■ **Project Number 10009**

An accusation was made an employee worked off-duty police employment without prior approval, failed to notify the communications center at the beginning of off-duty employment, failed to provide the required eight hours of rest between off-duty employment and the start of the regular work shift, and displayed conduct unbecoming a public employee by failing to be truthful when questioned about the off-duty employment. The allegation was proved and the employee was terminated.¹

■ **Project Number 10051**

An accusation was made an employee displayed conduct unbecoming a public employee by interacting with a citizen in a rude and unprofessional manner. The allegation was proved and the employee was terminated².

■ **Project Number 10011**

An accusation was made an employee entered a field office evidence room without being accompanied by an evidence custodian in violation of Division policy. The allegation was proved.

■ **Project Number 10024**

An accusation was made an employee displayed conduct unbecoming a public employee by acting in an inappropriate manner when interacting with a subordinate by speaking in an elevated voice, using profanity and addressing the employee in a demeaning fashion. The allegation could be neither proved nor disproved (inconclusive).

¹ This case and case number 10051 involved the same employee. Disciplinary action was taken on both investigations simultaneously.

² This case and case number 10009 involved the same employee. Disciplinary action was taken on both investigations simultaneously.

■ **Project Number 10026**

An accusation was made an employee who was the subject at a disciplinary predetermination hearing made untruthful statements when providing testimony. The allegation could be neither proved nor disproved (inconclusive).

■ **Project Number 10032**

An accusation was made an employee was negligent by failing to secure the division's ammunition storage facility. The allegation was proved and the employee received a documented counseling.

■ **Project Number 10056**

An accusation was made an employee displayed conduct unbecoming a public employee by interacting with a citizen in a rude and unprofessional manner during an incident in a supermarket parking lot. The allegation was disproved.

■ **Project Number 10067**

An accusation was made an employee failed to report own arrest for merchandise theft (shop lifting). The employee resigned at the onset of the investigation so the case was closed.

■ **Project Number 10071**

An accusation was made an employee presented affidavits containing signatures duplicated from other documents in lieu of obtaining signatures directly from the affiants and presented them to the Office of the State Attorney in a criminal complaint. The allegations were proved and the employee terminated. The investigation was referred to the State Attorney and the employee plead to three years probation along with being prohibited from working as an investigator during the probationary period.

■ **Project Number 10096**

An accusation was made an employee displayed conduct unbecoming a public employee, misconduct and habitual drug use consistent with alcohol abuse. The allegation was proved and the employee was terminated.

■ **Project Number 10105**

An accusation was made an employee inappropriately released confidential information regarding a police officer's Bill of Rights investigation. The allegation was withdrawn.

■ **Project Number 10118**

An accusation was made an employee failed to exercise sound judgment by chasing a traffic violator, failed to report for work at the established start time; knowingly made an incorrect entry on People First Employee Time Entry form; failed to provide eight hours for rest between off-duty employment and regularly scheduled on-duty assignment; and failed to follow required radio protocol. All the allegations were proved and the employee resigned prior to disciplinary action being taken³.

■ **Project Number 10119**

An accusation was made an employee drove a motor vehicle while under the influence of alcoholic beverages; demonstrated conduct unbecoming a public employee by behaving in a manner that could bring discredit or embarrassment to the state by failing to maintain high standards of honesty and integrity, and when attempting to use official position for personal gain; violated Division firearms policy. All the allegations were proved and the employee resigned prior to disciplinary action being taken⁴.

³ This case and case number 10119 involved the same employee. Disciplinary action was to be taken on both investigations simultaneously, but disciplinary action became moot when the employee resigned.

⁴ This case and case number 10118 involved the same employee. Disciplinary action was to be taken on both investigations simultaneously, but disciplinary action became moot when the employee resigned.

EXHIBIT E

TRAINING COURSES COMPLETED BY STAFF

- Red Flags of Collusion
- Ten Things to Remember when Completing your Annual Risk Assessment
- 2010 Government Accounting Conference, AGA
- Auditors and Investigators Working Together & Forensic Auditing
- Improved Partnerships Between Audits and Investigations
- Certified Fraud Examiner Exam Prep Course (Self-study)
- Contract Auditing
- Contract Management Life Cycle and Procurement
- Current Trends in Digital Forensics
- Ethics, Character, and Loyalty
- Florida's Financial Future During a Time of Economic Recession and Political Transition
- Fraud Risk Assessment (Webinar)
- Internal Auditors and Risk Management: An approach to defining the role of internal audit
- Law Enforcement Officers' Bill of Rights - Legislative Update
- Practical Skills for Investigators, Inaugural Institute
- Preparing Leaders for Tomorrow
- Introduction to Process Mapping
- Microsoft Excel 2007
- Risk Based Audit Planning & Planning and Performing the Audit
- Social Networking
- Reid Technique of Interviewing and Interrogation
- Role of the FBI and Partnership with the Inspector General Community
- Top Ten Emerging IT Risks