



CHIEF FINANCIAL OFFICER  
**JEFF ATWATER**  
STATE OF FLORIDA

## LONG RANGE PROGRAM PLAN

Department of Financial Services  
Tallahassee, Florida

September 30, 2011

Jerry L. McDaniel, Director  
Office of Policy and Budget  
Executive Office of the Governor  
1701 Capitol  
Tallahassee, Florida 32399-0001

JoAnne Leznoff, Staff Director  
House Appropriations Committee  
221 Capitol  
Tallahassee, Florida 32399-1300

Terry Rhodes, Staff Director  
Senate Budget Committee  
201 Capitol  
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Department of Financial Services is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2012-13 through Fiscal Year 2016-17. This submission has been approved by Jeff Atwater, Chief Financial Officer.

A handwritten signature in black ink, appearing to read "R. Kneip", with a small flourish at the end.

Robert C. Kneip  
Chief of Staff



# **Department of Financial Services**

## **Long-Range Program Plan**

**2012 - 2017**

*Jeff Atwater*

*Chief Financial Officer*

# **AGENCY MISSION AND GOALS**

## **MISSION**

To safeguard the integrity of the transactions entrusted to the Department of Financial Services and to ensure that every program within the Department delivers value to the citizens of Florida by continually improving the efficiency and cost effectiveness of internal management processes and regularly validating the value equation with our customers.

## **VISION**

The Department of Financial Services will be recognized for its standards of professionalism, its ethical behavior, its unrelenting pursuit of fraud and abuse, and its commitment to the growth and expansion of Florida's economy. Specifically, the organization will encourage and support the professional development of its employees, conduct its relationships with internal and external stakeholders according to the strictest code of ethics, promote values of trust and honesty throughout the organization, aggressively identify and eliminate fraud, waste and abuse inside and outside of the agency, and eliminate any and all regulatory or procedural barriers to job creation and economic growth.

# GOALS

## **CONTRACTING AND AUDITING**

*Goal 1: The department will be a vigilant steward of the state's resources.*

## **FRAUD**

*Goal 2: The department will protect the health, safety and welfare of the public.*

## **CUSTOMER DRIVEN VALUE CREATION**

*Goal 3: The Department will actively engage, listen to and strive to satisfy our customers.*

## **TRANSPARENCY**

*Goal 4: The department will widely publish and promote access to its public information.*

## **OPERATIONAL EFFICIENCIES**

*Goal 5: The department will strive for excellence by promoting and encouraging continuous improvement.*

## **WORKFORCE**

*Goal 6: The department will provide a workplace environment that is conducive to attracting and retaining quality employees.*

**AGENCY OBJECTIVES, SERVICE OUTCOMES AND  
PERFORMANCE PROJECTIONS TABLES**

**CONTRACTING AND AUDITING**

**Goal 1: The department will be a vigilant steward of the state's resources.**

**Objective 1A:** Establish performance metrics that improve state agencies' financial accountability.

**Outcome:** Percentage of agencies evaluated who achieve compliance with year-end closing procedures and financial statement preparation for the Comprehensive Annual Financial Report.

FY2007-08 Baseline	FY2012-13	FY 2013-14	FY2014-15	FY2015-16	FY2016-17
89%	92%	92%	93%	93%	93%

**Outcome:** Percentage of vendor invoices submitted to the Division of Accounting and Auditing for payment processing within 20 days of transaction.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
94%	97%	97%	97.5%	97.5%	98%

**Objective 1B:** To be effective stewards of the operational monies and other financial assets of the state.

**Outcome:** Percentage by which the Treasury's Investment Pool exceeded the blended benchmark for a rolling three year period.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
N/A	2%	2%	2%	2%	2%

**Outcome:** Percentage of all agency concentration account deposit transactions to be matched and credited by Treasury within four days of the bank deposit date.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
86%	86%	86%	86%	86%	86%

**Outcome:** Number of cash management consultation services performed annually by Treasury.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
30	30	30	30	30	30

**Outcome:** Percentage of disputed issues between carriers, employers and injured workers resolved during the informal Workers Compensation dispute resolution process.

FY 2011-12 Baseline	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
78.5%	79%	79.5%	80%	80.5%	81%

**Outcome:** Percentage of appraised value of assets liquidated for real property by Rehabilitation and Liquidation.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
90%	90%	90%	90%	90%	90%

**Outcome:** Percentage of appraised value of assets liquidated for personal property by Rehabilitation and Liquidation.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
75%	75%	75%	75%	75%	90%

**Objective 1C: Improve state agency accountability for contracts.**

**Outcome:** Percentage of agency contracts equal or greater than \$1million that meet the established accountability standards.

FY2009-10 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
90%	95%	95%	95%	95%	95%

**Outcome:** Percentage of DFS contracts sampled for review by the Division of Administration's Purchasing Office that meet the Division of Accounting and Auditing accountability standards. Review criteria: 1) all contracts \$250,000 and above prior to execution, 2) 5% sampling of all executed contracts less than \$250,000.

FY2008-09 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
90%	94%	95%	96%	97%	98%

**FRAUD**

**Goal 2: The department will protect the health, safety and welfare of the public.**

**Objective 2A: Produce more prosecutable cases.**

**Outcome:** Increase in dollar amount of recommended restitution orders per Insurance Fraud case (100% over seven years from the baseline years).

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
\$30,000	\$304,700	\$173,246	\$215,587	\$70,496	\$102,206

**Outcome:** Percent of Fire Marshal arson arrests resulting in conviction.

FY2006-07 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
87.1%	90%	90%	90%	90%	90%

**Outcome:** Increase Public Assistance Fraud total dollar amount of net return on investment each year based on dollar amount of benefits withheld, saved and recouped starting in FY 11-12.

FY2011-12 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
300%	310%	320%	330%	340%	350%

**Outcome:** Increase number of Public Assistance Fraud completed cases resulting in referral for disqualification or prosecution per year starting at the baseline for FY 11-12.

FY2011-12 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
2400	2640	2880	3120	3360	3600

**Outcome:** Average turnaround time for the Fire Marshal's Bureau of Forensic Fire and Explosives Analysis

FY2008-09 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
8.25 days	7.2 days	6.9 days	6.8 days	6.7 days	6.7 days

**Objective 2B:** Increase fire and life safety through aggressive inspections, investigations and education.

**Outcome:** Percentage of Fire Marshal's mandated regulatory fire prevention inspections completed.

FY2006-07 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
100%	100%	100%	100%	100%	100%

**Outcome:** Percentage of boilers inspected by the Fire Marshal within the timeframe required by administrative rule.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
100%	100%	100%	100%	100%	100%

**Outcome:** Percentage of Florida fire departments submitting incidents to Fire Marshal.

CY2008* Baseline	CY2012	CY2013	CY2014	CY2015	CY2016
84.5%	88%	89%	90%	91%	91%

\*Calendar Year

**Outcome:** Percentage of Funeral & Cemetery financial examinations with deficit findings that result in deficits being corrected or the initiation of an investigation.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
90%	93%	95%	96%	97%	97%

**Outcome:** Percentage of funeral establishment inspections with health and safety findings that resulted in improved standards and conditions or the initiation of an investigation.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
72.65%	93%	93%	95%	97%	97%

**Outcome:** Percentage of cemetery inspections with findings that resulted in improved care and maintenance and/or more accurate burial records or the initiation of an investigation.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
64.29%	93%	93%	95%	97%	97%

**Outcome:** Percentage of workers' compensation indemnity claim information reports that are filed electronically during the fiscal year.

FY2006-07 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
33%	100%	100%	100%	100%	100%

### **Objective 2C: Protect insurance-buying consumers from financial harm and deceitful practices.**

**Outcome:** Percent of licensees subject to a complaint during the previous 12 months.

FY2011-12 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
0.59%	0.57%	0.57%	0.57%	0.57%	0.57%

**Outcome:** Percent of licensees disciplined.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
7%	7%	7%	7%	7%	7%

**Outcome:** Average number of Workers Compensation employer investigations completed monthly.

FY 2011-12 Baseline	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
55	57	57	58	58	58

**Outcome:** Percentage of the insurance industry's overall compliance of filing Workers Compensation Explanation of Bill Review (EOBR).

FY 2011-12 Baseline	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
60%	75%	78%	80%	85%	90%

## **CUSTOMER DRIVEN VALUE CREATION**

**Goal 3: The Department will actively engage, listen to and strive to satisfy our customers.**

### **External Customers:**

**Outcome:** Percentage of consumers satisfied with the services provided. (Survey results)

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
75%	75 %	75%	75%	75%	75%



**Outcome:** Percentage of referred Consumer Advocate cases responded to and/or transferred within 10 days of receipt.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
90%	90%	90%	90%	90%	90%

**Outcome:** Number of available Consumer Advocate resources used to research and respond to insurance market conditions that affect Florida's insurance policyholders.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
60	95	96	96	96	96

**Outcome:** Percent of Fire College students passing certification exam on first attempt.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
92%	92%	92%	92%	92%	92%

**Outcome:** The **net** increase of state employees participating in the State Deferred Compensation Plan.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
600	600	600	600	600	600

**Outcome:** Percentage increase in the deferred compensation contributions over previous year.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
2%	2%	2%	2%	2%	2%

**Outcome:** Percentage of consumer activities provided by the department that result in quality service (audit scores).

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
80%	88%	88%	88%	88%	85%

**Outcome:** Percentage of phone calls answered within two minutes.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
90%	90%	90%	90%	90%	90%

### Internal Customers:

**Outcome:** Percent of internal customers who returned an Information Systems' customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys (with 5 being highest rating).

FY2008-09 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
95.03%	95.5%	95.5%	95.5%	96%	96%

**Outcome:** Percentage of department employees responding to an annual survey who indicate overall satisfaction with Division of Administration services.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
85%	90%	91%	91%	91%	91%

**Objective 3A:** Enhance existing and develop new opportunities and tools for customer engagement.

**Objective 3B:** Measure all Program's success in delivering value to their customers.

**Objective 3C:** Eliminate unnecessary regulatory and procedural barriers.

## TRANSPARENCY

**Goal 4:** *The department will widely publish and promote access to its public information.*

**Objective 4A:** Increase fulfillment of public record requests by electronic means.

**Outcome:** Percentage of public records available by email or electronic media.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
70%	80%	85%	87.5%	90%	95%

**Objective 4B:** Increase availability of public records online.

**Outcome:** Percentage of public records available online.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
TBD	75%	80%	85%	90%	95%

## OPERATIONAL EFFICIENCIES

**Goal 5:** *The department will strive for organizational excellence by promoting and encouraging continuous improvement.*

**Objective 5A:** Increase service levels for those Floridians requiring the Department's services.

**Outcome:** Percentage of payments made timely, as defined by F.S. 215.422.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
95%	95%	95%	95%	95%	95%

**Outcome:** Number of Risk Management notices, called claims reports that inform state agencies of potentially unsafe working conditions.

FY2006-07 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
13	89	89	89	89	89

**Objective 5B: Increase efficiency through automation.****Outcome:** Percentage of insurers receiving Legal Service of Process by electronic means.

FY2006-07 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
10%	80%	90%	100%	100%	100%

**Outcome:** Annual increases in the number of ACH transactions for workers compensation claims.

FY2007-08 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
7,104	11,438	12,581	13,387	13,387	13,387

**Outcome:** Percentage of overall Workers Compensation accepted claims in Risk Management's electronic data interchange (EDI) form filings.

FY 2011-12 Baseline	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
76%	80%	84%	88%	92%	96%

**WORKFORCE****Goal 6: The department will provide a workplace environment that is conducive to attracting and retaining quality employees.****Objective 6A: Maximize the Department's financial, operational and human resources.****Outcome:** Percentage reduction in turnover of sworn personnel (50% reduction over seven years from the baseline year).

FY2006-07 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
11%	5%	4%	3%	3%	4%

**Objective 6B: The Department will promote diversity by assessing current hiring practices and finding innovative ways to recruit top diverse candidates.****Outcome:** Percent of minority new hires.

FY2010-11 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
32%	33%	33.5%	34%	34.5%	35%

**Objective 6C: Promote professionalism among Department Employees****Outcome:** Percent of overall employee satisfaction with learning and development opportunities that result in an above standard rating.

FY2012-13 Baseline	FY2012-13	FY2013-14	FY2014-15	FY2015-16	FY2016-17
94%	94%	94%	94%	94%	94%

# TRENDS AND CONDITIONS STATEMENTS

## ORGANIZATIONAL OVERVIEW

*Article IV, Section 4(c), Florida Constitution. The chief financial officer shall serve as the chief fiscal officer of the state, and shall settle and approve accounts against the state, and shall keep all state funds and securities.*

The statewide elected Chief Financial Officer (CFO) heads the Department of Financial Services (referred to in this text as “DFS” or “department”), which consists of fifteen divisions. The CFO is supported by the Office of Chief of Staff.

The CFO is also a member of the Financial Services Commission, along with the Governor, Attorney General and Commissioner of Agriculture. The Commission is the agency head for two offices receiving administrative and information systems support from the department: the Office of Financial Regulation (OFR) and the Office of Insurance Regulation (OIR). These two offices develop their own long-range program plans separate from the department.

## PRIMARY RESPONSIBILITIES

Programs and Statutes	Description
<u>Office of the Chief Financial Officer and Administration</u>	Serves DFS and its stakeholders with necessary support. <ul style="list-style-type: none"> <li>➤ Division of Legal Services</li> <li>➤ Division of Information Systems</li> <li>➤ Division of Administration</li> <li>➤ Office of Inspector General</li> <li>➤ Office of Chief of Staff</li> <li>➤ Office of Insurance Consumer Advocate</li> </ul>
<u>Treasury (Division of Treasury)</u>  Ch. 17 and 280, F.S.	Ensures that state monies, employee deferred compensation contributions, state and local governments’ public funds on deposit in Florida banks and savings associations, and cash and other assets held for safekeeping by the CFO are adequately accounted for, completely invested, and protected. Responsible for: <ul style="list-style-type: none"> <li>➤ deposit security (collateral management)</li> <li>➤ funds management and investment</li> <li>➤ deferred compensation (supplemental retirement program)</li> </ul>
<u>Financial Accountability for Public Funds (Division of Accounting and Auditing)</u>  Ch. 17 and 717, F.S.	Promotes financial accountability for public funds throughout state government and provides Florida’s citizens with comprehensive information about how state funds are expended. Responsible for: <ul style="list-style-type: none"> <li>➤ providing the public with timely, accurate, and comprehensive information on the financial status of the state, its component units, and local governments</li> <li>➤ audit of disbursements and other financial transactions</li> <li>➤ state employee payroll services</li> <li>➤ recovery and return of unclaimed property</li> </ul>

<b>Programs and Statutes</b>	<b>Description</b>
<u>Fire Marshal</u> <i>(Division of State Fire Marshal)</i>  Ch. 633, F.S.	Assures statewide fire safety. Responsible for: <ul style="list-style-type: none"> <li>➤ licensing and inspections</li> <li>➤ arson investigations</li> <li>➤ professional standards, training and state certification</li> <li>➤ forensic laboratory services</li> </ul>
<u>State Property and Casualty Claims</u> <i>(Division of Risk Management)</i>  Ch. 284, F.S.	Ensures that state agencies are provided quality insurance coverage at reasonable rates. Provides to all state agencies: <ul style="list-style-type: none"> <li>➤ self-insurance program with coverage for workers compensation, general liability, property insurance and others</li> <li>➤ claims handling services</li> <li>➤ technical assistance in loss prevention and managing risks</li> </ul>
<u>Licensing and Consumer Protection</u> <i>(Division of Rehabilitation and Liquidation)</i>  Chapter 631, F.S.	Court-appointed receiver for insurers placed in receivership. Responsible for: <ul style="list-style-type: none"> <li>➤ rehabilitation – take actions necessary to correct the conditions that necessitated the receivership</li> <li>➤ liquidation – maximize the value of the assets of the liquidated company and distribute the assets equitably</li> </ul>
<u>Licensing and Consumer Protection</u> <i>(Division of Agent and Agency Services)</i>  Chapters 624, 626, 627, 632, 634, 635, 636, 641, 642, and 648, F.S.	Protects the public by licensing individuals and entities and investigating alleged violations of law. Responsible for: <ul style="list-style-type: none"> <li>➤ licensing and appointment of individuals and entities authorized to transact insurance in Florida</li> <li>➤ investigating alleged violations of the Florida Insurance Code</li> </ul>
<u>Licensing and Consumer Protection</u> <i>(Division of Insurance Fraud)</i>  S. 626.989, F.S.	Protects Florida citizens, businesses and consumers from persons who commit financial and insurance fraud. Responsible for: <ul style="list-style-type: none"> <li>➤ investigating suspected insurance and financial fraud</li> <li>➤ issuing public information announcements</li> <li>➤ training for insurers to help deter and combat fraud</li> </ul>
<u>Licensing and Consumer Protection</u> <i>(Division of Consumer Services)</i>  S. 20.121(2)(h), F.S.	Provides education, information and assistance to consumers for all products or services regulated by DFS or the Financial Services Commission. Responsible for: <ul style="list-style-type: none"> <li>➤ providing information to consumers about insurance-related topics</li> <li>➤ serves as a mediator between consumers and insurance companies</li> </ul>

<b>Programs and Statutes</b>	<b>Description</b>
<u>Licensing and Consumer Protection</u> <i>(Division of Funeral, Cemetery and Consumer Services)</i>  Ch. 497, F.S.	Protects consumers from illegal practices in the death industry. Responsible for: <ul style="list-style-type: none"> <li>➤ licensing and regulation of death care businesses and professionals</li> <li>➤ investigations and mediation for customer complaints</li> <li>➤ continuing education</li> </ul>
<u>Licensing and Consumer Protection</u>  <i>(Division of Public Assistance Fraud)</i>  Ch. 414.411, F.S.	The mission of the Division of Public Assistance Fraud (PAF) is to investigate fraud and abuse in the Florida administered public assistance programs. The areas of investigative activity for the PAF unit include: <ul style="list-style-type: none"> <li>➤ program recipient investigations (eligibility fraud)</li> <li>➤ trafficking investigations of SNAP EBT benefits (both program recipients and retail food stores)</li> <li>➤ day care services providers</li> <li>➤ DCF ACCESS Program employee fraud</li> <li>➤ prescription drug diversion</li> </ul>
<u>Workers' Compensation</u> <i>(Division of Workers Compensation)</i>  Ch. 440, F.S. S. 20.121, F.S.	Regulates employers, insurers, and health care providers, educates and informs all stakeholders of their rights and responsibilities, compiles and monitors system data, holds parties accountable for meeting their obligations. Responsible for: <ul style="list-style-type: none"> <li>➤ auditing insurers to ensure they provide prompt and accurate benefit payments to injured workers</li> <li>➤ ensuring that employers secure workers' compensation coverage</li> <li>➤ collecting trust fund assessments</li> <li>➤ assisting injured workers in obtaining benefits that are due</li> <li>➤ collecting proof of coverage, medical, and claims data</li> <li>➤ resolving reimbursement disputes between health care providers and insurers</li> </ul>

## **ADDRESSING AGENCY PRIORITIES**

### **CONTRACTING AND AUDITING**

***Goal 1: The department will be a vigilant steward of the state's resources.***

The Chief Financial Officer is required by the Florida Constitution to “*serve as the chief fiscal officer of the state, and settle and approve accounts against the state*” (Art. IV, Sec. 4 (c)). In order to accomplish this, the CFO is responsible for verifying that dollars are spent legally and that Floridians receive the services for which they pay. The CFO is responsible for statewide investigations of allegations of fraud, waste, or abuse involving State of Florida property and money. The CFO’s ability to fulfill his responsibility is affected by the state’s spending practices and adequate management controls. The CFO also has statutory responsibility for investigating allegations of fraud, waste, or abuse involving State of Florida’s property and money (Chapter 17.04, F.S.).

The CFO is committed to improving the contracting process to enhance state government efficiency and effectiveness. Too many state contracts lack quantifiable and measurable deliverables, clearly defined work statements, and performance standards reported routinely in order to justify payment.

***Division of Administration: Bureau of Financial and Support Services.*** The Bureau of Financial and Support Services provides extensive training to staff on how to properly submit vouchers for payment and the importance of ensuring all vouchers are submitted to the Division of Accounting and Auditing for payment within 20 days of the transaction date. Year-end training is provided on an annual basis to all Divisions which include information on the importance of submitting invoices for payment in a prompt manner. Communication is forwarded to Division Directors for non-compliant invoices so as to ensure future invoices are submitted in a timely manner.

***Division of Administration: Bureau of General Services.*** The department has implemented improvements with three areas of emphasis in DFS procurement operations: equity, integrity and efficiency. These improvements are to promote fiscal accountability, appropriate planning and contract monitoring to result in improved contracts. A Contract Management Life Cycle and Procurement Guide handbook is available for anyone in the department who manages contracts, procures or assists in procurement. The department also implemented a resource with duties as the Contract Administration Manager who serves to perform quality assurance, monitoring activities, and mentoring throughout the procurement and contract life cycle with an intended outcome of executing and managing contracts that consistently meet accountability standards.

***Division of Accounting and Auditing: Bureau of Auditing.*** This bureau seeks to improve state agency compliance with disbursement standards by ensuring that agency contracts have sufficient requirements to support and document (1) the scope of work and measureable deliverables (2) remedies for non-performance, and (3) the statutory requirements in Ch. 215, 216, and 287 F.S., and (4) the federal grant reporting requirements from the Office of Management and Budget.

***Division of Treasury: Bureau of Funds Management.*** The average daily balance of the investment portfolio for the period July 1, 2010 through June 30, 2011 was \$18.0 billion. The funds used to purchase Treasury Investments are provided by the State's general revenue, trust funds and Special Purpose Investment Account participants.

During the fiscal year, the Treasury was able to provide positive earnings (net of realized losses) each month during the period with a low gross annualized earnings rate of 1.1171% in December 2010 and a high gross annualized earnings rate of 3.6816% in August 2010. The average gross annualized earnings were 2.549%.

The value of each dollar invested with the Treasury (fair value factor) was at its low in January 2011 of 1.0053 and at its high in July 2010 of 1.0221. As of June 30, 2011, the fair value factor was 1.0099. A factor greater than 1.0000 provides that the market value of the Pool's investments is greater than the funds invested in the Pool.

***Division of Treasury: Bureau of Collateral Management.*** The Program Administration Section which administers the Qualified Public Deposits Program has seen a decrease in Qualified Public Depositories (QPD) as we experienced record high failures in 2010. In the first 27 years of the program there were 3 failures, in 2009 there were 8 and in 2010 there were a total of 18. In April, 2011 there has been 1 QPD fail that had zero deposits and 1 that was withdrawing but has been acquired by a new bank that wants to stay in the program. The total number of depositories in the program has declined from 195 in September of 2010 to 181 as of March 2011. While the number of participating institutions has decreased, there have been signs of improvement in the rankings beginning in December of 2010 and March of 2011 with 8 QPDs having their pledge level moved from 125% back to 50%.

The highest risk category for QPDs of 200% has dropped from 34 in March 2011 to 31 in April. Those pledged at 125% have decreased from 67 in March 2011 to 59 in April 2011. The number of QPDs withdrawing from the program has gone from 17 in March 2011 to 14 in April 2011. There has been a slight improvement in rankings with the publication of the December and March which could indicate that the financial conditions of the QPDs are getting better. Those QPDs pledged at 50% have increased from 81 in March 2011 to 89 in April 2011.

***Division of Rehabilitation and Liquidation:*** Pursuant to Chapter 631, F.S., the department acts as the court-appointed receiver for Florida insurance companies ordered into receivership. Based on a fifteen-year average workload, approximately four insurers are placed in receivership each year, primarily in the areas of life, health, and property and casualty insurance. During FY2010-11, the department became receiver of four insurers – two property and casualty companies; one reciprocal insurance company and one warranty company. As a result of statute and court orders, the division handles rehabilitation and liquidation proceedings on behalf of the department.

The number of insurers entering receivership in any one year depends on factors that are outside the division's control, including financial condition, management competency, market conditions or fraud. Based on trends across all industry segments, the division expects that insurers will be placed in receivership at or near the same rate of four per year over the next five years. Absent a catastrophic event in the property insurance market, no major increase in the number of receiverships is expected from this industry segment. The division focuses on maximizing the value of the estate of an insurer in receivership for the claimants.



## FRAUD

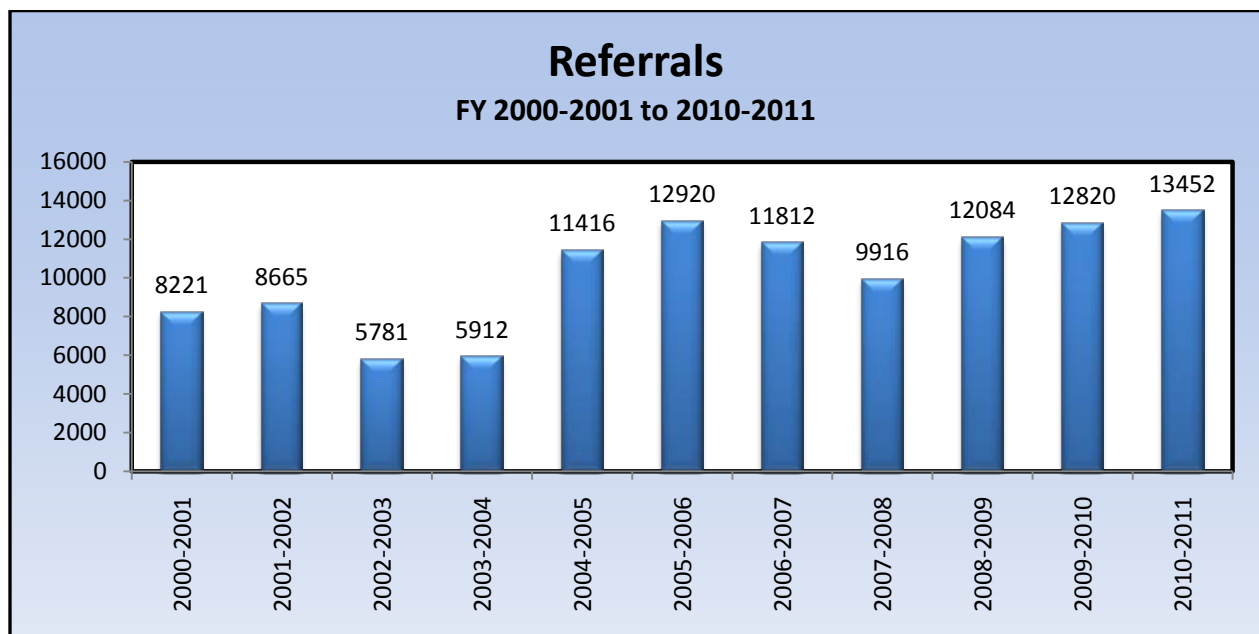
**Goal 2: The department will protect the health, safety and welfare of the public.**

**Division of Insurance Fraud:** Pursuant to sec. 626.989, F.S., the Division of Insurance Fraud is charged with investigating and establishing criminal cases against all persons and entities violating the state's insurance fraud and workers' compensation fraud statutes, insurance and workers' compensation federal codes and other related statutes.

The Coalition Against Insurance Fraud (CAIF), a national alliance of consumer groups, insurance companies and government agencies, recognizes Florida's Division of Insurance Fraud as a national leader in the fight against insurance fraud, continuously ranking in the top of all benchmark standards set by the Coalition. During Fiscal Year 2010/2011, the Division of Insurance Fraud made 988 arrests (includes arrests in which the Division assisted other agencies); presented 1,215 cases for prosecution, and cleared 843 cases by convictions. The Division received 13,452 referrals during Fiscal Year 2010/2011.

When taking into account court-ordered victim restitution, the Division generates restitution to insurance fraud victims in excess of its budget on an annual basis. For the fiscal year 2010/2011, the Division's budget was \$17M. In contrast, the Division secured \$147M in court ordered restitution, accounting for no less than \$8.65 in restitution dollars returned on every dollar spent funding the Division.

The Division has experienced continued growth in the number of insurance fraud related referrals over a ten year span; between FY 2000/2001 and 2010/2011, referrals increased 64% (*Figure 1-IF*).



*Figure 1-IF. Number of reported insurance fraud referrals received between FY1999/2000 and FY2010/2011. The Division experienced a 64% increase during the 10 year period: from 8,221 referrals received in FY 2000 to 13,452 received in FY 2010/2011.*

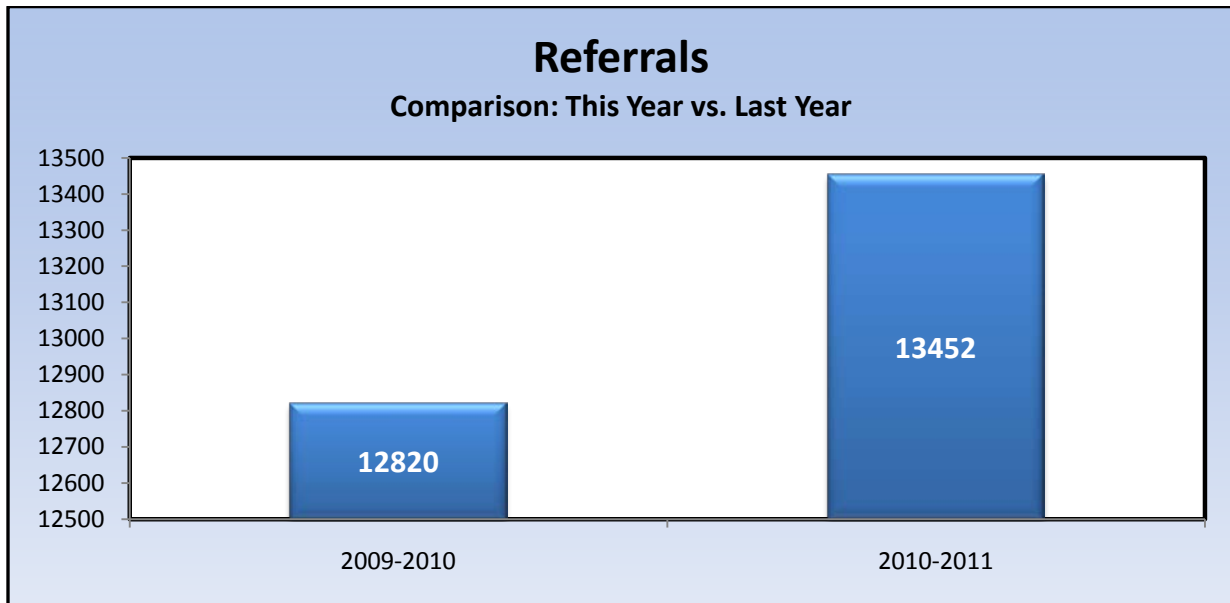


Figure 2-IF. Referrals increased by 5% between FY 2009/2010 and FY 2010/2011.

The Division continues to see increases in the number of convictions, which have increased by 139% over the past 10 years (Figure 3-IF). Legislation mandating prison terms for those convicted of certain insurance fraud related offenses is certainly a contributing factor, wherein defendants are increasingly willing to plea bargain.

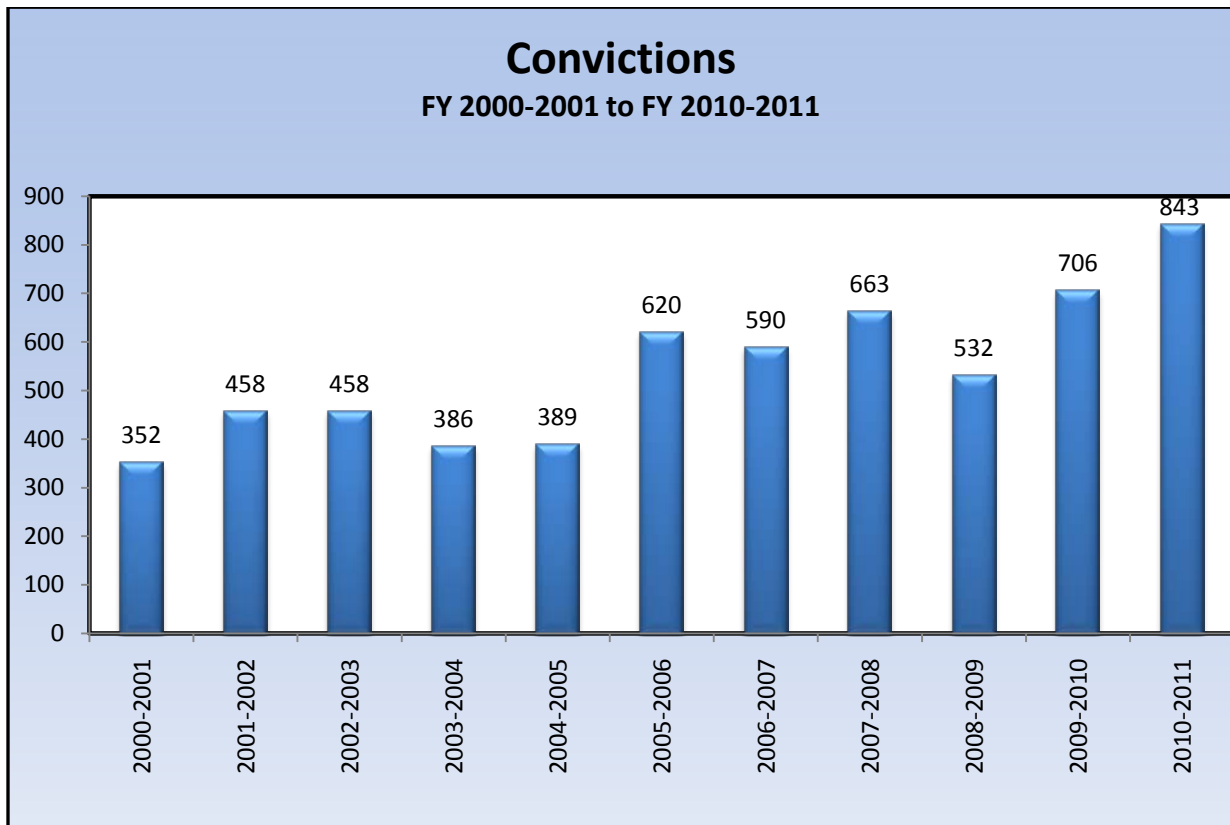
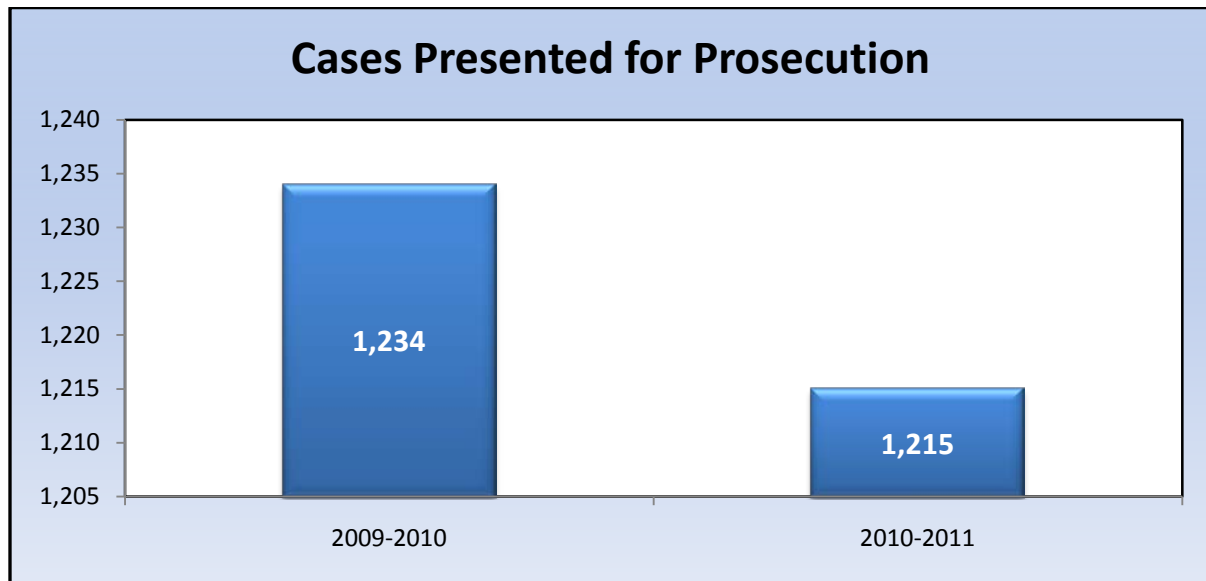
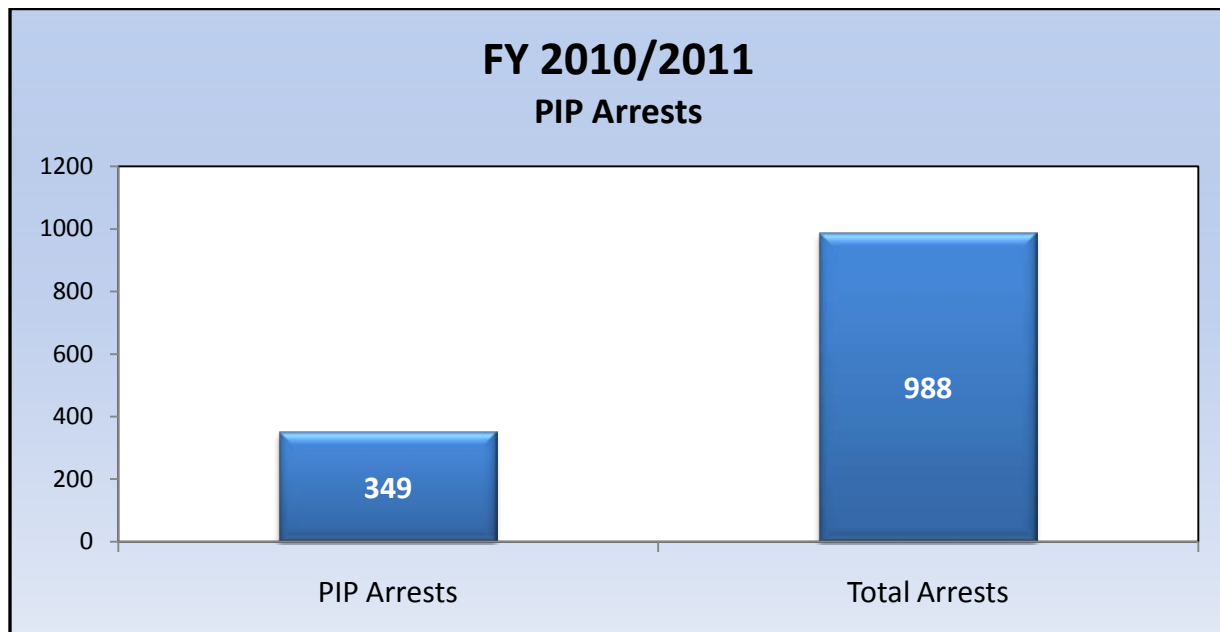


Figure 3-IF. Convictions have increased by 139% over the past 10 years.

The addition of dedicated prosecutors and funding in Tampa and Miami undoubtedly contributed to an increase in convictions between FY 2009/2010 and FY 2010/2011, increasing by 19% (from 706 to 843); however, cases presented for prosecution decreased by 1.5% (from 1234 to 1215).



Physical and electronic surveillance, while more expensive than other investigatory methods, produces evidence that otherwise might not be attainable. Investigators working on staged auto accidents, workers' compensation premium fraud in check cashing stores, clinic fraud, and other complex cases requiring tactical investigative strategies, use surveillance as a routine practice. Thirty-five (35) % of the arrests made by Division detectives during Fiscal Year 2010/2011 were the result of Personal Injury Protection (PIP) fraud cases; certainly the use of surveillance in such complex cases has contributed to the Division's success (*Figure 4-IF*).



*Figure 4-IF. PIP arrests compared to all arrests for FY 2009/2010.*

The Division's PIP fraud investigative efforts are enhanced through active participation with Medical Fraud Task Force headed up by the National Insurance Crime Bureau (NICB). Attendees include NICB agents, local, state, and federal law enforcement officers, and members of the insurance industry. The continued support of the Bureau of Crime Intelligence and Analytical Support contributed to greater participation by the Division; Crime Intelligence Analyst Supervisors and Crime Intelligence Analysts from ten (10) field offices across the state attend task force meetings regularly and contribute to joint task force initiatives.

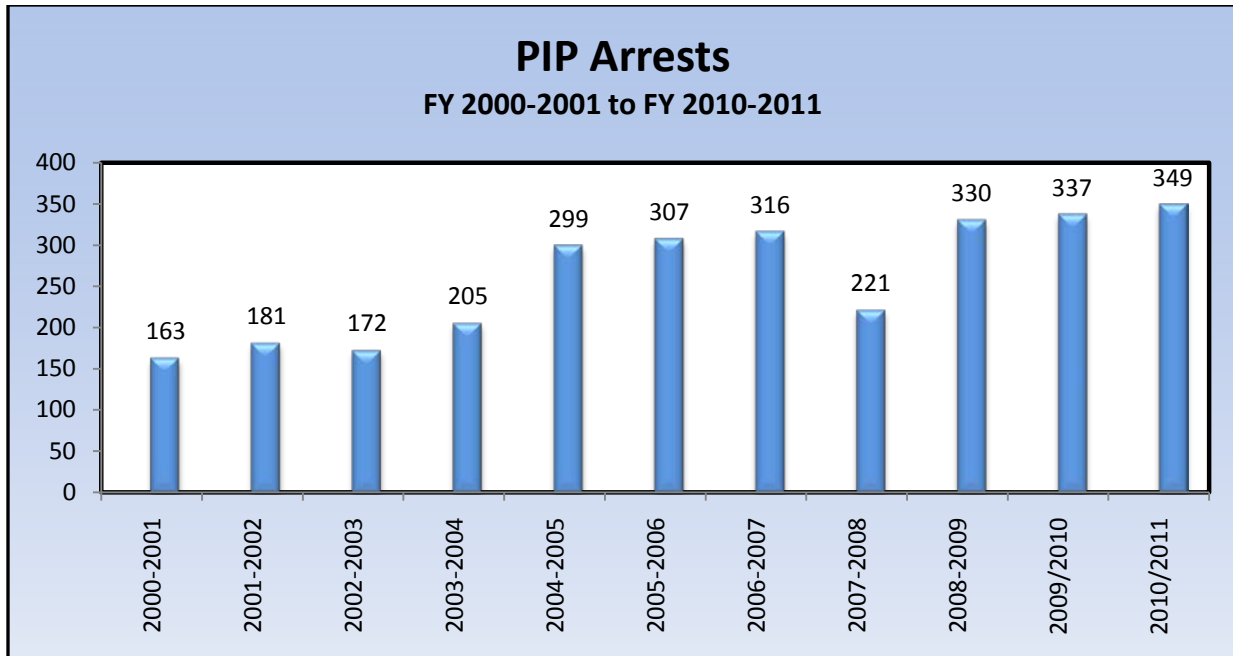


Figure 5-IF. PIP Arrests increased 214% from FY2000/2001 to FY 2010/2011

Workers' Compensation fraud continues to be a problem in Florida, accounting for nearly 27% of the Division's arrests. The Division plays an active role in the Florida Workers' Compensation Task Force in order to stay abreast of emerging issues.

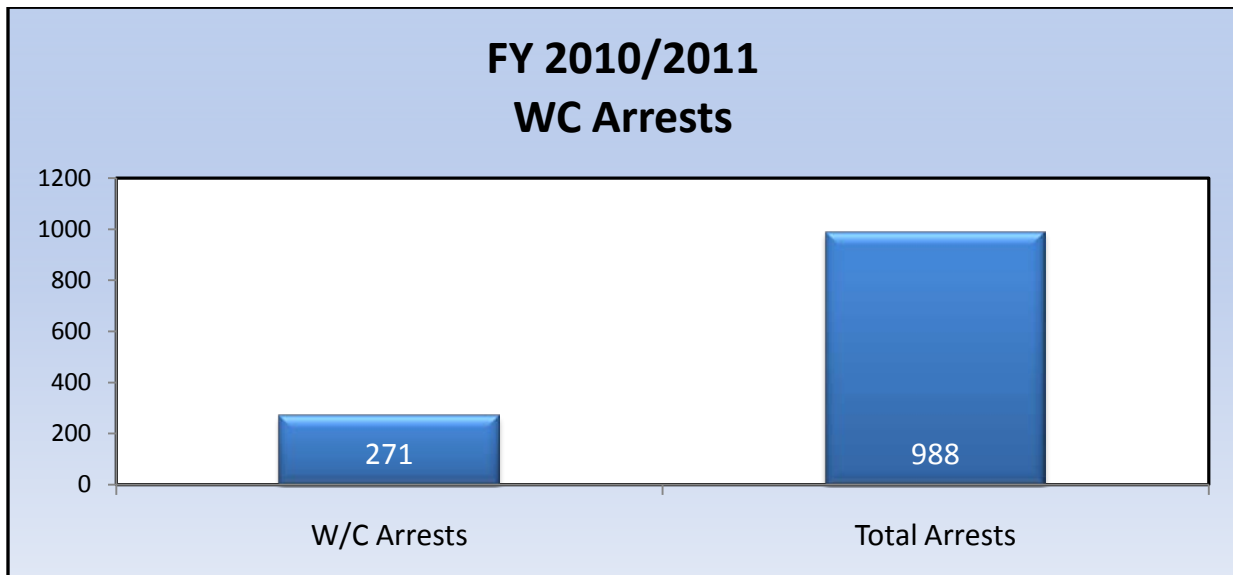


Figure 6-IF. WC arrests compared to all arrests for FY 2010/2011.

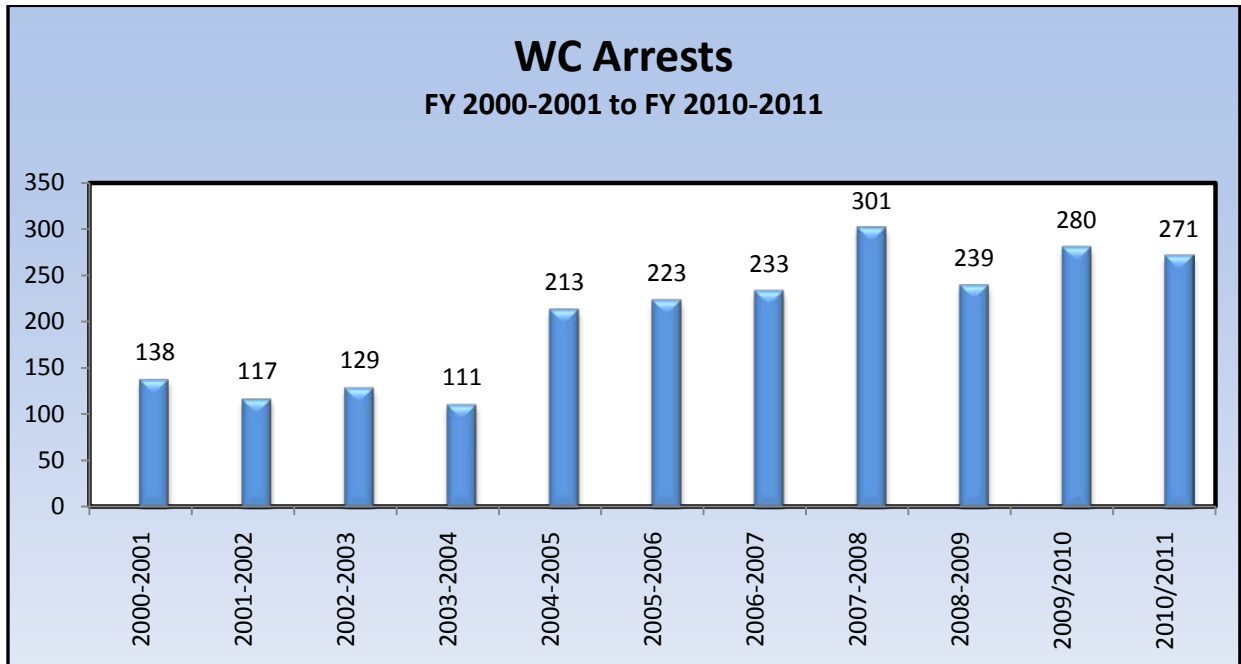


Figure 7-IF. WC Arrests increased 196% from FY2000/2001 to FY 2010/2011

Overall arrests increased 40% over the last 10 year period with FY 2010 – 2011 being the most active year. The decrease in arrest productivity in FY 2010-2011 from the previous year can be attributed to a high vacancy rate in field investigators particularly in the last quarter when it reached 14%. Had the Division had a smaller vacancy rate or even been fully staffed increasing the number of arrests between the two years would have been assured.

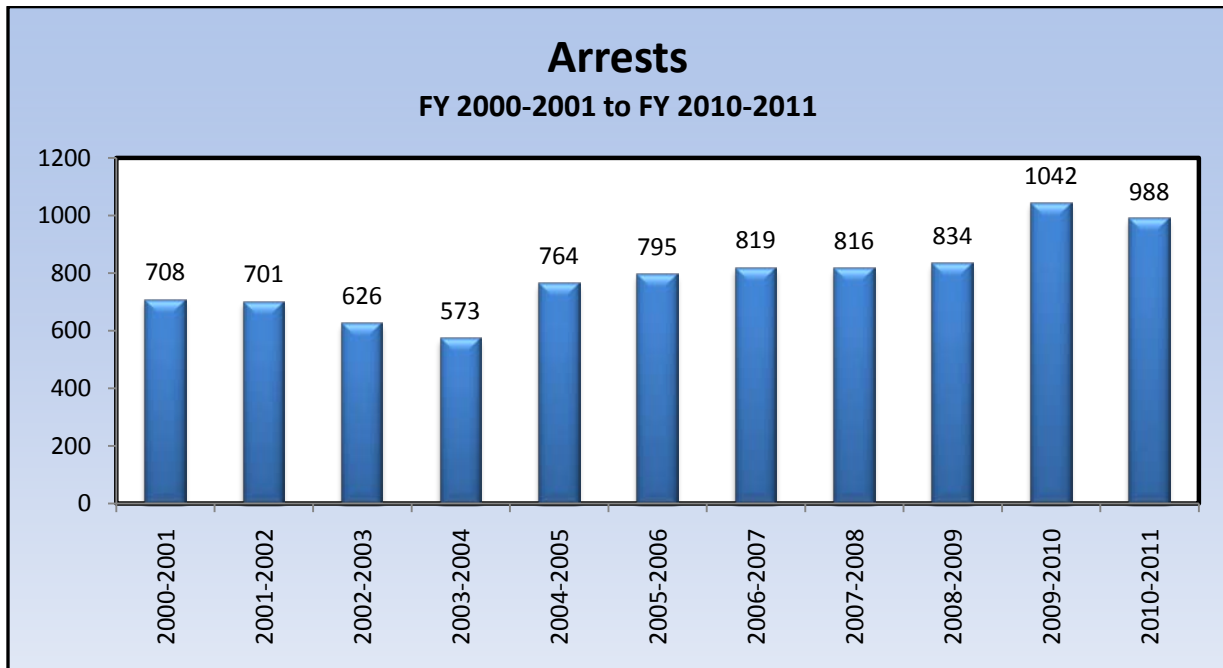


Figure 8-IF. Arrests increased 40% from FY 2000/2001 to 2010/2011.

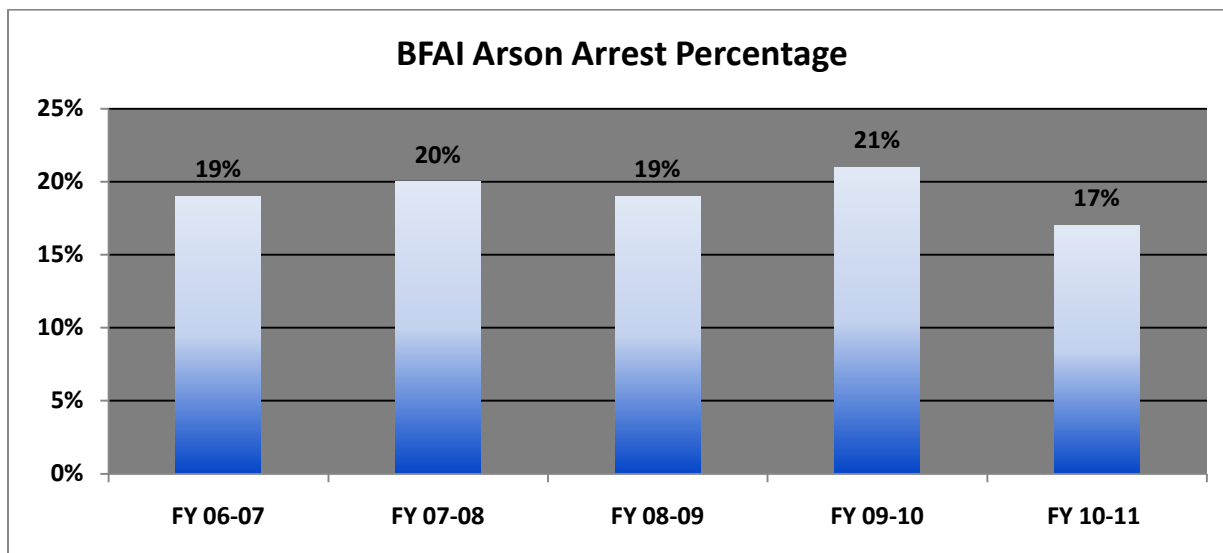
Fiscal Year 2010-2011 was a very busy and productive year for the Division of Insurance Fraud. We are extremely proud of the Division and our personnel for the hard work and dedication exhibited this past fiscal year. The Division met all our measurement expectations for the agency in fiscal year 2010/2011 and exceeded in two out of the four categories. Referrals increased by 5%, thus increasing the caseload. Despite an increased caseload, convictions increased over 19%. Although the number of overall arrests fell by about 5% we would have been very close and quite probably would have surpassed last year's number of arrests if we would have been fully staffed. There were 21 vacant detective positions (14% of our field investigative staff) that would have made a significant positive impact on the number of arrests had those positions been filled in the last quarter.

The true measures of the Division's success were the 19% increase in convictions and the amount of court ordered restitution that was returned to Florida's businesses and individuals. The increase in convictions takes criminals off the street making Florida a safer place to do business. The Division generates restitution to insurance fraud victims in excess of its budget on an annual basis. For the fiscal year 2010/2011, the Division's budget was \$17M. In contrast, the Division secured \$147M in court ordered restitution, accounting for no less than \$8.65 in restitution dollars returned on every dollar spent funding the Division. The 865% return on investment is a superb indicator that the service provided by the Division of Insurance Fraud is efficient, effective, and highly beneficial to Floridians.

***Division of State Fire Marshal. Bureau of Fire and Arson Investigations.***

The Bureau of Fire and Arson Investigations (BFAI) is the law enforcement bureau of the Division of State Fire Marshal. The Bureau is responsible for initial investigation of the origin and cause of fires and explosions, criminal investigative duties associated with fires or explosions and the reports relative to explosions or explosive devices and other law enforcement activities, as required by law (Chapters 633.03 and 552.113, F.S.). BFAI is also a member of the State Emergency Response Team; responding to natural and manmade disasters statewide (Chapter 252, F.S.). Additionally, BFAI is an active member of the seven Florida Regional Domestic Security Task Forces (Chapter 943.0312, F.S.).

The Bureau continues to maintain an arson arrest trend above the national average (*Figure 1-BFAI*). In part, this may be a result of detectives responding to fire scenes that have been preliminarily investigated by local fire personnel as a result of the implementation of Rule 69A-61.001, F.A.C. This rule requires the local fire department or law enforcement agency to conduct a preliminary fire cause investigation prior to requesting assistance from the State Fire Marshal. The Bureau now concentrates on solving the fires most likely caused by arson.



**Figure 1-BFAI**

Thirty-five to forty-five percent of the fires or explosions investigated by this agency are determined to be arson fires. Nearly twenty percent of these fire cases are cleared by arrest. Many conditions have an impact on the crime of arson or explosions and their investigation:

**Economic** - In times of economic uncertainty, local fire and police agencies employing fire investigative units seek ways to decrease spending by minimizing or eliminating specialized units. This trend is ongoing and affects many fire service agencies statewide. Small, medium and large fire service and law enforcement agencies have eliminated their arson investigation units and referred these investigations to the Bureau.

As economic trends move downward, some desperate individuals respond to the financial pressure by using fire to destroy property to gain insurance pay-outs. The National Association of Realtors has stated that home prices in Florida continue to plunge. Home foreclosures continue to increase. The State Fire Marshal has a concern that falling home prices and increasing foreclosures provide a motive for fraud, liquidating property, dissolving a business or destroying unprofitable inventory through arson.

**Technological** - New materials and synthetics used in building and furnishings react with fire differently than traditional natural materials, requiring up-to-date research into the determining fire cause and origin. The public sector, given its budget constraints, is less likely to have modern state-of-the-art technology available. This technology includes laboratories with the ability to re-create specific scenarios, fire modeling templates and information presentation technology for displaying evidence in trials.

**Terrorism** – Terrorist activity continues to increase throughout the world. Fire and explosives are two of the weapons in the terrorist’s arsenal. These tools are used not only for the primary goal of inflicting human life and property loss against their enemies, but also to increase media exposure that brings attention to their extremist ideology. To increase the damage and subsequent media coverage, many times the terrorists will use a second explosive device that is timed to explode several minutes after the first explosion has detonated to intentionally, kill, maim and injure the initial explosion survivors as well as responding law enforcement, fire service and emergency medical personnel. In a recent national survey of over fifty bomb squads,

the Bureau's squad ranked twelfth in the number of Explosive Ordinance Disposal (EOD) callouts. Among other State Police EOD units, the Bureau's EOD Unit ranks second in EOD callouts. The FBI and ATF have reported Florida as second in the nation in explosive events.

The Florida Advisory Committee on Arson Prevention has reported that "arson for profit" is one of the fastest growing crimes in the country. Arson cases require extensive investigations, involving proof that the fire was intentionally set as well as tracking the fire setters and determining their motives.

***Division of State Fire Marshal. Bureau of Fire Prevention.*** The Bureau of Fire Prevention administers the compliance and enforcement services of the division under Section 633.085, F.S., as follows:

- establishing fire safety, and life safety codes and standards for statewide application
- reviewing construction documents and performing inspections of all state-owned and certain state-leased buildings
- inspection of high and low pressure boilers in places of public assembly, and
- licensure and regulation of fire equipment dealers, fire protection contractors, explosives and construction mining industries, and registration of fireworks manufacturers, wholesalers, retailers, and seasonal retailers.

Field inspections of state-owned buildings are conducted annually for compliance with the Florida Fire Prevention Code. In FY2011, Fire Protection Specialists conducted 16,337 High Hazard, Recurring, and Construction building inspections. Construction inspections including underground and above ground fire mains, installation and performance testing of fire protection systems and fire rated construction assemblies are required for each new building.

Any reductions in revenue generated at the local level can be expected to have an impact on the State Fire Marshal's workload. If local governments determine they are unable to fully fund their own fire safety programs, particularly in the area of school inspections, the State Fire Marshal is statutorily required to assist with these inspections.

For the Boiler Safety Program, technology enhancement to its data management system has eased forms distribution and web access for the public as well as records access for field inspection staff. Additional enhancements are necessary to fully convert the boiler licensing program to a fully automated web-based system. Scanning technology deployed in the Program has reduced storage space and may consequently reduce rent cost. Similar technology is being reviewed for the use from other sections within the bureau to reduce substantial storage space required by the Records Retention Schedules Program maintained by the Secretary of State.

All four functional areas of the Bureau; Plans Review, Inspection, Regulatory Licensing and Boilers will benefit from an updated database to permit increased internal and external access, and significantly enhance communications between the regional offices' staff and the Bureau. This solution is fully web-based, permits the receipt of fees, electronic invoicing and electronic access to inspection reports minimizing the need for US Mail distribution. Electronic transmission of construction documents will significantly reduce the time required for decision making as well as improving access to data necessary for field review and is presently being used.



***Division of Public Assistance Fraud (PAF)***: PAF investigates fraud and abuse in the Florida administered public assistance programs. Florida Statute 414.411 provides the Department of Financial Services authority for the PAF Division to conduct these investigations. On the State level we partner with the Department of Children and Families, the Agency for Health Care Administration, the Department of Health, and the Agency for Workforce Innovation. On the Federal level we partner with the Department of Health and Human Services, the Department of Agriculture-Food and Nutrition Service and Rural Housing Service, and with the Social Security Administration. The Division of Public Assistance Fraud investigates recipient fraud in the following programs:

- Cash Assistance Program (Temporary Assistance for Needy Families/TANF)
- Supplemental Nutritional Assistance Program/SNAP (previously referred to as Food Stamps)
- Disaster Assistance Program/Emergency SNAP benefits
- USDA subsidized Child Care Food Program
- Trafficking Investigations in the SNAP Program
- Medicaid Program
- Kid Care Program (Medicaid Program Funds)
- Prescription Drug Diversion (Medicaid Program Funds)
- School Readiness Program
- Voluntary Pre-K Program
- Emergency Financial Assistance for Housing
- Low Income Energy Assistance
- Cooperative Disability Investigations (Social Security Disability, SNAP and Medicaid Program Eligibility)

Successful investigations are referred to the Office of the State Attorney for criminal prosecution or the Department of Children and Families (DCF) for Administrative Disqualification Hearings. Public Assistance Fraud is a third degree felony if the aggregate value of benefit dollars lost exceeds \$200 within a consecutive 12-month period.

The areas of investigative activity for the PAF unit include:

- Program recipient investigations (eligibility fraud)
- Trafficking investigations of SNAP EBT benefits (both program recipients and retail food stores)
- Day care services providers
- DCF ACCESS Program employee fraud
- Prescription drug diversion

The Public Assistance Fraud unit works in a non-sworn capacity and receives referrals for investigation from various State agencies and from citizen complaints. In addition, we self generate additional assignments through data analysis and computer matching.

### **State Law Enforcement Bureau (SLEB)**

In 1998 PAF was designated as the SLEB or State Law Enforcement Bureau for Electronic Benefit Transfer (EBT) Trafficking Investigations by the United States Department of Agriculture. As the SLEB we are the state authority that issues and controls the use of

undercover EBT access cards and support the investigation of trafficking in the Food Stamp program by Federal, State and Local Law Enforcement agencies. PAF is also heavily involved in trafficking investigations as well.

***Division of State Fire Marshal. Bureau of Forensic Fire and Explosives Analysis. (Sections 633.01, 633.03, 633.101 and 633.111, F.S.)*** The Bureau of Forensic Fire and Explosives Analysis (BFFEA) is the only state crime laboratory performing forensic analysis of fire and explosion crime scene evidence. For the past five fiscal years the numbers of items submitted for processing have averaged 13,425.8. In the immediate past fiscal year, 2010 – 2011, the Bureau processed 13,516 items which was 90.2 items more than the average or under a 1% increase.

While the total number of items submitted and processed has remained relatively consistent over the past five fiscal years, an examination of each type of service request category shows changes in requests and submissions:

- The number of fire debris samples and their associated QA/QC show a steady drop over the past five fiscal years.
  - In FY 2006-2007 the number of fire debris samples and QA/QC samples were 4885 and 4097 respectively.
  - FY 2010-2011 saw a drop in fire debris samples to 4122 (down 763 samples or 15.6%).
  - Likewise there was a drop in associated QA/QC to 3425 in FY 2010-2011 (down 672 or 16.4%).
- The numbers of explosives/chemical analyses and digital image cases have shown an increase in requests over the same five years.
  - In FY 2006-2007 the number of explosive/chemical analyses was 1982 and by FY 2010-2011 it had increased to 2775 (up 793 or 40%).
  - The number of digital image case submissions rose from 2267 in FY 2006-2007 to 2998 in FY 2010-2011 (up 731 or 32.2%).

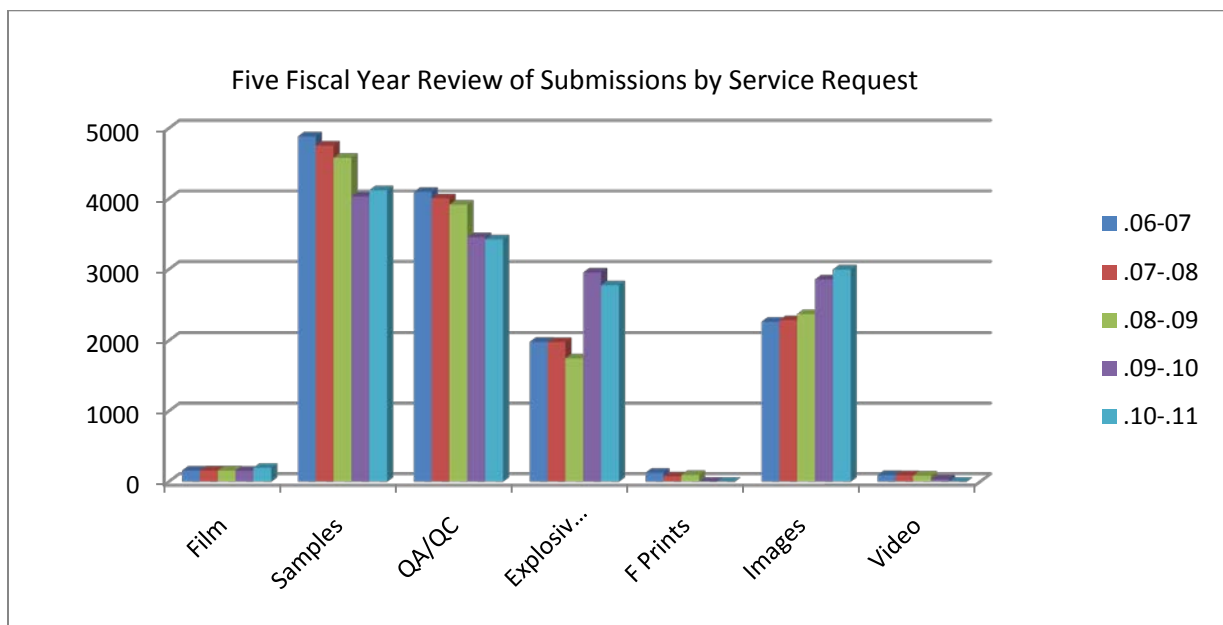


Figure 1: Five year overview of service requests

BFFEA is wholly dependent on its customers for the submissions it receives. The drop in the number of fire debris analysis submissions flies in the face of conventional wisdom which holds that as the economy becomes worse there will be an increase in the number of fires being set for fraudulent purposes. The increase in the number of digital image case submissions alternatively supports this anecdotal wisdom as it shows that investigators for BFAI are recording investigations of more fire scenes. Taken together, the two statistics contradict each other with an indication that while more fires are being investigated, fewer samples are being collected for testing. This will need to be explored in a joint effort between BFFEA and BFAI.

The increase in the number of explosives/chemical analyses has been directly influenced by the number of requests to identify ignitable liquids and other hazardous chemicals (oxidizers, acids, bases, salts, etc...) from clandestine methamphetamine laboratories (Clan Labs). Clan Labs are dangerous not only for the presence of drugs and toxins, but for chemicals which make the scene a fire and explosion hazard. BFFEA has seen an increase in the number of submissions by Sheriff's Offices and area Drug Task Forces when they either raid a working Clan Lab or arrest a suspect who has possession of the chemicals prior to setting up the lab. Identification of these chemicals is essential for securing convictions of illegal drug manufacturers and removing a fire/explosion/ and toxic hazard from communities. In FY 2010-2011 76.10% of the 2775 explosives/chemical analyses were directly related to Clan Lab investigations. Because we continue to be the only State of Florida forensic laboratory with the experience, instrumentation and accreditation to perform these analyses, we expect this trend to continue to increase.

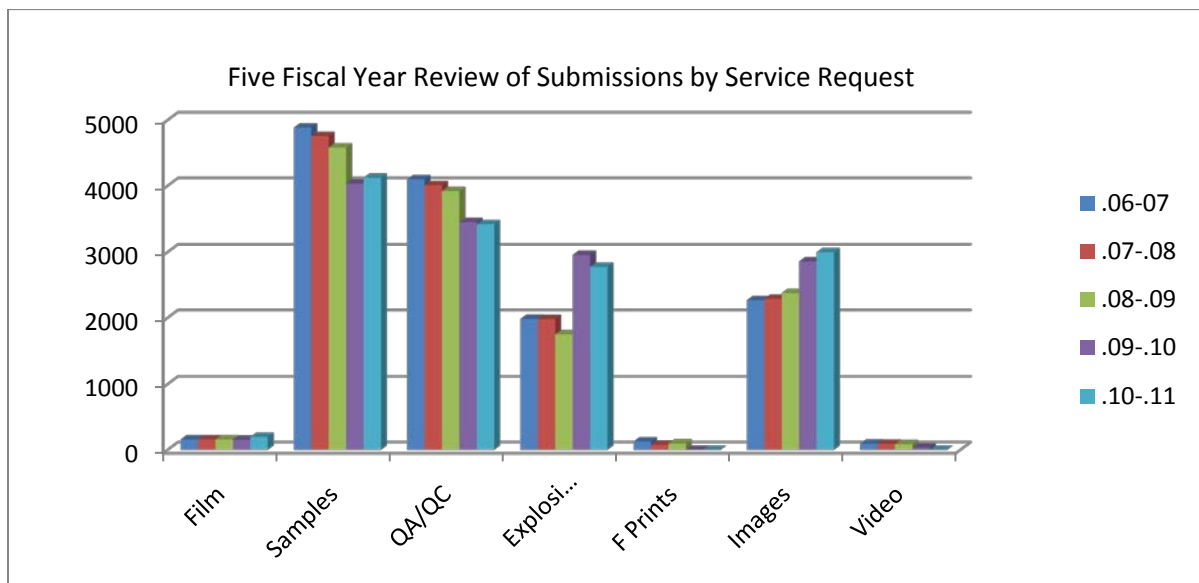


Figure 2: The sources of analytical requests under the “Explosives” service category

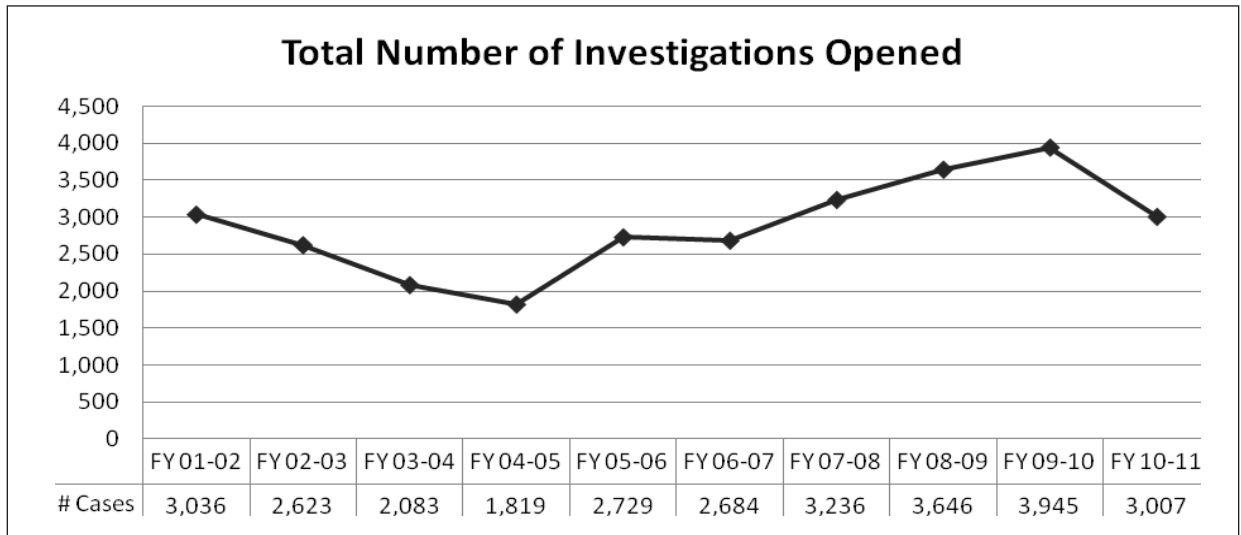
Other potential trends are attributable to the economic problems experienced throughout the State. The five Sheriff's/Regional Laboratories (Broward Co., Indian River Co., Metro-Dade, Pinellas Co., and Palm Beach Co.) are in the process of considering reduction or elimination of various services that can be redirected to the State forensic laboratories. Broward Co. Laboratory eliminated the portion of its trace section analyzing fire debris and explosives. The Broward County fire debris and explosives cases are now directed to BFFEA. The impact is currently small, but could be drastically increased if the larger counties redirect their service focus as well.

The economy is the source for additional potential adverse trends for BFFEA. The current number of FTE in the Bureau has dropped from 10 to 9 for FY 2011-2012 with little expectation of any restoration of the position. For FY 2011-2012, the loss of the FTE and reductions in allotments for expense and contract service categories is a fact to which we are adjusting. Future budget reduction exercises may require additional loss of FTE, the cancelation of the majority of service contracts for equipment, and even more drastic reductions to expenses and supplies. The only positive note is that the Bureau currently receives federal grant funds from the Paul Coverdell Forensic Science Improvement grant. For FY 2011-2012 these funds will allow up to \$38,000 in reimbursements to the Department for expenditures allowable through the grant (training, travel, supplies, and accreditation costs). This source of offset funding is not guaranteed to continue as there are discussions in Congress on the elimination or reduction of the available funds.

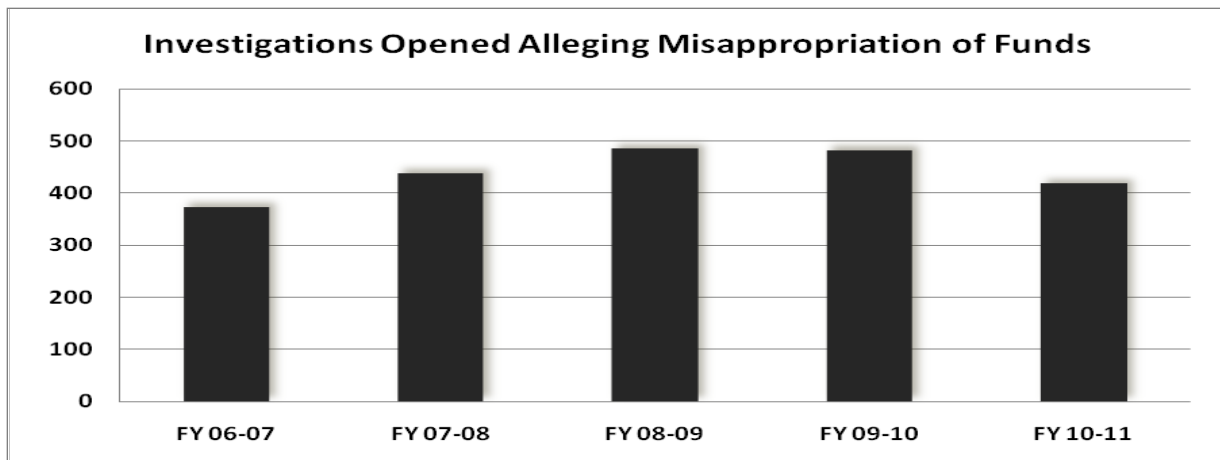
Even with the loss of FTE and reductions in supplies and expenses, the Bureau's ability to serve its customers by returning the casework in a short turnaround continues to be exceptional. A low turnaround allows investigators to have forensic results while the case investigation is active. The results can help guide the investigation and in questioning suspects and witnesses. The average turnaround time for the period of FY 2006-2007 to FY 2010-2011 was 7.2 days. The average for FY 2010-2011 alone was 6.0 days or 1.2 days under the five year average.

Scientific, accreditation and forensic requirements for laboratories continually increase. These require upgrades and updates to laboratory processes, procedures, personnel, and equipment. Current requirements for maintenance of accreditation increase the number of audits, procedures, and controls over evidence. This increases the time that Bureau staff must spend in these endeavors away from some of their technical and analytical duties. The exact long term affects caused by increased accreditation and administrative requirements are unknown. Potentially the staff may be able to absorb these requirements without any difficulties; however, other forensic laboratories under similar circumstances have reported general increase in turnaround.

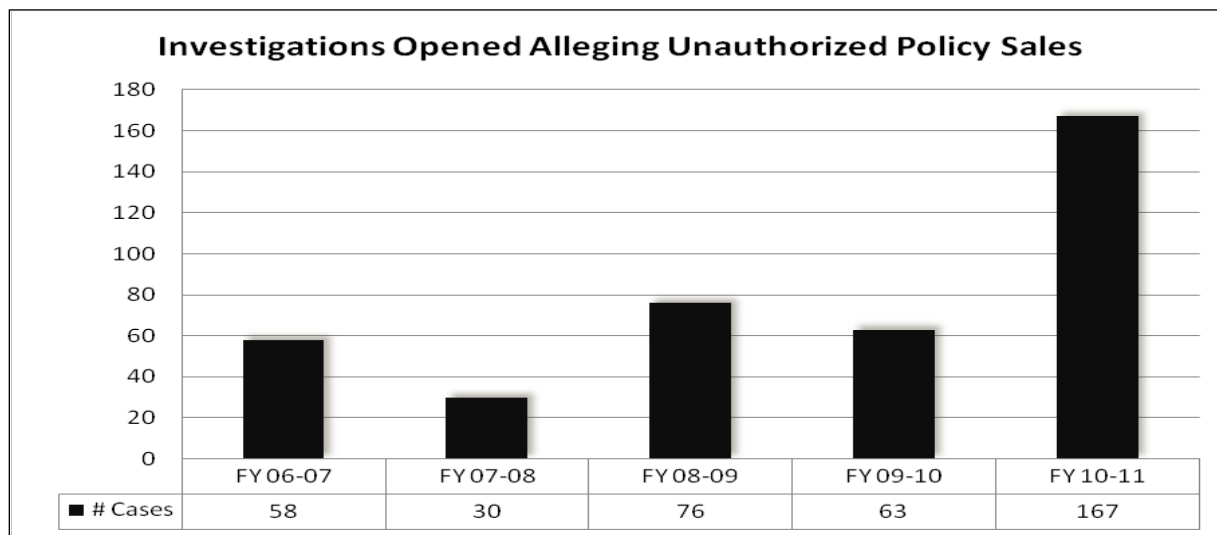
***Division of Agent and Agency Services, Bureau of Investigation.*** In FY 2010-2011, the Bureau received complaints against licensees, insurance agencies and unlicensed persons that resulted in 3,007 investigations being opened and 3,545 investigations completed. Seven hundred forty-four (744) investigations resulted in formal disciplinary action such as license suspension or revocation, including restitution and administrative fines and costs. The investigations were handled by 53 investigators located in Tallahassee and 9 field offices.



The number of investigations opened due to an allegation of misappropriating funds continues to be an issue. The number of investigations rose from 373 in FY 2006-2007 to almost five hundred in both FY 2007-2008 and 2008-2009. Although the number decreased slightly in FY 2010-2011, the Bureau is concerned that we have not yet seen the peak of this type of activity due to the current struggling economy. The Bureau of Investigation will continue to closely monitor agents for dishonest activity and provide regular communication to licensees on our investigative actions to discourage licensees from misappropriating funds.



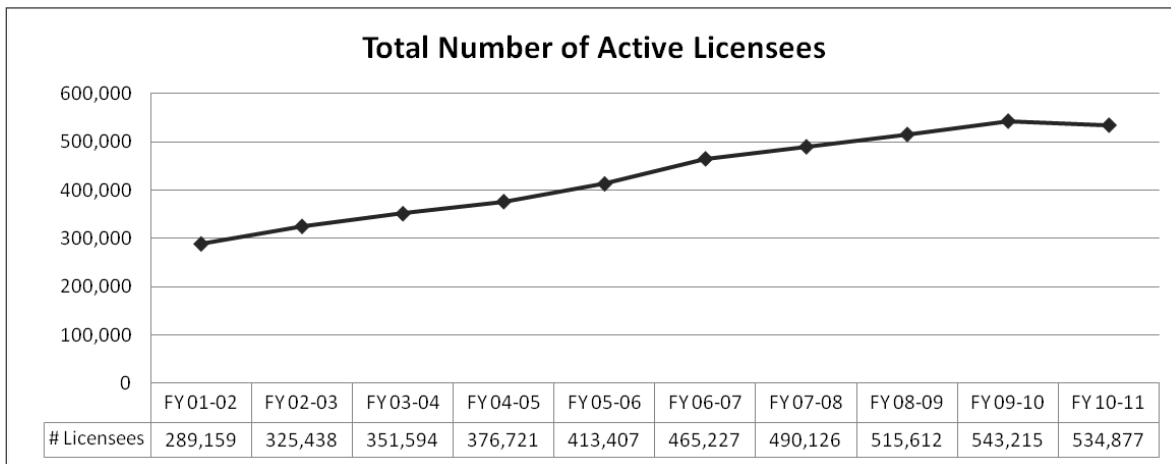
During the past fiscal year, the Bureau has seen a sharp increase in the number of allegations that an agent is selling insurance policies on behalf of insurance companies not authorized by the Office of Insurance Regulation to sell policies in Florida. The number of investigations remained below 80 from FY 2006-2007 through FY 2009-2010, but more than doubled during FY 2010-2011 to 167 investigations. The sale of unauthorized insurance policies can cause great financial harm to consumers as many of these companies are unable to pay claims or are set up only to pocket premiums paid by consumers, with no intention of paying claims. The Bureau of Investigation makes every effort to take swift action against violators, and also utilizes public warnings to agents and consumers to deter the practice.



The Bureau of Investigation is committed to increasing efficiency by eliminating manual processes wherever possible. During FY 2010-2011, the Bureau proposed a change in process that allows investigators in our field offices to scan documents and email them to Tallahassee rather than having to mail two copies. Although it is difficult to estimate, the total amount of savings as each investigation file varies greatly in size, we should see an approximate reduction in the amount \$8,000 being spent on shipping items to our primary office in Tallahassee. The Bureau is focusing on migrating the investigation case management system into the Automated Licensing Information System (ALIS) so all division information will be stored in one database. The first phase of this project is set to be completed by Fall 2011, and should simplify research and organization for our investigation files.

Once the initial migration is complete, there will be system enhancements to the features and functionality available to manage an investigation case. Each enhancement completed will increase efficiency as investigators will be able to research and manage their case file more easily, certain manual processes will be consolidated and automated to electronic processes, and each Bureau will be able to access the other's Bureau's records more readily. These system enhancements should lead to better communication between various areas of the Division and also our licensees.

***Division of Agent and Agency Services, Bureau of Licensing.*** In FY 2010-2011, the Bureau of Licensing received 106,354 new applications for insurance licenses; assisted and monitored 314,852 licensees with at least one active appointment and 220,025 licensees not required to be appointed or not holding an active appointment; and processed 1,606,086 appointment actions (new, renewals and terminations). There were 69,711 new licenses issued in FY 2010-2011. Florida has a total of 721,776 insurance licenses issued, with many licensees having more than one license.



The Bureau continues to adapt and improve computer systems to increase efficiency and implement legislative changes. At the beginning of FY 2010-2011, the Bureau implemented a change that allows licensees to view and print their license identification card from MyProfile, our online licensing system. This allows licensees to print their license as soon as their application is approved, rather than requiring the licensee to return to the testing center to have the ID card printed.

The Bureau continued efforts to migrate old database systems into ALIS, the division's primary database for licensee information. Two legacy systems were transitioned during the last fiscal year, allowing us to track certain specialty licenses fully within ALIS. This prevents staff from having to use multiple database systems for these tasks and makes it easier to retrieve certain information as needed.

Finally, the Bureau implemented a process change that allows us to receive the required fingerprint results electronically from the Florida Department of Law Enforcement (FLDE). This eliminates the old process that required mailing and manually entering the results into our licensing database. During the next fiscal year, the Bureau plans to continue the development of new features in ALIS that will increase efficiency and eliminate manual processes.

The Bureau of Licensing is responsible for overseeing the examination process for insurance representative licensing and annually reviews the content of these examinations. Twenty-seven types and classes of licenses require examination prior to licensure; approximately 25,396 examinations were administered in FY 2010-2011.

The Bureau staff also approves and monitors pre-licensing and continuing education providers, courses, and instructors. In FY 2010-2011, 24,726 course offerings were approved. There were 22,648 continuing education courses offered that were attended by 353,678 licensees; and 2,078 pre-licensing courses offered that were attended by 21,010 applicants. There were 5,063 new courses approved in FY 2010-2011.

***Division of Workers' Compensation:*** Prior to 2003, Florida was consistently ranked either number one or number two for having the highest workers' compensation rates in the country. Since the 2003 workers' compensation reform, Florida's workers' compensation rates have declined 61%, despite an increase of 7.8% on January 1, 2011. Florida now has the distinction of being among the top ten states with the lowest workers' compensation rates. However, there

are some preliminary signs that the effects of the reform have run their course and upward pressure on rates may occur in the near future. Although indemnity costs remain relatively stable, medical costs per claim continue to grow, especially costs associated with hospital services and prescription drugs. The decline in claim frequency, which was a major reason for the rate reductions, is ebbing. Florida's overall premium base has also shrunk due to the reduction in employers' payrolls from the economic recession and the decline in workers' compensation rates. In 2008, the total premium was \$5.2 billion compared to a projected premium of \$3.7 billion for 2012.

The Workers' Compensation Administration Trust Fund assessment rates continue to increase, after historic lows. A draw-down of the fund balance was used to offset the artificially low assessment rates. The Legislature may review the indirect workers' compensation expenses that are funded from the WCATF and consider what an appropriate fund balance should be.

Although the Legislature has been historically reluctant to make changes to the Workers' Compensation Law, budget pressures may provide the Division with an opportunity to proactively advocate law changes. These changes will remove unnecessary regulatory requirements placed upon the Division and other workers' compensation stakeholders, which will allow the Division to reduce its expenses and spend its resources in value-added areas.

The Division continues to rely on its technology and system applications to fulfill many of its regulatory duties, manage internal business processes, measure activities, and improve performance. Leveraging the Division's systems and internal data, as well as data from external sources, will create more opportunities to possibly refine or restructure key process areas, such as exemptions, investigations, penalty calculations, claims and payroll audits, health care provider reimbursement disputes, injured worker contact and interaction, Specialty Disability Trust Fund, and the payment and reconciliation of assessments.

***Division of Funeral, Cemetery and Consumer Services:*** The Division regulates approximately 9,500 death-care industry licensees of various types. Over a thousand new applications for licenses are received each year. Most of these applications require checking criminal and disciplinary history backgrounds. Many applications require assuring compliance with detailed educational, technical training, and internship requirements. Many license categories require administration of a test for licensure, and an inspection of proposed facilities. Over 1,300 licensees must have their facilities inspected every year by Division staff. Over 500 licensees must maintain trust accounts regarding preneed sales and/or cemetery care and maintenance funds, and the Division is charged with conducting periodic examinations of these trusts and related records, to assure compliance with the law. Consumers and fellow licensees file complaints against licensees, and the Division is required to investigate complaints, and where appropriate, prepare and support legal proceedings against licensees. The Division is also charged with investigating and taking action against unlicensed activity.

When the Division was created in 2004, it was estimated that 35 staff would be needed, and the legislature approved that number of FTE positions. However, due to funding limitations, the Division has never been able to fill more than 25 of those positions and due to budget reductions the Legislature in 2010 reduced allowed staffing to 23 FTEs. Therefore the Division has been and remains challenged to prioritize and focus on the most essential elements of its regulatory responsibilities.



Yearly, the Division staff members field hundreds of calls from consumers, licensees, public officials, media, and other agencies. The Division does not have staff members solely devoted to handling such calls. Rather, in addition to their daily workload, staff members handle these calls as they come into the Division. Because many of the calls involve consumer complaints related to a deceased family member or loved one, these calls often involve individuals who may be emotionally stressed or agitated due to the particular facts of their situation. Thus, staff members have to take special care to handle these calls in a manner that addresses consumer complaints in an appropriate and reasonable manner.

Unique in DFS, the Division does not make the final regulatory decisions in most cases. Instead, the Division does the ground work and presents the results and recommendations to the state Board of Funeral, Cemetery, and Consumer Services, for its decisions. Under the Chapter 497 regulatory scheme, the Division and the Board are partners in the regulatory process. The requirement that all applications for licensure go through the Board, combined with the fact that the Board meets once a month, presents a recurring challenge to the Division in dealing with applicants who want their license applications ruled on as quickly as possible.

## **CUSTOMER DRIVEN VALUE CREATION**

***Goal 3: The Department will actively engage, listen to and strive to satisfy our customers.***

***Division of Consumer Services (DCS):*** The mission of the Division of Consumer Services is to proactively educate and assist Florida's insurance and financial consumers through responsive, professional and innovative service.

Over the last twelve months, the Division has assisted nearly 400,000 Florida consumers while adhering to this philosophy. The Division primarily accomplishes this mission by answering consumer questions and inquiries through the toll-free Consumer Helpline, responding to requests for assistance via the Division's website, and direct mail and email correspondence. Additionally, the Division also assists other Divisions within the Agency in managing their call volume by answering calls for their respective helplines. Approximately 24 percent of all calls handled by the Division of Consumer Services are answered on behalf of the Bureau of Unclaimed Property, the Division of Agent and Agency, the Division of Rehabilitation and Liquidation and the Division of Insurance Fraud.

The Division of Consumer Services strives to provide personal service to each individual calling the helpline within two minutes regardless of the fluctuation in the number of calls. This measure is important to determine the Division's response time as it relates to consumers contacting the Division via the helpline, and it assists in determining the Division's overall level and quality of service. Since the Division established this standard, it has continued to reach its goal year after year; except in unusual high call volume situations, such as a disaster. During the prior fiscal year, nearly 95 percent of all calls received via the helpline were answered within two minutes. The call center industry standard is to answer 95 percent of all calls within three minutes.

As the mission indicates, the Division places a lot of emphasis on the level of quality and service that is provided to its customers. As a result, the Division has implemented multiple initiatives in an effort to continuously monitor and measure its level of quality and service. In 2010, the Division implemented a new process to streamline its communication with the insurance

companies. The Company Complaint Response System (CCRS) was put into place that allows the Division to transmit Service Request complaint information directly to the insurance company via a password protected web portal. It also allows the company to respond directly to the Division using the same portal. This system has improved the speed in which the information reaches the insurance company and the response time back to the Division.

In 2004, the Division developed a customer service survey to determine the Division's quality of service as rated by its consumers. The survey has undergone several iterations from 2004 to 2011 in order to improve the survey document and ensure its effectiveness. A recent change to the customer survey process reduced the number of questions in the survey itself and disbursed it to consumers via email rather than mailing a hard copy. During the period of October 2010 through July 2011, 7,291 surveys were distributed, resulting in an overall customer satisfaction level of 85 percent.

In addition to serving as advocates for Florida consumers with companies and individuals regulated by the Office of Insurance Regulation, the Division also works to uncover trends in the insurance marketplace to help better protect insurance consumers by referring potential and apparent statutory violations to regulatory entities. Regulatory referrals are regularly sent to the divisions of Agent & Agency Services and Insurance Fraud, as well as the Office of Insurance Regulation. During the prior twelve months, the Division forwarded over 2,600 regulatory referrals to respective Divisions.

The regulatory referral process also helps the Division identify trends within the insurance industry by alerting the Division to potential problems with specific insurance companies or insurance agents or agencies. The Division hosts a bi-weekly meeting with representatives from the Office Insurance Regulation, the Division of Agent and Agency Services and the Consumer Advocate's Office to discuss new trends or changes in the industry. This meeting is used as a forum to identify and discuss potential problems or industry trends that may impact Florida consumers and suggest corrective resolution. During the upcoming fiscal year, the Division's goal is to place more emphasis on being proactive through the use of data analysis. In addition, Consumer Services promotes public policies and legislative actions which ensure that consumers receive the full benefits and services as stated in their financial contracts and insurance policies.

***Division of Treasury: Bureau of Deferred Compensation.*** The bureau provides information, education and guidance regarding the availability of the state employee deferred compensation plan, its available investment options and their corresponding performance. The deferred compensation program (Internal Revenue Service Code, section 457(b)), provides a way for employees to supplement retirement income by investing in a variety of instruments on a tax-deferred basis. Participating employees make their own investment decisions based upon their retirement needs, time horizons and risk tolerance. The Bureau has a broad range of investment options with varying degrees of risk and return that offer:

- a variety of reasonable investment options
- essential information and
- minimal costs

The Bureau's objective is to assist state employees in achieving financial security in their retirement years. Three trends have had an impact on the robustness of Florida's Deferred Compensation Program. First, as baby boomers hit retirement age and government downsizes its

employed workforce, the number of participants decrease, reducing the pool of available funds. Recently, as participants have left employment they have been rolling their deferred compensation assets outside the program to investment firms that typically have been recommended by private financial planners. Not only is the state's pool of assets available for investing reduced, but the leaving retirees may be disserved by lower net returns from private advisors. Secondly, when the economy trends downward, most recently in the housing and mortgage sectors, participants are likely to decrease or stop deferrals if they have increased living costs and are wary of investing. Lastly, as participants are required to contribute to their state pension and also experience an increase in their insurance costs contributions and enrollments decline.

In order to address these concerns, the Bureau of Deferred Compensation is stepping up its marketing and educational efforts. In addition, the Bureau will be encouraging participants to increase their deferrals and non-participants to sign up in order for employees to meet their financial retirement goals.

***State Fire Marshal. Bureau of Fire Standards and Training (BFST).***

To effectively carry out the above mission, the Bureau has responsibility for training and certification standards for all career and volunteer firefighters, fire inspectors, and fire instructors and to establish standardized curricula for use by certified fire training centers, colleges, and other agencies throughout the state. The Bureau issues Certificates of Competency, per the Florida Administrative Code (FAC), for fire officers, fire investigators, hazardous materials technicians, and other advanced and technical specialties. The Bureau conducts examinations for these certifications and certificates and maintains all required records. Additionally, the Bureau develops model curricula to be used by training centers and colleges and operates the Florida State Fire College, which enrolls over 7,000 students in 285 classes per year. The BFST provides regulatory authority and certification, renewals of certification, and testing for approximately 50,000 firefighters in over 625 fire/rescue departments in Florida. We also provide curriculum support, administrative and regulatory authority and certification testing for 37 certified fire training centers providing state certified training. The Bureau also administers the Fire Safety Inspector and Special Fire Safety Inspector Certifications.

The Bureau operates the Florida State Fire College located near Ocala, providing extensive training for paid and volunteer firefighters (*Figure 1-BFST*). After experiencing a significant increase in the number of total exams administered over the past seven years, the number of total exams administered in 2010-2011 decreased. This is attributed to the reduction in the number of minimum standards exams administered. Also significant is an over 50% increase in the number of retention examinations conducted in 2010-2011. Retention exams are required of firefighters who have not been actively employed as a career or volunteer firefighter for a period of three years. This increase is attributed to the increasing number of firefighters are not employed, but who wish to maintain their certification.

<b>Fiscal Year</b>	<b>Total Exams</b>	<b>Firefighter II Exams</b>	<b>Retention Exams</b>
2001-02	6313	3651	61
2002-03	6447	3888	70
2003-04	7885	4623	97
2004-05	9765	5586	64
2005-06	8429*	3353*	92
2006-07	10,096	4840	111
2007-08	8,173	3381	126
2008-09	8824	3526	181
2009-10	8618	3270	159
2010-11	7112	2679	252

*Figure 1- Ten-year Trend for Examinations Conducted by BFST*

*Retention exams reflect persons who have reached the end of their three year certification window without being employed and are therefore retesting to maintain their certification.*

*\*During summer and fall 2005, the state and regional hurricane activity reduced BFST ability to deliver tests and training.*

### ***Health and Safety***

When the Department of Labor and Employment Security was dismantled in 2002, Florida's firefighters were left without health and safety administrative rules or an oversight body. The State Fire Marshal (SFM) addressed the void by providing two fulltime employees and developing emergency rules to establish itself as the regulatory authority. The Bureau of Fire Standards and Trainings Health and Safety Section is tasked with improving firefighter safety and health by reducing the incidence of firefighter accidents, occupational diseases, and fatalities. The Bureau's approach to accomplishing this is by working cooperatively with our firefighters, fire departments and insurance underwriters toward these common goals by providing guidance, resource, investigation and inspection.

The Bureau would like to accomplish more, specifically in the areas of inspection and accreditation. For example, firefighter line-of-duty deaths are anticipated to correlate with failure to follow best safety practices. However, the Bureau does not have the resources to collect and analyze the data needed to study preventive strategies.

### ***Accreditation***

Prior to 2010, the Bureau had six programs accredited by the National Board on Professional Firefighter Qualifications ("Pro Board") and, in some cases far exceeded their minimum requirements. As of August 2011, the Bureau has 23 programs accredited by the National Board on Professional Firefighter Qualifications. In addition, the Florida Live Fire Training Program is being recommended for accreditation as the first such training program in the nation.

***Office of the Insurance Consumer Advocate (ICA)*** in the CFO's office is responsible for finding solutions to insurance issues facing Floridians, calling attention to questionable insurance

practices, promoting a viable insurance market responsive to the needs of Florida's diverse population and assuring that rates are fair and justified.

The ICA strives to maintain a balance between a viable, competitive insurance market with the fiscal capacity to fulfill obligations to policyholders and consumers' needs for accessible, affordable insurance products that protect their lives, their health and their property. Tapping into market reports, along with some 500,000 inquiries made annually to the Department of Financial Services statewide consumer helpline, the ICA is able to identify, first hand, market trends affecting Floridians. The ICA also meets with various other agencies in order to identify market trends. This data empowers the ICA to seek early and proactive resolution of business practices that may adversely affect Floridians, as well as to assist in expansion of those beneficial to the consumer. Although the ICA will usually refer any inquiries that come into its office to the Division of Consumer Services, the Office will handle specific consumer inquiries that are time sensitive, very complicated or appear to be indicative of emerging trends. Florida law authorizes the ICA to represent consumer interests in regulatory proceedings regarding all insurance activities conducted under jurisdiction of the Department of Financial Services and the Office of Insurance Regulation. The ICA also examines rate and form filings to assure rate changes are justified and fairly apportioned and that policies clearly and accurately reflect coverage provided. Lastly, the ICA participates in proceedings affecting insurance consumers in the Florida Legislature.

## **TRANSPARENCY**

***Goal 4: The department will widely publish and promote access to its public information.***

***Division of Administration:*** The Division has implemented a New Public Records Process. This process has an Agency Public Records Process Owner who oversees all DFS Public Record Requests. Divisions and Offices have established Public Record Coordinators and Alternates who process all public record requests in their Division or Office. These requests are documented and tracked in the DFS on-line tracking system. Multidivisional and certain other requests are centrally coordinated through the Division of Administration Public Records Office. Beginning in 2010 a measurement and performance (metrics) report was implemented. Both the on-line tracking system and metrics report are continually evaluated for improvement; replacement of this system is currently under review to increase capacity, capability and accountability. In order to publish and promote access to DFS public information, FAQs (Frequently Asked Questions) and links to public information resources are being published to the DFS Internet and Intranet sites. A public documents portal which contains links to DFS documents available on-line is on-line and is being continually enhanced,

## **OPERATIONAL EFFICIENCIES**

***Goal 5: The department will strive for organizational excellence by promoting and encouraging continuous improvement.***

***Division of Legal Services:*** Service of process on insurers has been historically done by hard copy, in duplicate to the Department's Service of Process Office, totaling five million pages per year. In the past two and one half (2.5) million pages per year were forwarded by postal mail from the department. The division scans its copy of the 2.5 million pages for records retention. Since we can scan the documents and serve electronically, the division proposed and succeeded in passing a statutory amendment in the 2010 Legislative Session to change the statutory

required submission to one copy of the process. This change should reduce by one half the number of pages submitted to the division and also reduce the handling time associated with reviewing, managing, filing, shipping and storing the extra copy of documents.

The division continues to provide more efficient service and reduce operational costs by electronically transmitting notification and availability of documents to the insurers. Electronic delivery of the process has reduced the number of copies to one set and therefore the number of pages by one half; it can also provide same day availability to insurers. Currently, the average time to set up and prepare to serve process by certified mail to the insurer is 24-48 hours, which would be reduced by more than half. The mail delivery time of 3-5 days has been eliminated. The division met its goal of providing access of electronic notification and availability to at least 60% of all insurers served by July 1, 2011.

The service of process workload is predicted to continue rising and by reducing the volume of documents, handling time, postage and paper expense, the improvements should not only allow the division to keep pace with the extra work, but assure the insurers are notified in the most expedient and efficient manner possible. This will also benefit the plaintiffs, consumers and courts by allowing extra response or settlement time, prior to or in lieu of further litigation.

The ***Division of Risk Management*** is authorized to administer the State Risk Management Trust Fund (Ch. 284, F.S.) and to handle claims on behalf of state agencies for casualty and property lines of insurance coverage (*Table 1-RM*). The Division has 105 employees, of whom approximately 90% are dedicated to claims handling services for workers' compensation; general liability; automobile liability; federal civil rights; employment discrimination; court-awarded attorney fees; and property coverage. With the addition of 3 newly funded positions, the loss prevention program will have 10 staff to provide loss prevention service and training to state insured entities. Two of those are administrative support staff.

<b>Claim type</b>	<b>Number of claims filed in FY 2009-2010</b>
Workers' compensation	14,872
General and auto liability	2,378
Federal civil rights	238
Employment discrimination	345
Property	156
<b>Total</b>	<b>16,959</b>
Average number of claims handled per employee in FY2009-2010	253

*Table 1-RM. Number of claims filed by claim type in FY2009/2010*

While the number of claims received by the Division has remained constant, with the exception of property claims during the 2004 and 2005 hurricane seasons, claim complexity and severity have increased. External forces, such as catastrophic natural events; legislation; excess property market availability; case law; and unlimited exposure and actuarial unpredictability of federal civil rights cases have impacted claims handling and adjusting. To meet the challenges of these emerging trends, and to properly adjust claims, the Division intends to improve the efficiency of claims handling and customer communication.

The number of workers' compensation claims occurring in FY 2009/2010 increased by 7.5% compared to the number occurring in FY 2008/2009. The total claims payments in FY 2009/2010 were 9.2% higher than the total claims payments in FY 2008/2009. The increase in claims payments was due to an increase in the number of claims and increased medical costs.

To provide managerial and actuarial information on loss payments and timely payments to claimants and vendors, claims are paid using a risk management information system that accumulates payment information in a relational database. An adjuster authorized claims related payments and the Division's financial section pays the claim.

Approximately 60,000 transactions in the form of check or automated clearing house (ACH) transaction are issued each fiscal year. Payments are made through the State Risk Management Trust Fund (SRMTF) that maintains a \$4,000,000 balance. The SRMTF is part of the consolidated revolving account maintained by the Division of Treasury. The Revolving Fund is replenished as needed from the Division's operating fund maintained in FLAIR. Excess operating funds are invested in an account maintained by the Division of Treasury. Large claim payments that could cause the SRMTF to exceed its authorized balance, or claim payments made to other state agencies, are processed through FLAIR.

Workers' compensation medical payments are paid by a contractor that provides medical case management services through funds advanced to the contractor pursuant to Sec. 284.33, Florida Statutes. The contractor is required to provide an annual examination of the advanced funds activities by an independent CPA firm as well as a SAS (Statement on Auditing Standards)-70 audit. The contractor provides weekly information on payments made from the advanced funds, and is reimbursed for those payments through FLAIR. In FY2009/2010 the Division has utilized a consultant to ensure the state's workers' compensation medical case management contractor is providing contractually required services and funds advanced to the contractor are used appropriately while maximizing value to the State.

With the rising cost of claims in all lines of coverage, especially workers' compensation, the Division began concentrating efforts to prevent claims in 2008. Since that time, the Division expanded the safety program to a loss prevention program. Currently, 10 positions are dedicated to assisting the Division's 48 insured agencies and universities develop comprehensive loss prevention programs. Two of those positions are support staff. The 5 agencies with the highest claims cost and claims frequency were identified in early 2009 and the CFO visited 4 of the 5 agency heads to offer loss prevention services. Since that time, the Departments of Children and Families (DCF), Juvenile Justice (DJJ), and Corrections (DOC), and the Agency for Persons with Disabilities (APD) have engaged loss prevention consulting services. Loss prevention staff has visited facilities and offices around the state associated with DCF, DOC, and APD. In addition, loss prevention staff has visited several university campuses and one DCF contractor's facility. The purpose of the visits was to tour the facilities to get a better understanding of risks associated with claims; review the facilities' loss prevention programs, and build rapport. Many other activities have been taken to provide loss prevention consultative services.

The loss prevention also is taking a high level approach to meeting the needs of the Division's 48 insureds. Loss Prevention Standards have been written and provided to all insureds. The Loss Prevention Standards are designed to assure each agency engages all of the components of a comprehensive loss prevention program, while assuring development of programs that address

individual agency unique business needs. The largest cost driver in a workers' compensation claim is indemnity benefits for time lost from work due to a work place injury. Working with a small group of agency and university participants, the loss prevention program has published return to work program guidelines for use by all insureds and has recently held a statewide webinar workshop on the guidelines. The Interagency Council for Loss Prevention has been reenergized and agency participation has been expanding, including the development of an Executive Steering Committee and several other advisory committees. Much more work is needed to drive down claims frequency and costs and plans are in place to do that.

## **WORKFORCE**

***Goal 6: The department will provide a workplace environment that is conducive to attracting and retaining quality employees.***

***Division of Administration:*** The Division of Administration provides administrative support to the department, the Office of Insurance Regulation (OIR), and the Office of Financial Regulation (OFR). The department, including both OIR and OFR, has 2871.50 full time equivalent positions and has 163 temporary employees at the time of this report, depending upon budget and need. The Division of Administration operates with 109 of these positions. Additionally, for FY 2011, DFS/OFR/OIR has a total combined budget of \$ 309,973,741.00. DFS has 35 leases statewide for a total of 754,517 square feet and owns two facilities: State Fire Marshal Arson Lab and the Fire College.

The department has been through a number of reorganizations and mergers in the recent past. In 2002, the Division of Workers' Compensation within the Department of Labor was moved to the Department of Insurance. In 2003, the Department of Insurance merged with the Department of Banking and Finance, to create the current Department of Financial Services. Business processes from three different entities were merged into one agency. The department continually reviews its business processes in order to ensure efficient use of human, operational and financial resources.

***Division of Administration: Bureau of Human Resource Management.*** Human Resource Management (HR) provides leadership in a contemporary human resource program while continually striving to enhance the services provided by HR. HR administers a comprehensive program that includes recruitment, staffing, career enhancement, talent planning, classification and pay, attendance and leave, grievances and appeals, labor relations, Affirmative Action/EEO, records, payroll, benefits, Employee Assistance Program, employee relations, and performance reviews. Over the last fiscal year HR processed 713 hiring appointments, 3,354 classification or organization changes, 2,034 performance reviews, and 122 employee/labor relations cases. The office currently employs 13 full-time employees. Learning and Development was moved under the Bureau of Human Resources Management in early 2011 and consists of 4 full-time employees.

HR recognizes that private sector employers utilize professional headhunters when recruiting for key positions and are able to offer more competitive benefit packages than State government, e.g. relocation costs paid by private sector employers. In addition, an increased number of private sector employers are funding workplace environment enhancements, e.g. daycare, health and fitness facilities, etc. This gives the private sector an edge in attracting and recruiting qualified minority candidates. HR acknowledges that the Department should identify functional



areas and positions where enhanced recruitment efforts are needed. Moreover, it is necessary to identify subject matter experts to assist with recruiting efforts and define attributes of quality candidates while identifying sources of qualified candidates.

The Department views its Affirmative Action goals in terms of overall minority and female representation. We do not set aside a specific number of jobs for minorities and females; rather, we are seeking to reach or exceed the minority percentages reflected on the Florida Statewide Available Labor Market Analysis. The Department is committed to the policy of Equal Employment Opportunity and to our Affirmative Action efforts. In addition, an Equal Opportunity Report is published quarterly in an effort to be aware of our minority representation.

***Division of Administration: Office of Learning & Development (L&D).*** Learning & Development provides training and development for improving employee competencies in four key areas: 1) Leadership, 2) Technology, 3) Value Creation, and 4) Personal Growth. Activities include:

- Design, development, delivery and evaluation of training courses;
- Facilitation;
- Classroom and meeting space reservations;
- Leadership development;
- New Employee Orientation;
- Administration of the Department's internship program;
- Administration of the Department's Davis Productivity Awards program;
- Maintenance of the Department's training intranet hub;
- Learning-oriented performance consulting and project management;
- Customized consulting services.

Learning events are conducted on a group or individual basis by classroom, online or distance delivery to maximize the assistance and promotion of job skills. All programs are designed and delivered to maximize the assistance and promotion of job skills. Last fiscal year L&D staff directly provided formal learning courses for over 1600 employees through face-to-face or virtual classroom delivery and provided more than 1000 special project consulting hours for the department. The office also coordinated the use of training rooms for additional learning events, meetings and conferences delivered by non-L&D staff meetings for, and on behalf of the department and other agencies serving over 3,000 attendees, including employees from other agencies. L&D currently employs 4 full-time employees.

***Office of Human Resources: Learning and Development***

The department considers its full-time and temporary employees to be its most valuable resource. Even though the department cannot compete with the private sector in certain areas of recruitment and retention, the department can take proactive measures to help improve the quality and effectiveness of its workforce. These include developing an aggressive recruitment process that will seek out and attract quality candidates and providing a workplace environment that is conducive to retaining quality employees. With this in mind, the Department completed the third year for the CFO Leadership Academy. The CFO's Leadership Academy strives to be recognized as the benchmark internship program in Florida state government for identifying, recruiting and retaining new talent and building careers in public service. The Academy provides real-world work experience, professional development, and career opportunities in public service for Florida's best and brightest university students. Students receive substantive

and challenging work assignments from their assigned mentor and have their work evaluated on a professional level. All students must maintain above a 3.0 GPA and be a junior, senior or a graduate student.

In addition, the department completed a second year of its Leadership Excellence (LEX) leadership development curriculum which is a component of the Department's Professionalism, Excellence and Performance (PEP) Program. The program encourages candidates to participate in a four-tiered leadership development program designed to cultivate a diverse network of proven leaders and rising stars. The four tiers are: Emerging Leaders, Leadership Foundations, CFO Fellows and Executive. These programs will continue improving upon existing supervisory training. The goal of the comprehensive Professionalism, Excellence and Performance Program established in 2008, is to proactively address the quality and effectiveness of the department's workforce.

## TASK FORCES, STUDIES AND INITIATIVES

### FIGHTING FINANCIAL FRAUD

**Personal Injury Protection (PIP) Fraud Work Group** – Florida’s Motor Vehicle No-Fault Law requires drivers to maintain Personal Injury Protection (PIP) coverage, which aims to hold down medical expenses for minor injuries sustained in a motor vehicle crash without regard to fault. It is also intended to curb litigation costs for minor injuries and non-economic damages. However, in recent years fraud has so permeated this coverage that the initial value of such a system is, at best, diluted and now threatens to be prohibitively expensive for Floridians. CFO Atwater appointed and called upon Florida’s Insurance Consumer Advocate to assemble a working group to facilitate discussion on PIP reforms. The working group’s goal is to formulate a well-documented report that can be used by both Legislators and others to formulate policy that puts the brakes on auto insurance fraud and rising insurance costs for consumers. It is anticipated that the working group’s report will be completed by November 2011.

**Medicaid and Public Assistance Fraud Strike Force** – The Strike Force was created during the 2010 Legislative Session to increase the effectiveness of programs and initiatives that work to prevent, detect and prosecute Medicaid and Public Assistance Fraud. CFO Atwater serves as chair and Attorney General Bondi serves as Vice Chair of the 11-member Strike Force. Currently, the state’s Medicaid program is estimated to account for as much as 10 percent of the Medicaid budget. State economists estimate that Medicaid is the state’s largest cost driver, with projected increases potentially exceeding \$400 million this fiscal year. Clamping down on fraud at various points a program involving multiple agencies is of paramount importance, for policymakers and for the taxpaying public. Another area under review by the Strike Force is public assistance. From 2005 to 2010, the Public Assistance Fraud Unit referred \$18 million in program benefits fraud for prosecution. This fiscal year to date, the unit has received more than 24,000 referrals of suspected public assistance fraud.

**Working Group on Role of Money Service Business in Facilitating Workers’ Compensation Fraud** – In response to the recent and escalation trend in premium avoidance in the construction industry facilitated by check cashing stores, CFO Atwater created an informal working group to tackle this problem, which is putting pressure on rates and straining state resources to the tune of \$1 billion annually. Through research and hearings the work group shall identify the loopholes that allow “shell” construction companies to be established; evaluate the operation of check cashing services; identify any ambiguity related to enforcement of laws governing these entities; and identify any potential revisions to the statutory framework to eliminate workers’ compensation premium fraud. The Working Group is slated to release its recommended solutions, including legislative remedies, prior to the 2012 Legislative Session.

### PROMOTING GREATER TRANSPARENCY IN GOVERNMENT

**Transparency Florida** - CFO Jeff Atwater launched Transparency Florida—An Open Door to Florida’s Finances, a Web portal that offers Floridians a new level of transparency and the ability to hold their elected officials accountable for government spending. The new Web site is a one-stop shop for Floridians to track the state’s budget, payments and contracts online. The web portal was created in response to legislation (SB 2096) championed by CFO Atwater and Senator

J.D. Alexander (R-Lake Wales) in the 2011 Session that requires the creation of a state contract management system that includes information and documentation related to contracts procured by all state agencies, local governments and educational entities.

In response, the CFO created Transparency Florida as a central clearinghouse for all information related to government budgets, expenditures and contracts. Transparency Florida will continue to be updated with new information and features, including making every state contract procured by all state agencies available online by early 2012. To accomplish this, CFO Atwater will be hosting workshops beginning in October and continuing through December to educate state agencies on what and how to submit contract information through the new Web site.

**Review of Florida's Pension Fund** – CFO Atwater serves as one of three members on the Board of Trustees, which oversees the State Board of Administration and the fourth largest pension fund in the country. In May 2011, CFO Atwater called for an external review of the State Board of Administration's risk management processes and financial controls.

**Contract Reviews conducted within the State Agencies** – Bureau of Auditing is conducting reviews of State Agencies' contract documents and related management activities. Our review focused on compliance with the following statutory requirements:

- Service contracts/grant agreements must contain a clear scope of work.
- Service contracts/grant agreements must contain deliverables that are quantifiable, measurable, verifiable and directly related to the scope of work.
- Service contracts must contain financial consequences for non-performance.
- Contract managers must enforce performance of the contract terms and conditions; review and document all deliverables for which payment is requested by vendors; and provide written certification of the agency's receipt of goods and services.

The agency has completed its initial round of agency contract reviews; early results show that there are several areas where improvements can be made. The review disclosed that the contract management activity for certain contracts was not sufficient, as contract managers did not document verification that services were delivered satisfactorily prior to approving invoices for payment. In some cases, deliverables were approved based on vendor-generated data such as invoices, status reports, and time reports, without documented validation by state agencies.

As the contract reviews continue, the department encourages all state agencies to take part in its Contract Manager Training, Advancing Accountability - Best Practices for Contract & Grant Management. The training was developed for agency contract and grants managers and satisfies the training requirements in Section 287.057(14), Florida Statutes, for contract managers responsible for agreements exceeding \$35,000. Best practices are presented for crucial areas of the contract and grant administration process. Emphasis is placed on areas of weakness that have been revealed through post-audits conducted by the Bureau of Auditing such as conducting cost analyses, writing effective agreements and performing effective monitoring. The program includes a workshop designed to give participants hands-on experience applying the concepts vital for successfully monitoring of an agreement. Activities include creating a monitoring tool, scope of work, and deliverables. Other topics covered in the workshop include risk assessment, monitoring plans, and remedies.

**Strengthening the pre-audit process** – CFO Atwater is committed to ensuring state funds are properly managed, including making sure bills submitted to the department are appropriate and lawful before payments are made. The Bureau of Auditing has implemented procedures to identify transactions processed in Florida Accounting Information Resource (FLAIR) that should be audited before payment and transactions that can be monitored on a post-payment basis. The Bureau utilizes four types of audits: pre-audit, expanded pre-audit, post audit, and contract reviews. A pre-audit is performed prior to posting the payment. It is a basic audit to validate the request for payment that has been submitted by the agency in the FLAIR system. The auditor verifies that each invoice is adequately itemized with billable units; there is proof of payment authorization, and documentation that the goods and services have been satisfactory received and accepted in accordance with the contract or purchase order. In addition, the auditor verifies each invoice for compliance with State Law.

Since the number of transaction processed each day preclude pre-audits on each voucher, the bureau has established spending thresholds which trigger pre-audits and random sample transactions for pre-audit which do not meet those thresholds. The bureau reviews historical data and the audit selection criteria on an ongoing and annual basis to determine if any adjustments are needed based on risk, recurring errors, and management direction. The bureau is currently evaluating whether enhancing pre-audits on service payments rather than commodity payments will provide greater transparency and accountability in state government spending.

**Enhance Contract Management and Accountability** – Currently, CFO Memorandum No. 1 Fiscal Year 2007/2008, “Contract and Grant Reviews and Related Payment Processing Requirements,” requires state agencies to send certain contracts that are \$1 million or greater to the Bureau for a review on deliverables and performance criteria. Any deficiencies in the contract’s or grant’s deliverables and performance criteria are noted and provided back to the agency for corrective action. The Chief Financial Officer lacks sufficient authority to exercise a greater role earlier in procurement process to ensure that contracts are appropriately reviewed prior to execution to better protect taxpayer funds. DFS supports legislation designed to provide greater control over the contracting process that would include:

- The creation of a “certification” process for contract and grant managers of agreements \$325,000 or greater. DFS could be responsible for establishing the curriculum for certification and administering the certification process. The curriculum would include a new course on contract development that would improve Contract Manager’s skill sets for writing contracts.
- Authority for DFS to remove a contract manager’s certification for non-compliance with the standards established by the Department and establishes statutory definition for performance measure standards that must be included in contract documentation.
- Expansion of the CFO’s oversight authority to include Regulation of Procurement. DFS could be provided authority for regulating procurement and contracts in 287 F.S. with the establishment of a new work unit responsible for setting standards for procurements \ contract development and the approval of contracts prior to execution. DFS would work closely with DMS and DMS would retain the authority to perform centralized procurements for commodities and services needed by State Agencies, Counties, and Municipalities, for the Office of Supplier Diversity, and for the administration of protests.

- Establishment of authority for enforcement of non-compliance with state contracting laws. Provide statutory authority to the CFO for the termination contracts that are not in the best interest of the State, the withholding of payments to the vendor for non-performance. DFS would provide reports to Legislature on non-compliance.

## **PROTECTING CONSUMERS**

**Deepwater Horizon Oil Spill** – Many hardworking Floridians and business owners, especially in the Panhandle, have been fighting to regain their financial footing in the wake of the devastating Deepwater Horizon oil spill. CFO Atwater has met with many impacted business owners and community leaders to facilitate solutions to delays and denials of claims payments. The CFO’s goal is to continue pushing for answers and greater transparency in the process from the Gulf Coast Claims Facility on behalf of claimants.

**Holocaust Survivor Fee Waiver Program** – An estimated 12,500 Holocaust survivors and their families in Florida are being assessed an international wire transfer fee, ranging from \$10 to \$40 a transaction. This transfer fee amounts to a 10 percent tax on each payment the survivor receives, and is a significant financial burden considering that a vast majority are elderly and rely on these payments. CFO Jeff Atwater has partnered with multiple financial institutions across Florida to waive the wire transfer fee on reparation payments.

## **REDUCING REGULATORY BURDENS**

### **Regulatory Review**

The Department of Financial Services is in the process of conducting an internal “Regulatory Review” of all of its major programs administered at the division level within the department. This review has already yielded valuable information that will enable the Department to develop legislative proposals related to functional changes that can be made that will enhance the effectiveness and efficiency of agency operations. These reviews will outline options/recommendations with regard to the deployment of department resources and day-to-day program administration and will continue to produce recommendations to streamline and to enhance the efficiency of Division processes to ensure the most cost effective means of providing reasonable regulation of Florida businesses. Further, the review is intended to evaluate current regulations to ensure they are reasonable for the regulated industry, and to ensure that they are providing adequate protection to consumers.

### **Strategic Planning**

CFO appreciates the role of strategic planning in a quality organization. The CFO has elevated the strategic planning function of this office within the agency in order to offer strategic evaluations that will lead to a well-reasoned, rational plan for the CFO’s goals of streamlining the department’s operations, enhancing the efficiency of its activities, and focusing on effectively performing the core missions of the department. This function has been established in the Office of the Inspector General. The office has begun a project to analyze and map the business processes of each division. The project includes working with the divisions to hone their performance measures and, once well-defined, the department will incorporate agency performance into the employee’s performance measures. Additionally, the office has begun an

enterprise risk management (ERM) process in conjunction with the business process mapping project. The ERM process is designed to identify, assess, manage, and control potential risks that may affect the department to provide reasonable assurance of the achievement of the department's objectives.

### **Research & Planning**

The CFO recognizes the value of and need for comprehensive information regarding the health of Florida's economic sector. Not only does good regulatory policy and practice depend on quality information, the ability to understand trends and conditions is key to planning for and managing financial and regulatory issues. To that end, the CFO has concentrated policy research within the legislative affairs activities of the department. The office integrates quality data research and evaluation in the development of the department's legislative goals and pursues these goals through the legislative process. The office serves as a contact point and resource to legislators and their staffs on issues under the department's purview.



# Department of Financial Services

## Performance Measures and Standards – LRPP Exhibit II



**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Executive Direction and Support Services	Code: 43010100

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Administrative costs as a percent of total agency costs	5.00%	3.86%	5.00%	5.00%
Administrative positions as a percent of total agency positions	6.00%	6.00%	6.00%	6.00%
		.		.

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Legal Services	Code: 43010200

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percent of closed files involving allegations of statutory violation that were successfully prosecuted	92%	99%	92%	92%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Information Technology	Code: 43010300

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Information technology costs as a percent of total agency cost	4.21%	5.54%	4.21%	4.21%
Information technology positions as a percent of total agency positions	3.33%	4.62%	3.33%	3.33%
System design and programming hourly cost	\$60	\$28.21	\$60	\$60
Percent of scheduled hours computer and network are available	99.95%	99.94%	99.95%	99.95%
Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys	95%	102%	95%	95%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Consumer Advocate	Code: 43010400

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Percentage of referred cases responded to and/or transferred within 10 days of receipt.	90%	100%	90%	90%
Percentage of rate filings subject to public hearing which were reviewed by our office.	95%	100%	95%	95%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Office of Chief Financial Officer and Administration	Code: 43010000
Service/Budget Entity: Information Technology - FLAIR Infrastructure	Code: 43010500

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Percent of scheduled hours computer and network are available	99.00%	99.99%	99.00%	99.00%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Treasury	Code: 43100000
Service/Budget Entity: Deposit Security	Code: 43100200

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
<b>Request Deletion:</b> Maximum administrative unit cost per \$100,000 of securities placed for deposit security service purposes	\$20	\$7.08	\$20	<b>Request Deletion</b>
<b>Request Deletion:</b> Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit	5,420	10,445	5,420	<b>Request Deletion</b>
<b>Request Deletion:</b> Number of account actions taken on regulatory collateral deposit accounts	39,116	60,624	39,116	<b>Request Deletion</b>
<b>New Measure:</b> Percent of analyses of the Qualified Public Depositories completed within 90 days of the start of the analysis cycle.	N/A	N/A	N/A	90%
<b>New Measure:</b> Percent of required Qualified Public Depositories action completed within 15 business days of the individual action requests.	N/A	N/A	N/A	90%
<b>New Measure:</b> Percentage of Collateral Administrative Program transactions that are completed within three business days.	N/A	N/A	N/A	90%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Treasury	Code: 43100000
Service/Budget Entity: State Funds Management and Investment	Code: 43100300

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
<b>Request Deletion:</b> Ratio of net rate of return to established national benchmarks for: (I) Internal liquidity investments	1	2.16	1	<b>Request Deletion</b>
<b>Request Deletion:</b> Ratio of net rate of return to established national benchmarks for: (II) Internal bridge investments	1	0.74	1	<b>Request Deletion</b>
<b>Request Deletion:</b> Ratio of net rate of return to established national benchmarks for: (III) Internal intermediate investments	1	0.88	1	<b>Request Deletion</b>
<b>Request Deletion:</b> Ratio of net rate of return to established national benchmarks for: (IV) Medium term external portfolio	1	1.06	1	<b>Request Deletion</b>
Number of cash management consultation services	30	30	30	30
<b>New Measure:</b> Percentage by which the Treasury's Investment Pool exceeded the blended benchmark for a rolling three year period.	N/A	N/A	N/A	2%
<b>New Measure:</b> Percentage of all agency Concentration Account deposit transactions to be matched and credited within 4 days of the bank deposit date.	N/A	87%	N/A	86%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Treasury	Code: 43100000
Service/Budget Entity: Supplemental Retirement Plan	Code: 43100400

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Number of new participants in the State Deferred Compensation Plan over previous year	600	1,256	600	600
Percentage increase in deferred compensation contributions over previous year	2%	2.90%	2%	Adjust Standard 1%



## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Financial Accountability for Public Funds	Code: 43200000
Service/Budget Entity: State Financial Information and State Agency Accounting	Code: 43200100

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percent of vendor payments issued via electronic funds transfer (EFT) excluding one time payments	29%	35%	29%	29%
Percent of payroll payments issued via electronic funds transfer (EFT)	95%	96%	95%	95%
Percent of retirement payments issued via electronic funds transfer (EFT)	83%	80%	83%	83%
Number of Post-Audits and Management Reviews Completed	12	10	12	12
Number of Clerk of the Circuit Court Financial Reviews conducted	33	29	33	33
Percentage of compliance with the Statewide Financial Statements Compliance Checklist	90%	93%	90%	90%
Percentage of warrants outstanding at 3 months that are stale dated after 12 months	47%	56%	47%	47%

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Financial Accountability for Public Funds	Code: 43200000
Service/Budget Entity: Recovery and Return of Unclaimed Property	Code: 43200200

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Percent of the total dollar amount of claims paid to the owner in the fiscal year compared to the total dollar amount of returnable accounts reported/received in the prior fiscal year. (Claims paid as a percent of all dollars in accounts received.) <b>REVISE TO: Percent of the total dollar amount of claims paid during the current fiscal year, compared to the prior year's receipts.</b>	75%	53%	75%	<b>Adjust Standard</b> 55%
Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of returnable accounts reported / received in the prior fiscal year. (Number of claims paid as a percent of all accounts.) <b>REVISE TO: Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts.)</b>	22%	21%	22%	22%
Number / dollar value of owner accounts processed.	450,000 / \$163 million	2,079,297 / \$329,053,743.	450,000 / \$163 million	<b>Adjust Standard</b> 1 million / \$225 million
Number of claims paid / dollar value of claims paid.	120,000 / \$90 million	286,258 / \$186,697,570.	120,000 / \$90 million	<b>Adjust Standard</b> 250,000 / \$150 million
Percent of claims processed within 45 days from date received (cumulative total) <b>REVISE TO: Percent of claims processed within 60 days from date received (cumulative total).</b>	80%	51%	80%	<b>Adjust Standard</b> 60%
Percent of increase in the number of holders reporting unclaimed property this fiscal year compared to the number of holders reporting last fiscal year. <b>REVISE TO: Number of new holders reporting unclaimed property in the fiscal year.</b>	10%	5%	10%	<b>Adjust Standard</b> 2,000

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Compliance and Enforcement	Code: 43300200

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Number of fire related deaths occurring in state owned properties required to be inspected	0	0	0	0
Percent of mandated regulatory inspections completed	100%	171%	100%	100%
Number of recurring inspections completed	7,200	7,218	7,200	7,200
Number of high hazard inspections completed	6,700	7,451	7,200	7,200
Number of construction inspections completed	1,500	1,668	1,500	1,500
Number of mandated regulatory inspections completed	605	1036	605	605
Percent of fire code inspections completed within statutory defined timeframes	100%	103%	100%	100%
Percent of fire code plans reviews completed within statutory defined timeframes	100%	99%	100%	100%
Number of boiler inspections completed by department inspectors	4,200	2,535	4,200	Adjust Standard - 2,100
Number of construction plans reviewed	700	760	700	700
Number of entity requests for licenses, permits and certifications processed within statutorily mandated time frames	8,000	9,005	8,000	8,000

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Fire and Arson Investigations	Code: 43300300

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percent of closed fire investigations successfully concluded, including by cause determined, suspect identified and/or, arrested or other reasons	80%	77.00%	80%	80%
<b>Request Deletion:</b> Percent of arson arrests resulting in conviction	87%	56.60%	87%	<b>Request Deletion</b> 87%
Percent of closed arson investigations for which an arrest was made in Florida	18%	39.50%	18%	18%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Professional Training and Standards	Code: 43300400

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percent of above satisfactory ratings by supervisors of students' job performance from post-class evaluations of skills gained through training at the Florida State Fire College	90%	83%	90%	90%
Challenges to examination results and eligibility determination as a percent of those eligible to challenge	less than 1%	1.01%	less than 1%	less than 1%
Number of students trained and classroom contact hours provided by the Florida State Fire College	5,500/175,000	8,980/271,776	5,500/175,000	5,500/175,000
Number of examinations administered	8,000	6,386	8,000	Adjust Standard 7,000
Percent of Fire College students passing certification exam on first attempt	85%	84%	85%	84%
Percent of Student Satisfactory Evaluations of the Florida State Fire College Facility and Services	85%	77%	85%	85%
Percent of Students Rating Training Received at the Fire College Effective in Improving their Ability to Perform Assigned Duties	85%	** 85%	85%	85%
Number of Florida State Fire College Certification Programs Submitted for National Accreditation or Re-accreditation	8	2	8	2

\*\* updated survey results are pending.

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Fire Marshal	Code: 43300000
Service/Budget Entity: Fire Marshal Administrative and Support Services	Code: 43300500

<b>Approved Performance Measures for FY 2010-11 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010- 11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Administrative costs as a percent of program agency costs	5.70%	4.30%	5.70%	5.70%
Administrative positions as a percent of total program positions	3.40%	2.40%	3.40%	3.40%
<b>Revised Measure:</b> Number of evidence sample analyses/examinations processed and imaging services provided. <b>TO: The number of items analyzed chemically plus the number of imaging items processed.</b>	6,500/12,000	13,516	6,500/12,000	<b>Ajust Standard</b> 13,250
To import 100% of incident data submitted by Florida fire departments within the calendar year.	N/A	100%	100%	100%

## LRPP Exhibit II - Performance Measures and Standards

<b>Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER</b>	
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Program: State Property and Casualty Claims	Code: 43400000
Service/Budget Entity: Self-Insured Claims Adjustment	Code: 43400100

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Average operational cost per claim worked	\$239.00	\$1,762.74	\$239.00	Adjust Standard \$1,763
Number of workers' compensation claims requiring some payment per 100 FTE employees	5.7	4.31	5.7	5.7
Average cost of workers' compensation claims paid	\$5,229	\$4,301.10	\$5,229	\$5,229
Percent of liability claims closed in relation to liability claims worked during the fiscal year	49%	52.5%	49%	49%
State employees' workers' compensation benefit cost rate, as defined by indemnity and medical benefits, per \$100 of state employees' payroll as compared to prior years	\$1.20	\$1.36	\$1.20	Adjust Standard \$1.32
Percent of indemnity and medical payments made in a timely manner in compliance with DFS Rule 4L-24.021, F.A.C.	95%	99%	95%	95%
Average cost of tort liability claims paid	\$9,651	\$8,871	\$9,651	\$9,651
Average cost of federal civil rights liability claims paid	\$44,226	\$31,210	\$44,226	\$44,226
Average cost of property claims paid	\$3,300	\$4,753	\$3,300	Adjust Standard \$7,000
Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made (1)	180	359.19	180	Adjust Standard 280
Number of workers' compensation claims worked	22,000	22,815	22,000	22,000
Number of liability claims worked	5,430	5,055	5,430	Adjust Standard 5,181
Number of workers' compensation claims assigned for litigation during the current fiscal year	421	417	421	421
Number of state property loss/damage claims worked	275	146	275	Adjust Standard 140

(1) The approved standard for FY 09-10 & FY 10-11 was based only on the Safety Academy. However, the number reported for FY 09-10 and the number requested for FY 11-12 includes all training provided by the Loss Prevention Program.

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Insurance Company Rehabilitation and Liquidation	Code: 43500100

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
<b>Revise Measure:</b> Percentage of companies with only class 3 or higher claims closed within 2 years after all <b>asset collection activity, including</b> litigation, is concluded and all objections have been resolved	90%	100.00%	90%	90%
Percent of appraised value of assets liquidated for real property	90%	94.61%	90%	90%
Percent of appraised value of assets liquidated for personal property	75%	100.00%	75%	75%



## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Licensure, Sales Appointment and Oversight	Code: 43500200

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percent of licensees disciplined	7%	8.02%	7%	7%
<b>Request Deletion:</b> Percent of applications processed within 7 working days	90%	98.04%	90%	<b>Request Deletion</b>
<b>Request Deletion:</b> Percent of licensees complying with continuing education requirements	75%	72.67%	75%	<b>Request Deletion</b>
<b>Request Deletion:</b> Percent of investigations completed within 130 days	60%	60.17%	65%	<b>Request Deletion</b>
<b>Request Deletion:</b> Percent of satisfaction of Customer Contact Center services	90%	85.49%	90%	<b>Request Deletion</b>
<b>Request Deletion:</b> Percent of completed investigations recommended for formal action that result in an action.	55%	69.17%	75%	<b>Request Deletion</b>
<b>New Measure:</b> Percent of licensees subject to a complaint during the previous 12 months.	N/A	0.59%	N/A	0.57%
<b>New Measure:</b> Cost of Licensing Operations per active license.	N/A	\$5.62	N/A	\$5.56
<b>New Measure:</b> Cost of Investigation Operations per enforcement action.	N/A	\$92.07	N/A	\$90.23

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Insurance Fraud	Code: 43500300

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Percent of insurance fraud cases presented for prosecution by law enforcement investigators	1%	9%	1%	1%
Number of insurance fraud investigations completed (not including workers' compensation cases)	1,100	9,133	1,100	1,100
Number of worker's compensation insurance fraud investigations completed (not including general fraud investigations)	400	1,541	400	400
Number of cases presented for prosecution	750	1,215	750	750
Dollar amount of restitution ordered by the court as a percent of the amount recommended by the Department for fraud investigations, by year ordered	70%	71%	70%	70%
Dollar amount of recommended orders of restitution, per <del>capita</del> case	\$30,000	\$121,119	\$30,000	\$30,000

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Consumer Assistance	Code: 43500400

<b>Approved Performance Measures for FY 2011-12 (Words)</b>	<b>Approved Prior Year Standard FY 2010-11 (Numbers)</b>	<b>Prior Year Actual FY 2010-11 (Numbers)</b>	<b>Approved Standards for FY 2011-12 (Numbers)</b>	<b>Requested FY 2012-13 Standard (Numbers)</b>
Percent of consumer activities that result in quality service	95%	88%	95%	85%
Percentage of consumers satisfied with the service provided	75%	83%	75%	75%
Percentage of phone calls answered within two minutes	90%	95%	90%	90%

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Funeral and Cemetery Services	Code: 43500500

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percentage of investigations submitted to probable cause panel in which the panel agrees with the Division's probable cause recommendation.	90%	88%	90%	90%
Percentage of investigations completed within <del>150</del> 152 days of initiation*	80%	70%	80%	80%
Percentage of establishments and cemeteries inspected per fiscal year	100%	100%	100%	100%
Percentage of financial examinations with deficit findings that resulted in deficits being corrected, initiation of an investigation or disciplinary action being taken against the licensee.	95%	100%	95%	95%
Percentage of cemetery inspections with findings that resulted in improved care and maintenance and/or more accurate burial records, initiation of an investigation or disciplinary action being taken against the cemetery.	95%	100%	95%	95%
Percentage of funeral establishment inspections with health and safety findings that resulted in corrective action, initiation of an investigation or disciplinary action being taken against the establishment.	95%	100%	95%	95%

\*Based on the new performance measure that was developed, the appropriate standard is 152 days, instead of 150; therefore actual data reflects the 152 day standard.

**LRPP Exhibit II - Performance Measures and Standards**

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Licensing and Consumer Protection	Code: 43500000
Service/Budget Entity: Public Assistance Fraud	Code: 43500700

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
<b>New Measure:</b> Dollar amount of benefits withheld, saved and recouped as a percentage of Public Assistance Fraud annual budget	N/A	N/A	N/A	300%
<b>New Measure:</b> Number of completed cases resulting in referral for disqualification or prosecution	N/A	N/A	N/A	2,400

## LRPP Exhibit II - Performance Measures and Standards

**Department: DEPARTMENT OF FINANCIAL SERVICES AND CHIEF FINANCIAL OFFICER**

Program: Workers' Compensation	Code: 43600000
Service/Budget Entity: Workers' Compensation	Code: 43600100

Approved Performance Measures for FY 2011-12 (Words)	Approved Prior Year Standard FY 2010-11 (Numbers)	Prior Year Actual FY 2010-11 (Numbers)	Approved Standards for FY 2011-12 (Numbers)	Requested FY 2012-13 Standard (Numbers)
Percent of first indemnity payments made timely	95%	94.7%	95%	95%
Number of claim files reviewed annually	86,000	102,592	86,000	86,000
Number of employer investigations conducted	30,000	34,252	30,000	30,300
Number of disputes resolved for injured workers by the Employee Assistance Office	2,600	1,972	2,600	Adjust Standard 1,900
Percentage of disputes resolved for injured workers by the Employee Assistance Office	55%	79%	55%	Adjust Standard 70%
Number of reimbursement requests (SDF-2) audited	5,200	4,042	5,200	Adjust Standard 3,089
Number of reimbursement requests (SDF-2) paid	1,743	2,197	1,743	Adjust Standard 1,560
New Measure: Number of Petitions for Reimbursement Dispute Resolution Resolved	N/A	3,586	N/A	3,030



# Department of Financial Services

## Assessment of Performance for Approved Performance Measures – LRPP Exhibit III

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Legal Services/43010200

**Measure:** Percent of closed files involving allegations of statutory violation that were successfully prosecuted

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
92%	99%	7	7.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The Division as performed above our projection and has raised the standard at least once. We strive to reach 100% in handling the cases included in this performance measure; however, the Division has seven vacancies that it may not be able to fill, and case loads are increasing. Thus, a raising of the approved standard at this time would be premature.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Information technology costs as a percent of total agency cost

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
4.21%	5.54%	Over	+1.33%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

The measure and standard was recommended by the senate in 2006-2007. DIS provides IT resources and services to DFS, OFR and OIR and is continually striving to improve the services it provides. The DFS costs were \$274,009,460 and the DIS costs were \$15,184,934.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

DIS continues to identify opportunities for process improvements to further improve this measure.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Department of Financial Services

Program: Office of Chief Financial Officer and Administration

Service/Budget Entity: Information Technology/43010300

Measure: Information Technology positions as a percent of total agency positions

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
3.33%	3.99%	Over	+0.66%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors       Staff Capacity  
 Competing Priorities       Level of Training  
 Previous Estimate Incorrect      **XX** Other (Identify)

**Explanation:** This measure was recommended by the Senate in 2006.

**External Factors** (check all that apply):

- Resources Unavailable       Technological Problems  
 Legal/Legislative Change       Natural Disaster  
 Target Population Change       Other (Identify)  
 This Program/Service Cannot Fix The Problem  
 Current Laws Are Working Against The Agency Mission

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training       Technology  
 Personnel       Other (Identify)

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Office of Chief Financial Officer and Administration  
**Service/Budget Entity:** Information Technology/43010300  
**Measure:** System design and programming hourly cost

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$60	\$28.21	Under	-53%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Personnel Factors<br><input type="checkbox"/> Competing Priorities<br><input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Staff Capacity<br><input type="checkbox"/> Level of Training<br><input checked="" type="checkbox"/> Other (Identify) |
|---|---|

**Explanation:** DIS' hourly rate is nearly half the approved standard. DIS relies on state employees for system design and programming and less on IT services from third party contractors.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable<br><input type="checkbox"/> Legal/Legislative Change<br><input type="checkbox"/> Target Population Change<br><input type="checkbox"/> This Program/Service Cannot Fix The Problem<br><input type="checkbox"/> Current Laws Are Working Against The Agency Mission | <input type="checkbox"/> Technological Problems<br><input type="checkbox"/> Natural Disaster<br><input type="checkbox"/> Other (Identify) |
|--|---|

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Training<br><input type="checkbox"/> Personnel | <input type="checkbox"/> Technology<br><input checked="" type="checkbox"/> Other (Identify) |
|---|---|

**Recommendations:** DIS identified all resources including programmers, supervisors, and the Bureau Chief that participate in system design and programming for the Bureau of Enterprise Applications. DIS does not rely on external contractors and vendors which generally charge more per hourly rate. DIS recommends continuing to perform with state employees.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Percent of scheduled hours computer and network are available

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
99.95	99.94	Under	-.01

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Actual performance results were manually calculated for Non-FLAIR applications. Automated tools were used to calculate computer and network availability.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

DIS continues to identify opportunities for process improvements to further this measure. Automated software monitoring tools are available for purchase to calculate availability.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
95%	102%	Over	+7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

DIS developed and automated customer surveys from the Remedy Help Desk application. Remedy sends surveys via email to resolved Help Desk calls and records the results. Per DIS request OPB approved change in standard to 95%

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** Work to get more responses to represent true value.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010500-FLAIR

**Infrastructure**

**Measure:** Percent of scheduled hours computer and network is available

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
99%	99.99%	OVER	.99%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors<br><input type="checkbox"/> Competing Priorities<br><input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Staff Capacity<br><input type="checkbox"/> Level of Training<br><input type="checkbox"/> Other (Identify) |
|---|--|

**Explanation:**

Actual performance results were manually calculated for FLAIR mainframe applications.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable<br><input type="checkbox"/> Legal/Legislative Change<br><input type="checkbox"/> Target Population Change<br><input type="checkbox"/> This Program/Service Cannot Fix the Problem<br><input type="checkbox"/> Current Laws Are Working Against the Agency Mission | <input type="checkbox"/> Technological Problems<br><input type="checkbox"/> Natural Disaster<br><input type="checkbox"/> Other (Identify) |
|--|---|

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Training<br><input type="checkbox"/> Personnel | <input type="checkbox"/> Technology<br><input checked="" type="checkbox"/> Other (Identify) |
|---|---|

**Recommendations:**

Automated software monitoring tools are available for purchase to calculate computer and network availability.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Deposit Security/43100200

**Measure:** Maximum administrative unit cost per \$100,000 of securities placed for deposit security service purposes

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$20	\$7.08	Under	64.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:** Because of the continuing decline in the financial institutions in the Public Deposit Program (Chapter 280, Florida Statutes) we have experienced a tremendous increase in pledged security transactions. Our collateral under program management has increased from a yearly average of \$5 billion dollars to over \$22 billion dollars. Once the financial climate begins to improve we expect these transactions to normalize at a much lower level and the work load to decrease.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** This measure is based on factors that we cannot control. The regulatory entities that require collateral may change at any time and as more collateral is required due to the declining economy the administrative costs goes down. This measure has always been way below the expected level.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Deposit Security/43100200

**Measure:** Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,420	10,445	Over	92.7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** This measure is based on factors that we cannot control. The regulatory entities that require collateral may change at any time and as more collateral is required due to the declining economy the administrative costs goes down. This measure has always been way above the expected level.



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Deposit Security/43100200

**Measure:** Number of account actions taken on regulatory collateral deposit accounts

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
69,116	60,924	Over	55.7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** This measure is based on factors that we cannot control. The regulatory entities that require collateral may change at any time and as more collateral is required due to the declining economy the administrative costs goes down. This measure has always been way above the expected level.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** State Funds Management and Investment/43100300

**Measure:** Ratio of net rate of return to established national benchmarks for: (I) Internal liquidity investments

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1	2.16	1.16	116%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The CFO has a statutory duty to fully invest or deposit State funds in order that the State may realize maximum earnings and benefits. This responsibility is performed within the Treasury's Bureau of Funds Management, which manages a fixed income investment operation for both General Revenue and Trust Funds in the Treasury and funds of organizations participating in the Special purpose Investment Program. The investments are managed by the Bureau's Internal Investment Section and the External Investment Section. Collectively, the investment portfolios within the Internal and External sections are referred to as the "Investment Pool".

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Measuring performance of the Investment Pool as a whole against a blended benchmark for a rolling three year period rather than measuring performance of the individual portfolios using a ratio for each portfolio better reflects the true measure of the economic and financial benefits provided to the State of Florida via investment returns.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** State Funds Management and Investment/43100300

**Measure:** Ratio of net rate of return to established national benchmarks for: (II) Internal bridge investments

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1	0.74	(0.26)	(26%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The CFO has a statutory duty to fully invest or deposit State funds in order that the State may realize maximum earnings and benefits. This responsibility is performed within the Treasury's Bureau of Funds Management, which manages a fixed income investment operation for both General Revenue and Trust Funds in the Treasury and funds of organizations participating in the Special purpose Investment Program. The investments are managed by the Bureau's Internal Investment Section and the External Investment Section. Collectively, the investment portfolios within the Internal and External sections are referred to as the "Investment Pool".

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Measuring performance of the Investment Pool as a whole against a blended benchmark for a rolling three year period rather than measuring performance of the individual portfolios using a ratio for each portfolio better reflects the true measure of the economic and financial benefits provided to the State of Florida via investment returns.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** State Funds Management and Investment/43100300

**Measure:** Ratio of net rate of return to established national benchmarks for: (III) Internal intermediate investments

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1	.88	(.12)	(12%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The CFO has a statutory duty to fully invest or deposit State funds in order that the State may realize maximum earnings and benefits. This responsibility is performed within the Treasury's Bureau of Funds Management, which manages a fixed income investment operation for both General Revenue and Trust Funds in the Treasury and funds of organizations participating in the Special purpose Investment Program. The investments are managed by the Bureau's Internal Investment Section and the External Investment Section. Collectively, the investment portfolios within the Internal and External sections are referred to as the "Investment Pool".

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** Measuring performance of the Investment Pool as a whole against a blended benchmark for a rolling three year period rather than measuring performance of the individual portfolios using a ratio for each portfolio better reflects the true measure of the economic and financial benefits provided to the State of Florida via investment returns.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** State Funds Management and Investment/43100300

**Measure:** Ratio of net rate of return to established national benchmarks for: (IV) Medium term external portfolio

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1	1.06	.06	6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The CFO has a statutory duty to fully invest or deposit State funds in order that the State may realize maximum earnings and benefits. This responsibility is performed within the Treasury's Bureau of Funds Management, which manages a fixed income investment operation for both General Revenue and Trust Funds in the Treasury and funds of organizations participating in the Special purpose Investment Program. The investments are managed by the Bureau's Internal Investment Section and the External Investment Section. Collectively, the investment portfolios within the Internal and External sections are referred to as the "Investment Pool".

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Measuring performance of the Investment Pool as a whole against a blended benchmark for a rolling three year period rather than measuring performance of the individual portfolios using a ratio for each portfolio better reflects the true measure of the economic and financial benefits provided to the State of Florida via investment returns.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Treasury

**Service/Budget Entity:** Supplemental Retirement Plan/43100400

**Measure:** Percentage increase in deferred compensation contributions over previous year

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
2%	2.9%	over	.9%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** I am requesting the approved standard for 2012-2013 to be changed from an increase in participant annual contributions to the deferred compensation program of 2% to an increase of 1%. The decrease in annual contributions to 1% is due to participants being required to contribute 3% of their salary to their pension program. Participants have and will continue to decrease their contributions to make up their salary difference.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change                 | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

I am requesting the approved standard for 2012-2013 to be changed from an increase in participant annual contributions to the deferred compensation program of 2% to an increase of 1%. The decrease in annual contributions to 1% is due to participants being required to contribute 3% of their salary to their pension program. Participants have and will continue to decrease their contributions to make up their salary difference.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed

**Property/43200200**

**Measure:** Percent of the total dollar amount of claims paid to the owner in the fiscal year compared to the total dollar amount of returnable accounts reported/received in the prior fiscal year. (Claims paid as a percent of all dollars in accounts received)

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
75%	53%	-22%	19%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The Bureau has increased public awareness of the program and does reach a large number of accounts owners resulting in a higher numbers of accounts and dollars being reported. . The program has not increased the number of FTE that are handling the increase in volume. The Standard was adjusted to reflect this for FY 11/12.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed Property/43200200

**Measure:** Number/dollar value of owner accounts processed.

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
450,000/ \$163 million	2,079,297/ \$329,053,743	+1,629,297/ +\$166,053,743	462% 202%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:**

Increase efforts in holder education and compliance combined with an overall increase in general awareness of unclaimed property requirements have resulted in more accounts and more funds being reported to the Bureau. Also, technological advances (and federal laws) by holders of unclaimed property facilitates the reporting of more individual accounts when compared to manual processes used in the past.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Revise standard to meet current volume the agency handles.



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed Property/43200200

**Measure:** Number/dollar value of claims paid.

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
120,000/ \$90 million	286,258/ \$186,697,570	+166,258/ +\$96,697,570	239% 207%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:**

Higher numbers of accounts and dollars being reported to the Bureau result in higher numbers of claims and higher dollar value of claims paid. Improvements in the bureau's proactive notification, as well as lowering the threshold of proactive notifications, have resulted in higher numbers of claims paid. The increased public awareness of the program achieved through earned media and other outreach efforts have resulted in a higher volume of claims paid.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Revise standard to meet current volume the agency handles.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** Financial Accountability for Public Funds

**Service/Budget Entity:** Recovery and Return of Unclaimed Property/43200200

**Measure:** Percent of claims processed within 45 days from date received (cumulative total)

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
80%	51%	-29%	36%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input checked="" type="checkbox"/> Staff Capacity   |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The Bureau is processing higher volumes of claims, and paying record amounts to citizens. Claims volume has increased more than 500% during the last 10 years. However staff size has remained constant during the same period. With current volume and staff, this measure will be very difficult to achieve. The Bureaus does, however, continue to meet its statutory requirement to process 100% of claims within 90 days.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Resources Unavailable                    | <input checked="" type="checkbox"/> Technological Problems         |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster                          |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) <b>Volume</b> |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input checked="" type="checkbox"/> Technology                          |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) added efficiencies |

**Recommendations:** Revise measure and standard to meet current volume the agency handles.

# LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Financial Services

Program: Financial Accountability for Public Funds

Service/Budget Entity: Recovery and Return of Unclaimed Property/ 43200200

Measure: Percent of increase in the number of holders reporting unclaimed property this fiscal year compared to the number of holders reporting last fiscal year.

**Action:**

- Performance Assessment of Outcome Measure
- Performance Assessment of Output Measure
- Adjustment of GAA Performance Standards
- Revision of Measure
- Deletion of Measure

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
10%	5%	-5%	%50

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors
- Competing Priorities
- Previous Estimate Incorrect
- Staff Capacity
- Level of Training
- Other (Identify)

**Explanation:**

Measure is not a realistic measure that can be achieved. Cannot increase an amount (compounded annually) by a percentage each year. At 10%, the total number of holders would double every seven years. Additionally, there is an attrition of holders each year, thereby causing the required measure to actually be far greater than 10% to achieve the same results.

**External Factors** (check all that apply):

- Resources Unavailable
- Legal/Legislative Change
- Target Population Change
- This Program/Service Cannot Fix The Problem
- Current Laws Are Working Against The Agency Mission
- Technological Problems
- Natural Disaster
- Other (Identify)

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel
- Technology
- Other (Identify)

**Recommendations:**

Revise measure and standard to meet current volume the agency handles.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Percent of mandated regulatory inspections completed

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
100%	171%	71%	71%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The number of regulatory inspections there will be at the beginning of a year is variable. The number of mandated regulatory inspections in this measure should be based upon the total activity for the previous year, which could increase or be reduced based on licensing fluctuation within the industry. Regulatory inspections are conducted periodically upon renewal of certain industries' licenses and upon new applications for licensure.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

See above.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

The numbers of inspections will fluctuate but the standard will always be based upon the total activity for the previous year, this should allow for consistency within the numbers.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Number of mandated regulatory inspections completed

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
605	1036	431	71%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The number of regulatory inspections there will be at the beginning of a year is variable. The number of mandated regulatory inspections in this measure should be based upon the total activity for the previous year, which could increase or be reduced based on licensing fluctuation within the industry. Regulatory inspections are conducted periodically upon renewal of certain industries' licenses and upon new applications for licensure.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

See above.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

The numbers of inspections will fluctuate but the GAA Standard will always be based upon the total activity for the previous year, this should allow for consistency within the numbers.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Number of boiler inspections completed by department inspectors

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
4200	2535	1665	40%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input checked="" type="checkbox"/> Staff Capacity   |
| <input checked="" type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Modification of this measure is proposed as the currently approved standard adversely influences both the quality of the inspections and encourages inspections of boilers which are required to be done by boiler insurance companies. Adjustment of the measure will allow limited Department resources to then conduct higher quality inspections, follow-up outstanding violations, and identify and capture unregistered boilers.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input checked="" type="checkbox"/> Target Population Change                 | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Boiler insurance companies are required by Rule to notify the Department of any boiler insured (located in a place of public assembly) and are required by 554.109, FS to inspect the same. Additionally, the Department has proactively worked to identify boilers currently being inspected by the Department but in fact having boiler insurance. Companies insuring these boilers are identified, put on notice to conduct the required statutory inspections, and the work reassigned.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** Develop new policies and procedures and realign Deputy Boiler Inspector activities to encourage the most cost effective way to ensure statutory compliance. Revise existing performance measures to reflect that goal.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Fire Marshal

**Service/Budget Entity:** Compliance and Enforcement/43300200

**Measure:** Number of entity requests for licenses, permits, and certifications processed within statutorily mandated time frames

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
8,000	9,005	1,005	13%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input checked="" type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster                  |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** Data for this measure is recorded as applicant detail and taken from each application received. The data is entered into the Regulatory Licensing System (RLS). Data produced provides the following detail:

- The number of applications received within a month.
- The number of licenses issued by the Regulatory Licensing Staff within a month.
- The number of renewals issued within a month.
- The number of denials issued within a month.

RLS does not have the functionality to determine whether an application was processed within the statutorily mandated time frame.

Moreover, data for this measure will fluctuate from fiscal year to fiscal year. Chapter 633, Florida Statutes, provides that the five classifications of fire protection system contractors shall be required to renew their licenses on a two year cycle. Fire Equipment Dealers and Permit holders renew their authorities on a two year cycle as well.

As the number of licenses processed varies from month to month, the measurement of licenses processed within the statutorily mandated time frame must be calculated by determining the number of licenses issued, denied, or renewed within a month as RLS does not have the functionality to determine whether an application was processed within the statutorily mandated time frames.

**Management Efforts to Address Differences/Problems** (check all that apply):

Training

Technology

Personnel

Other (Identify)

**Recommendations:**

A new system has been procured and the "Go Live" date was July 2011. Thus, more accurate data will be available by next fiscal year's completion.



**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Fire and Arson Investigations/43300300

**Measure:** Percent of arson arrests resulting in conviction

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
87%	56.6%	<b>-30.4</b>	

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Bureau investigators complete origin and cause investigations when requested and can only make arrests for each incendiary case for which they have probable cause. The number of incendiary cases where probable cause can be developed varies annually and cannot be controlled by investigators.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** Prosecution of cases and resulting conviction rates are based not only on the completed case file presented by the investigator, but the outcome of the delivery by the prosecutor which supremely weighs on the resulting judge/jury verdict. The Bureau has ensured that each investigator is trained to prepare the most complete case file, present the information to prosecutors and provide testimony when requested in court.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Training | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel           | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** Initial training for investigators and an aggressive ongoing in-service training program ensures that investigators are preparing solid cases for prosecutorial teams. An audit of each case file is completed through supervisory chains prior to submission to the prosecutor to ensure that all documentation is complete prior to presentation. In order to assist prosecutors with understanding of complex arson cases, a partnership with the Florida Advisory Committee on Arson Prevention and the Bureau resulted in a targeted training session for prosecutors in Spring, 2011.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Department of Financial Services

Program: Fire Marshal

Service/Budget Entity: Professional Training and Standards/43300400

Measure: Number of examinations administered

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
8000	6386	1614	20% Under

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors       Staff Capacity  
 Competing Priorities       Level of Training  
 Previous Estimate Incorrect       Other (Identify)

**Explanation:**

The average of this measure is 7200 over the past four years – consistently a minimum of 11% below the standard of 8000. The latest FY data is almost 20% below the standard of 8000. The standard estimate of 8000 is incorrect and should be adjusted to 7000.

**External Factors** (check all that apply):

- Resources Unavailable       Technological Problems  
 Legal/Legislative Change       Natural Disaster  
 Target Population Change       Other (Identify)  
 This Program/Service Cannot Fix The Problem  
 Current Laws Are Working Against The Agency Mission

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training       Technology  
 Personnel       Other (Identify)

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Fire Marshal Administrative and Support Services/43300500

**Measure:** Number of evidence samples analyses/examinations processed and imaging services provided. Revise to: The number of items analyzed chemically plus the number of imaging items processed.

**Action:**

- Performance Assessment of Outcome Measure    X Revision of Measure  
 Performance Assessment of Output Measure     Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
12000	13516	+1516	+12.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Personnel Factors<br><input type="checkbox"/> Competing Priorities<br><input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Staff Capacity<br><input type="checkbox"/> Level of Training<br><input checked="" type="checkbox"/> Other (Identify) |
|--|---|

**Explanation:**

Prior measures were based on a complicated separation of evidence processing and image processing functions. As all functions affect evidence, last year's request was to roll these into a single measure which would be more accurate. The "Approved Standard" was based on the old method of estimation and does not closely approximate the actual number of total items processed.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable<br><input type="checkbox"/> Legal/Legislative Change<br><input type="checkbox"/> Target Population Change<br><input type="checkbox"/> This Program/Service Cannot Fix The Problem<br><input type="checkbox"/> Current Laws Are Working Against The Agency Mission | <input type="checkbox"/> Technological Problems<br><input type="checkbox"/> Natural Disaster<br><input checked="" type="checkbox"/> Other (Identify) |
|--|--|

**Explanation:**

Five year trend is to see only a very slight increase in items to be processed an average of under 1% per year (based on previous five years)

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Training<br><input type="checkbox"/> Personnel | <input type="checkbox"/> Technology<br><input checked="" type="checkbox"/> Other (Identify) |
|---|---|

**Recommendations:**

Request 'right-sizing' of standards measures to within 3.3% of five year average (scale allows fluctuations due to uncontrollable factors – submissions are dependent on workload and investigations conducted by outside contributors)

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment / 43400100

**Measure:** Average Operational Cost Per Claim Worked

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$239	\$1,763	\$1,524	738.6%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change                 | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

Effective July 1, 2010, the 2010 GAA appropriated an additional \$41.7 million in Operating Appropriations that in previous fiscal years were paid from the Non-Operating Loss Payments Component as the contracts and legal costs were considered a claim cost. The Operating categories and their increases were 100777 – Contracts, \$16.0 million; 100904 – Contracted Legal – Attorney General, \$4.3 million; and 100905 – Contracted Legal Services, \$21.4 million. The Average Operational Cost Per Claim Worked is calculated by dividing total fiscal year operating expenditures by the total number of claims worked. By exponentially increasing the numerator by an additional appropriation, the result of the calculation is exponentially increased as well.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

DRM is requesting the standard for this measure for FY11-12 to be increased to \$1,763 so that the approved standard for this measure accounts for the movement of \$41.7 million of contract and legal costs into the Operating Component.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Department of Financial Services

Program: State Property and Casualty Claims

Service/Budget Entity: Self Insured Claims Adjustment/43400100

Measure: State Employees' Workers' Compensation Benefit Cost Rate, as defined by indemnity and medical benefits, per \$100 of state employees' payroll as compared to prior years.

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure  
 Performance Assessment of Output Measure       Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1.20	1.32	Over .12	11%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors       Staff Capacity  
 Competing Priorities       Level of Training  
 Previous Estimate Incorrect       Other (Identify)

**Explanation:**

During a period of worsening economy the benefit cost ratio/rate tends to increase as more workers tend to choose or claim workers' compensation benefits. This could be the reason for the increase over the past year. Also, there was a slight increase in the 2010 calendar year state payroll.

**External Factors** (check all that apply):

- Resources Unavailable       Technological Problems  
 Legal/Legislative Change       Natural Disaster  
 Target Population Change       Other (Identify)  
 This Program/Service Cannot Fix The Problem  
 Current Laws Are Working Against The Agency Mission

**Explanation:**

See above.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training       Technology  
 Personnel       Other (Identify)

**Recommendations:** Prior to FY 2010-2011 the approved standard was 1.33. We would recommend that the approved standard be adjusted to 1.32.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

Department: Financial Services

Program: State Property and Casualty Claims

Service/Budget Entity: Self-Insured Claims Adjustment/43400100

Measure: Average Cost of Federal Civil Rights Liability Claims Paid

**Action:**

- Performance Assessment of Outcome Measure  Revision of Measure  
 Performance Assessment of Output Measure  Deletion of Measure  
 Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$44,226	\$31,210	-\$13,016	-29.4%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors  Staff Capacity  
 Competing Priorities  Level of Training  
 Previous Estimate Incorrect  
 Other (Identify)

**Explanation:**

It is difficult due to the unpredictability and volatility of this coverage line (which includes federal civil rights and employment discrimination claims) to predict this measure with any degree of accuracy. There are no monetary limits or caps on federal civil rights (FCR) claims and limited caps on employment discrimination claims. Each year, actuaries try to predict how much we will pay on FCR claims but they admit, their estimates have a large margin of error. This is illustrated by the actual average cost of an FCR claim paid over the last 9 years: \$47,646; \$32,440; \$37,898; \$34,022; \$38,515; \$50,073; \$68,951; \$27,120 and \$31,210. As noted in "External Factors", we have very little control over this average which depends on the number of claims we receive and the severity of these claims. The average has been lower in the last two fiscal years compared to FY 08/09 but as noted, this average is really not predictable and is used by management for informational purposes only.

**External Factors** (check all that apply):

- Resources Unavailable  Technological Problems  
 Legal/Legislative Change  Natural Disaster  
 Target Population Change  Other (Identify)  
 This Program/Service Cannot Fix The Problem  
 Current Laws Are Working Against The Agency Mission

**Explanation:**

Key factors in this measure are the number of claims that we make a payment on and the severity of the claim or the amount of money we have to pay. We have minimal control over these factors.

Our loss prevention/loss control efforts can theoretically reduce the number and severity of claims but ultimately it depends on actions taken or not taken by state agencies. After a claim occurs, bureau adjusters can affect the cost of a claim by completing the investigation and evaluation of the claim quickly and trying to resolve the claim prior to litigation. Mediation is an effective tool to resolve claims prior to trial which can reduce claim cost. Quality claim investigations, retention of quality defense attorneys, negotiating skills of the adjusters and defense attorneys, and accurate evaluation of claims are some additional factors that can reduce the average cost of claims for which we have some control.

This measure is more of an indicator as to how the agencies are operating their programs than how the bureau is performing, but as noted, we can have some effect on these averages. We have a strong interest in reducing these averages and therefore need to track these averages.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel

- Technology
- Other (Identify)

**Recommendations:**

As noted in the "Internal Factors", this measure is difficult to predict even for actuaries. The high average cost in FY 08/09 was due to several factors but primarily it was due to settling several expensive cases in a concerted effort with several state agencies to resolve these cases. We did not expect this increased average to continue and it has not. These FCR claims are the most expensive type of claim we adjust and we will continue to focus on these claims and ways to reduce the average claim cost. Even though we have minimal control over this measure, we have a strong interest in doing what we can to reduce this average. A lower average is better for the state. The approved standard for FY 11/12 is \$44,226. Given the unpredictability of this measure, we do not recommend a change in this standard and we will be happy if the result is lower.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self-Insured Claims Adjustment/43400100

**Measure:** Average Cost of Property Claims Paid

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$3,300	\$4,753	+ \$1,453	+44%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The average cost of property claims paid is simply the total amount of money paid on property claims during the fiscal year divided by the number of claims paid. Generally, the more claims you pay the better chance that the average will be lower. We have not received a large number of property claims since FY 05/06 (the last year that hurricanes hit the state). Consequently, the average cost of a property claim has been increasing and now up to \$4,753. We have virtually no control over this average as it depends on the number and severity of the claims we receive.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** As noted in "Internal Factors", we have virtually no control over this average as it depends on the number and severity of the claims we receive.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** Since we have very little control over this average, all management can do is try and recommend a realistic standard. Based on current estimations and assuming no catastrophic losses, we recommend this standard be increased to \$7,000. This average is used by management as information only and does not reflect on work performance by the property claims unit.



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** State Property and Casualty Claims

**Service/Budget Entity:** Self Insured Claims Adjustment/43400100

**Measure:** Risk Services training as measured by number of training units (1 unit = 8 hours) provided.

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure   | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure    | <input type="checkbox"/> Deletion of Measure            |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
180	280	100	55.56%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input checked="" type="checkbox"/> Staff Capacity |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training         |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input type="checkbox"/> Other (Identify)          |

**Explanation:** We have hired a professional training coordinator and have a team of three individuals who provide training services. We utilize Internet-based webinars to reach a wider audience. The new standard of 280 represents a three (3) year average, which is accepted methodology for determining a standard.

Consultation contacts would have to be measured on the basis of one project or engagement equals one unit, and cannot be combined with a training measure, which is 1 unit equals 8 hours.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Training             | <input checked="" type="checkbox"/> Technology |
| <input checked="" type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify)      |

**Recommendations:** We recommend the higher standard of 280 to better assess our current training capabilities and delivery systems, and to drop consultations from the measure.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims Program

**Service/Budget Entity:** Self-Insured Claims Adjustment/43400100

**Measure:** Number of Liability Claims Worked

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5,430	5,055	-375	-%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training           |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The number of claims worked is the sum of the number of claims on hand at the beginning of the fiscal year (backlog or pending) plus new claims received (entered) during the fiscal year. This is a measure of the amount of work performed or workload. Risk Management has minimal control over how many claims we receive each year. We have more control over how many claims are in our backlog or pending count at the start of the fiscal year but the ability to close claims is mostly determined by the severity of the claims we receive which we cannot control. It is difficult to estimate this measure as we cannot control the numbers used to calculate the measure.

The primary reason we did not meet this standard for FY 10/11 (we missed by 375 claims) was that we received 148 fewer claims in FY 10/11 than we did in FY 09/10. Further, in September 2008, we requested this measure be revised to 5,181 based on our projections but the standard was not changed and left at 5,430. We again request this measure be revised to 5,181.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

The number of claims worked is the sum of the number of claims on hand at the beginning of the fiscal year (pending) plus new claims received (entered) during

the fiscal year. A key component of this measure is the number of new claims received. The Bureau has minimal control over the number of new claims received during a fiscal year. We can control to some extent the number of pending claims at the start of the fiscal year but this is mostly determined by the severity of claims received which we cannot control.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Personnel

- Technology
- Other (Identify)

**Recommendations:**

As noted above, the Bureau has minimal control over the two key components of this measure – the number of new claims received and the severity of these claims. Therefore, no management efforts are required. The fewer claims received is really a positive development for the State of Florida as it means fewer claims are being filed and less money paid than would be paid otherwise. Also, the bureau strives to reduce the number of pending cases which reduces the number of claims worked, as this tends to reduce the number of claims on hand at the beginning of the fiscal year (pending). This measure provides valuable information to management about the amount of worked performed. We will continue to do our best to request realistic standards and meet the approved standards.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Financial Services

**Program:** State Property and Casualty Claims Program

**Service/Budget Entity:** Self-Insured Claims Adjustment/43400100

**Measure:** Number of state property loss/damage claims worked

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
275	146	-129	-46.9%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Due to the fact that there were no major hurricanes to hit the State of Florida in FY 10/11 the actual number of claims received was much lower than anticipated. As a result we are requesting this standard be lowered. The property section also began to use a very stringent evidence-based method of reviewing lightning loss claims, which have historically been the most common type of property claim filed with the Division, and provided training to state agencies and universities on how to file lightning claims. The more stringent review of lightning claims and associated agency training resulted in fewer claims requests being accepted as viable claims.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

In addition to the internal factors mentioned above, the state simply did not incur the number of property losses usually incurred in a year's time. No catastrophic losses were reported.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

We recommend that the current standard of 275 claims worked per year be reduced. We note in the LRPP Exhibit II that this standard is slated to be adjusted to 175 in FY 12/13. Based on the numbers we are experiencing, we recommend this standard be revised to 140.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percentage of companies with only class 3 or higher claims closed within 2 years after all **asset collection activity, including litigation**, is concluded and all objections have been resolved

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	100%	Over	10%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:** Court cases involving litigation to collect assets and objections filed by claimants in the receivership are controlled by the judicial system; the Department as receiver has no control over the time that those matters may take to be resolved. Upon further review of this measure, the Department determined that revision was needed to this portion of the measure to better reflect that the Department needs to complete all asset collection activity, including litigation, prior to making final distributions and closure of a receivership, particularly for receiverships involving workers' compensation claims in which full reinsurance recovery may take a number of years following the resolution of litigation, claims issues, etc. For this reason, the Department is proposing the following highlighted revisions to this portion of the measure: **"closed within 2 years after all asset collection activity, including litigation, is concluded and all objections have been resolved."**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percent of appraised value of assets liquidated for real property

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
90%	94.61%	Over	4.61%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:** The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the contract for sale, the court approval and the closing, during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percent of appraised value of assets liquidated for personal property

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
75%	100%	Over	25%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:** The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the sale during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal. These inventories typically include personal computers (hardware and software) and other office equipment that rapidly depreciate or become obsolete due to changes in technology. Due to the long periods of time between the appraisal and the sale of the inventories these factors may result in inventories being sold for less or more than the appraisal value.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services  
**Program:** Licensing and Consumer Protection  
**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200  
**Measure:** Percent of licensees disciplined

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
7%	8.02%	+1.02%	12.72%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Over 65% of the disciplinary actions taken are due to a licensee's failure to comply with Continuing Education requirements. System changes introduced over the past couple years have allowed us to be more aggressive in our continuing education enforcement, which results in more disciplinary actions against licensees.

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** We cannot determine how many licensees will be disciplined; we can only do our best to deter them from breaking the law.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** We have proposed legislation to address concerns we have with the current continuing education program. The proposed changes would improve the content in the courses and make the process less daunting for our licensees. We will continue to be proactive in deterring licensees from breaking the law by, continuing to publish summaries of enforcement actions taken in our monthly newsletter and providing compliance advisories to licensees when we notice a trend or when new legislation goes into effect.



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Percent of licensees complying with Continuing Education requirements

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**JUSTIFICATION FOR DELETION:** This measure captures the percentage of Licensees complying with Continuing Education requirements. This measure is not an actual reflection of our performance, as we cannot control who takes their Continuing Education courses. We are currently proposing legislative changes to the Continuing Education process that will hopefully make the program more effective. We feel that the results of this measurement have reached a consistent level. Until legislative changes are made, we propose deleting this measure as it is outside of our scope of control.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Percent of completed investigations recommended for formal action that result in an action.

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**JUSTIFICATION FOR DELETION:** This measure captures the number of completed investigations recommended for formal disciplinary action that resulted in an action. The Division of Agent & Agency Services has very little control over the final disposition once it is recommended for formal action as we rely on another division to complete the administrative action or issue a final order. We feel that by deleting this measure and using our newly proposed measures, we can better capture our Division's performance.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Percent of investigations completed within 130 working days

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**JUSTIFICATION FOR DELETION:** This measure captures the number of investigations completed within 130 working days. We propose deleting this measure because we feel that setting a time limit could encourage the premature closing of an investigation. Our newly proposed measure will capture our efficiency in investigations by looking at the average cost per enforcement action rather than how long an investigation took to complete.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Percent of applications processed within 7 working days

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**JUSTIFICATION FOR DELETION:** This measure captures how many license applications are processed within 7 working days. We are consistently meeting our goal for this measure, so we feel it is better to track this internally moving forward. This measure only looks at one portion of licensing rather than looking at everything the Division handles to measure our efficiency. We feel that by deleting this measure and using our newly proposed measures, we can better capture the overall performance of the Division of Agent & Agency Services.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Percent of Satisfaction of Customer Contact Center services

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**JUSTIFICATION FOR DELETION:** This measure captured the satisfaction level of our customers who contacted our Customer Contact Center for assistance. This unit was recently transferred to the Division of Consumer Services to consolidate the two phone centers. Since this program is no longer a part of the Division of Agent & Agency Services, we propose deleting this measure.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Fraud/43500300

**Measure:** Number of insurance fraud investigations completed (including workers' compensation cases)

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1100	9133	8033	730%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The procedure changed for opening cases.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Continue to monitor increases above standards. The Division also lost investigative positions due to budget reductions. The overall performance as a result of fewer investigators in the field should influence the results to move closer to the standard.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Fraud/43500300

**Measure:** Number of insurance fraud investigations completed (including general fraud investigations)

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
400	1541	1141	285%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** The procedure changed for opening cases.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Continue to monitor increases above standards. The Division also lost investigative positions due to budget reductions. The overall performance as a result of fewer investigators in the field should influence the results to move closer to the standard.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Fraud/43500300

**Measure:** Dollar amount of recommended orders of restitution per case

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
\$30,000	\$121,119	\$91,119	303%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** This was an exceptional year with one investigator bringing in over \$100,000,000 in restitution.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Continue to monitor increases above standards. If an upward trend develops review factors that comprise this measure and consider revisions.



## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Consumer Assistance/43500400

**Measure:** Percent of Consumer Activities that Result in Quality Service

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input checked="" type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure  | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards          |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
95%	88%	7	-7%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The Division of Consumer Services answers consumer questions and responds to consumer requests for assistance and complaints regarding their insurance companies. Oftentimes, consumers rate the Division's level of service based upon the resolution of their complaint, regardless of how well the Division staff performed. The approved standard is difficult to achieve due to the Division's inability to control the outcome of the complaint and the high probability of consumers to link the outcome of their complaint to the Division's level of quality service. A request to revise the standard has been submitted. The actual performance results for FY 2010/2011 meet the proposed revised standard.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Percent of First Indemnity Payments Made Timely

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
95%	94.7%	Under	.3%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:**

Percentage is based on industry's performance in timely paying benefits to injured workers. Percentage difference is very small.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Training | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel           | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

Increase educational efforts on audits, through the Centralized Performance System and via the Division's website.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of claim files reviewed annually

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
86,000	102,592	Over	+19.3%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

The Bureau of Monitoring and Audit conducted 12 additional field claims audits this year, and reviewed an increased number of Permanent Total claims via desk audits for accuracy of benefit payments.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of Employer Investigations Conducted

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
30,000	34,252	Over	14%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:** FY 2010-11 performance results were slightly higher than expected based upon consistent staffing and a focus on increased investigator productivity. Estimate has been revised and increased slightly for the 2011-12 year. The estimates were not increased to the level of the FY2010-11 actual results due to anticipated staffing reduction and decreased construction activity/economic conditions.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of disputes resolved for injured workers by the Employee Assistance Office

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
2,600	1,972	Under	25%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:** We had previously requested a change to 1,900 which was a more realistic estimate.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Percentage of disputes resolved for injured workers by the Employee Assistance Office

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input checked="" type="checkbox"/> Adjustment of GAA Performance Standards          |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
55%	79%	Over	24%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities                   | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:** The Employee Assistance and Ombudsman Office (EAO) enhanced their computer system to effectively track disputed issues. The enhancement enabled EAO to capture specific data related to each dispute and its resolution. We are requesting a change to 70% to reflect a more accurate estimate.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of Reimbursement Requests (SDF-2) Audited

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5200	4042	Under	77.77%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:** In 2009, the Special Disability Trust Fund had no backlog in the payment queue and, as a result, implemented a heightened and more intensive audit review process. At the end of an 18 month period of the intensive process, it was determined that there was not a significant result to correspond with the additional efforts and the resulting decline in the number of audits conducted. As a result, the intensive review process was abandoned and specialists returned to the procedures that had previously been employed.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Training             | <input type="checkbox"/> Technology                  |
| <input checked="" type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** We are currently working with a backlog of approximately 1137 requests, but expect to work through that backlog within the next year. This will dramatically decrease the number of audits being performed by each specialist in the coming years, as the number of new requests continues on a downward trend. Accordingly, the standard has been revised downward for fiscal year 2012-2013.

## LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of Reimbursement Requests (SDF-2) Paid

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
1743	2197	Over	26.05%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Personnel Factors                      | <input type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

In 2009, the Special Disability Trust Fund had no backlog in the payment queue and, as a result, implemented a heightened and more intensive audit review process. At the end of an 18 month period of the intensive process, it was determined that there was not a significant result to correspond with the additional efforts and the resulting decline in the number of reimbursement requests paid. As a result, the intensive review process was abandoned and specialists returned to the procedures that had previously been employed. This allowed supervisory reviews to be conducted, and therefore payments made, in a manner more contemporaneous with the specialists' approvals.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Training             | <input type="checkbox"/> Technology                  |
| <input checked="" type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** The program has a fiduciary duty to timely pay the maximum number of reimbursements possible within the confines of its spending authority. The standard provided is appropriate based on the recent payment history of the Fund. The number of payments made in the coming years is anticipated to decline as the number of new requests continues on a downward trend. Accordingly, the standard has been revised slightly downward for fiscal year 2012-2013.





# Department of Financial Services

## Performance Measure Validity and Reliability—LRPP Exhibit IV

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Information technology costs as a percent of total agency cost

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Data is tracked and provided by the DFS Budget Office. BE 43010300 costs represent approximately 5.54% of DFS' budget. The agency total costs were \$274,009,460 and the DIS costs were \$15,184,934.

### **Validity:**

The purpose of this measure is to determine what percentage of total agency costs are allocated to IT. The methodology used to calculate this measure is to track IT disbursements and DFS disbursements and calculate the ratio. DIS believes the methodology is appropriate for the measure's intended purpose.

### **Reliability:**

Data for this measure is tracked by the DFS Budget Office and provided to DIS.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Office of Chief Financial Officer and Administration

Service/Budget Entity: Information Technology/43010300

Measure: IT Positions as a percent of total agency positions

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

Number of FTEs:

DFS:

2,745.50 July 1, 2010 through November 30, 2010

2,808.50 December 1, 2010 through June 30, 2011

BE 43010300

111 July 1, 2010 – June 30, 2011

### Validity:

Data tracked and provided by DFS Budget Office

### Reliability:

Data tracked and provided by DFS Budget Office

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** System design and programming hourly costs

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** DIS identified all resources including programmers, supervisors, and the Bureau Chief that participate in system design and programming for the Bureau of Enterprise Applications. DIS' hourly rate is nearly half the approved standard which was established by the Senate in 2006. DIS relies on state employees for system design and programming and not external contractors and vendors who generally charge more per hour.

**Validity:** The purpose of this measure is to determine system design and programming hourly cost. DIS believes the methodology used to calculate this measure is appropriate for the measure's intended purpose.

**Reliability:** Costs were provided by the DIS Administrative Services which includes DIS' HR and Budget Office and have the expertise to develop the costs for this measure.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Office of Chief Financial Officer and Administration

Service/Budget Entity: Information Technology/43010300

Measure: Percent of scheduled hours computer and network is available.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.

**XX** Backup for performance measure.

**Data Sources and Methodology:** To determine the percent of scheduled hours computer and network is available, DIS made the following calculations. Percentages were separated by Non-FLAIR applications and network. Note: Unscheduled downtime was factored in the calculations.

Mainframe: 100% Non-FLAIR applications

Computer & Network: 99.87

**Validity:** The purpose of this measure is to determine the percent of scheduled hours computer and network is available. DIS believes the methodology used is appropriate for the measure's intended purpose.

**Reliability:** Results are manually recorded and calculated for mainframe by experienced systems staff. Network availability was recorded by automated tools. To removed human element automated software monitoring tools can provide a consistent and reliable method of collecting information and calculating the results.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology/43010300

**Measure:** Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.

**XX** Backup for performance measure.

**Data Sources and Methodology:** DIS developed and automated customer surveys from the Remedy Help Desk application. Remedy sends surveys via email to resolved Help Desk calls and records the results. Per DIS request OPB approved change in standard to 95%

**Validity:** The customer satisfaction survey rating scale is from 1-5. DIS' goal is to earn a rating of 4 or better.

Scale spectrum:

- 1 – Poor
- 2 – Fair
- 3 – Satisfactory
- 4 – Very Good
- 5 – Excellent

**Reliability:** Data for this measure is provided on a quarterly basis via analysis of the survey responses.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Office of Chief Financial Officer and Administration

**Service/Budget Entity:** Information Technology-FLAIR Infrastructure/43010500

**Measure:** Percent of scheduled hours computer and network are available

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

To determine the percent of scheduled hours computer and network is available, DIS made the following manual calculations.

Mainframe: 100% FLAIR applications

Flair production scheduled online hours are 7:00 am to 7:00 pm Monday – Saturday.

Flair is down on holidays.

Flair was not available:

11/24/10 for 17 minutes

12/27/10 for 3 minutes

365 days – 111 days weekends and holidays = 254 days scheduled

254 days times 12 hours = 3,048 hours total

3,048 – 0.33 hours down = 3047.67 hours available

$3047.67 / 3,048 = 99.99\%$  available for Flair

### **Validity:**

Data provided for this performance measure was manually calculated by experienced systems staff.

### **Reliability:**

Results are manually recorded and calculated for computer and network availability hours by experience systems staff.

To remove human element automated software monitoring tools will provide a consistent and reliable method of collecting information and calculating the results.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Treasury

Service/Budget Entity: Deposit Security/43100200

Measure: Percent of analyses of the Qualified Public Depositories completed within 90 days of the start of the analyses cycle.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Pursuant to Chapter 280, F.S. the Bureau of Collateral Management administers the "Florida Security for Public Deposits Act" which is a statewide "pool" program insuring that public deposits of the state and its political subdivisions are protected from loss due to a failure of a participating financial institution. The office approves qualified public depositories, analyzes financial condition and trends, handles reporting requirements, determines collateral pledging levels, and is responsible for the payment of governmental unit claims and financial institution assessments if there are insured depository failures. As of June 30, 2011, the bureau was responsible for the security of over \$22 billion in public dollars in 181 financial institutions. The regulatory collateral deposits that are required for the guarantee of institutions in the Public Deposits Program are evaluated and maintained in the same manner as other regulatory collateral deposits of state agencies in the Asset Management area.

**Validity:** The primary focus of the quarterly analysis puts emphasis on those institutions that are showing a declining trend in key financials areas that require an increase in collateral deposits to ensure all public depositors against loss. Those institutions that are improving in financial areas are also considered for pledge level reductions.

**Reliability:** Generated from the Collateral Administration Program that tracks the analyses.



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Treasury

Service/Budget Entity: Deposit Security/43100200

Measure: Percentage of required Qualified Public Depositories action completed within 15 business days of the individual action requests.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Pursuant to Chapter 280, F.S. the Bureau of Collateral Management administers the "Florida Security for Public Deposits Act" which is a statewide "pool" program insuring that public deposits of the state and its political subdivisions are protected from loss due to a failure of a participating financial institution. The office approves qualified public depositories, analyzes financial condition and trends, handles reporting requirements, determines collateral pledging levels, and is responsible for the payment of governmental unit claims and financial institution assessments if there are insured depository failures. As of June 30, 2011, the bureau was responsible for the security of over \$22 billion in public dollars in 181 financial institutions. The regulatory collateral deposits that are required for the guarantee of institutions in the Public Deposits Program are evaluated and maintained in the same manner as other regulatory collateral deposits of state agencies in the Asset Management area.

**Validity:** When a participating Qualified Public Depository falls below a ranking of 15 on our scale of 0-100, we cannot remove them from the program can request they withdraw from holding deposits. They have the option to remain in the program by agreeing to an Alternative Participation Agreement that requires them to pledge at 200% if their net deposits, may cap their deposit levels and may restrict new accounts. It is important that they comply with a timely manner.

**Reliability:** Generated from the Collateral Administration Program that tracks the analyses.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Treasury

Service/Budget Entity: Deposit Security/43100200

Measure: Percentage of Collateral Administrative Program transactions that are completed within three business days.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Pursuant to Section 18.103, F.S., the Bureau of Collateral Management serves as a centralized deposit location for specialized management and reporting of regulatory collateral deposits. Regulatory collateral deposits are required of various entities by state agencies as a condition of doing business or acts of guarantee under approximately 40 statutes. This deposit specialization allows state agencies to benefit from the use of (1) custodial contracts to perfect security interest; (2) financial information services to assure value and quality; (3) a cash deposit system, and (4) personnel knowledgeable in maintaining and reporting securities inventories. These benefits are not available or cost effective for individual agencies or public units for these services. As of June 30, 2011, the assets management staff managed regulatory deposits for over 1,800 combined accounts that represent in excess of \$14 billion dollars.

**Validity:** This measure is an effective indication of the activity to make sure that staff is completing the transaction process in a timely manner in order to make sure that collateral transactions comply with the various requirements of regulatory guarantees.

**Reliability:** Generated from the Collateral Administration Program that tracks the analyses.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Treasury

Service/Budget Entity: State Funds Management and Investment/43100300

Measure: Percentage by which the Treasury's Investment Pool exceeded the blended benchmark for a rolling three year period.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

The CFO has a statutory duty to fully invest or deposit State funds in order that the State may realize maximum earnings and benefits. This responsibility is performed within the Treasury's Bureau of Funds Management, which manages a fixed income investment operation for both General Revenue and Trust Funds in the Treasury and funds of organizations participating in the Special purpose Investment Program. The investments are managed by the Bureau's Internal Investment Section and the External Investment Section. Collectively, the investment portfolios within the Internal and External sections are referred to as the "Investment Pool".

### Validity:

Measuring performance of the Investment Pool as a whole against a blended benchmark for a rolling three year period rather than measuring performance of the individual portfolios using a ratio for each portfolio better reflects the true measure of the economic and financial benefits provided to the State of Florida via investment returns.

### Reliability:

Performance information is provided by Treasury's custodian, Bank of New York Mellon.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Treasury

Service/Budget Entity: State Funds Management and Investment/43100300

Measure: Percentage of all agency concentration account deposit transactions to be matched and credited within 4 days of the bank deposit date.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

The Bureau of Funds Management is responsible for verifying deposits in Departmental FLAIR (accounting system) for state agencies that have deposited funds into the Treasury Concentration (bank) Account and Credit Card Account. Decreasing the time between bank deposit and Treasury verification allows the agencies quicker access to their fund balances in Central FLAIR for disbursing and investing. Agencies cannot spend the money deposited in the bank until they enter it into FLAIR and Funds Management staff verify it with appropriate bank information and release the deposit amounts to Central FLAIR.

Deposits cannot be verified by Treasury until the agency has entered the deposit transaction in FLAIR and allowed Treasury access to verify the deposit transaction. Nightly, our computer system loads a file of agency deposits processed by the bank and matches them against the Departmental FLAIR deposit entries. Entries are matched on agency, deposit amount, and deposit number. If the deposit match criteria are met on both the FLAIR and the bank information, the transactions are automatically updated with a verified status. Treasury staff manually verifies the transactions that are not automatically matched by the nightly computer system run.

A query is run monthly to determine the percentage of deposits that are verified within 4 days between the date the deposit is included in the bank information until the date the deposit is verified in FLAIR by Treasury staff.

**Validity:** The purpose of this measure is to assist agencies gain access to their funds in a timelier manner and make improvements to the process.

**Reliability:** The query captures all deposits made the prior month and calculates the difference between the deposit date and verified date for each deposit.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Financial Services

Program: Financial Accountability for Public Funds

Service/Budget Entity: Recovery and Return of Unclaimed Property/43200200

Measure: Number/dollar value of owner accounts processed.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:**

The Bureau is requesting to change the Approved Standard for this measure to 1 million /\$225 million for the number/dollar value of owner accounts processed. The methodology for maintaining this data will remain the same.

**Validity:**

The request to increase this performance measure reflects the sustained increased level of production of the Bureau in recent years.

**Reliability:**

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Financial Services

Program: Financial Accountability for Public Funds

Service/Budget Entity: Recovery and Return of Unclaimed Property/43200200

Measure: Number / dollar value of claims paid.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:**

The Bureau is requesting to change the Approved Standard for this measure to 250,000 /\$150 million for the number/dollar value of claims paid. The methodology for maintaining this data will remain the same.

**Validity:**

The request to increase this performance measure reflects the sustained increased level of production of the Bureau in recent years.

**Reliability:**

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Financial Services

Program: Financial Accountability for Public Funds

Service/Budget Entity: Recovery and Return of Unclaimed Property/43200200

Measure: Percent of claims processed within 45 days from date received

(cumulative total). **REVISE TO: Percent of claims processed within 60 days from date received (cumulative total).**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

The Bureau is requesting to change the Approved Standard for this measure to 60%.  
The methodology for maintaining this data will remain the same.

### **Validity:**

Considering the dramatic increase in the Bureau's processing output over the last eight years, the proposed change in this measure more accurately reflects the Bureau's success in meeting its statutory requirements.

### **Reliability:**

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Financial Services

Program: Financial Accountability for Public Funds

Service/Budget Entity: Recovery and Return of Unclaimed Property/43200200

Measure: Percent of increase in the number of holders reporting unclaimed property this fiscal year compared to the number of holders reporting last fiscal year. **REVISE TO: Number of new holders reporting unclaimed property in the fiscal year.**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

The Bureau is requesting the Approved Standard for this revised measure to be 2,000 new holders. The UPMIS System captures new holder information that can be obtained through the use of Crystal reports.

### **Validity:**

Measuring the number of new holders is more reflective of the Bureau's efforts to encourage increased compliance and reporting by entities that currently do not report.

### **Reliability:**



## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Professional Training and Standards/43300400

**Measure:** Number of examinations administered

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Data is collected monthly from the FCDICE data management system. Data reflects all examinations administered.

### **Validity:**

Data is reviewed by the section supervisor and approved by the Bureau Chief prior to submission.

### **Reliability:**

There is a high reliability that the data will be available and valid.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Fire Marshal

**Service/Budget Entity:** Professional Training and Standards/43300400

**Measure:** Number of Florida State Fire College Certification Programs Submitted for National Accreditation or Re-accreditation

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Standards Section of Professional Training and Standards reports number of newly accredited or re-accredited certification programs.

Initial program goal has been met. Measure should be revised to reflect adjusted goal to add 2 to 3 newly accredited or re-accredited programs as new programs are developed.

### **Validity:**

Data is validated by section supervisor and confirmed by Bureau Chief

### **Reliability:**

There is a high degree of data reliability and that this measure is achievable and can be met.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Insurance Company Rehabilitation and Liquidation/43500100

Measure: Percentage of companies with only class 3 or higher claims closed within 2 years after all **asset collection activity, including litigation**, is concluded and all objections have been resolved

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

Pursuant to Chapter 631, F. S., the Division of Rehabilitation and Liquidation is responsible for marshaling the assets of insolvent companies and rehabilitating impaired companies as directed by the Court.

Companies are placed in Receivership for purposes of Rehabilitation, Liquidation or Conservation by an order of the Second Judicial Circuit Court in Leon County, Florida. The court-appointed Receiver performs rehabilitation and liquidation activity for companies in receivership until entry of a discharge order by the Court. The current measure is determined by counting the number of receiverships closed within the fiscal year which involve only class 3 or higher claims and comparing: 1) the number of those which closed within two years of the conclusion of litigation and claims objections to 2) the number of those which did not close within two years of the conclusion of litigation and claims objections.

**Validity:** The current measure is a recently approved revision to a former LRPP measure which required that the Department track the "ratio of companies in receivership discharged to the number of companies placed in receivership during the fiscal year." The Department requested the revision because it has no control over the number of companies placed in rehabilitation or liquidation during any year. Pursuant to Section 631.031, Florida Statutes, the Florida Office of Insurance Regulation has the statutory responsibility to notify the Department of Financial Services that grounds for receivership exist. The Department does not regulate companies prior to its appointment as Receiver and as such does not have any ability to prevent a receivership. Since the Department has some control over the number of receiverships which are discharged, however, the Department requested the revision to the currently worded measure with a standard of 90%. The current, recently revised measure was believed to provide a more accurate performance measure for the Division's closure rate of receiverships, particularly as the current measure removed elements of the prior measure that are beyond the control of the Division.

The following additional requirements were built into the current measure in an effort to provide a more accurate performance measure for the activities that are within the control of the Division:

**“only class 3 or higher claims”** – At this time, unless the Division has obtained a release from the federal government through the U.S. Department of Justice, it can only close companies in liquidation that only have funds available to pay class 3 and higher priority claims. This is a result of litigation in which the federal government has successfully argued its right to file a “super priority” claim (i.e., a Class 4 claim under Chapter 631, Florida Statutes) at any time, even after all the funds have been distributed and the receivership has been closed. Government claims (including those of the federal government) fall into the class 4 category and if the Department has already distributed receivership funds but the federal government later files a claim, the Department may be individually liable to pay the federal claim from state budget funds. In recent years, there have been federal congressional proposals to resolve this issue. Additionally, the Department and the U.S. Department of Justice have agreed upon a procedure for requesting releases from the federal government. However, until these issues are resolved or unless a release is obtained from the federal government through the indicated process, the Department as receiver cannot close receiverships in which there are sufficient funds to pay Class 4 or lower priority claims. The Department has no control over the length of time it takes for the federal government to agree to a release, even under the agreed upon procedure. Therefore, it is an invalid measure of performance to include receiverships that cannot be closed because of federal law which overrides Florida law and effectively takes away state control over the timing of the closing of those estates.

**“closed within 2 years after all litigation is concluded and all objections have been resolved”** – This portion of the revised measure provides greater validity because it measures the Department’s timely closing of a receivership from a point in time when the claims evaluation process (including any objections on claims evaluations) is concluded and there has been a final determination of litigated issues in the receivership. Up until that time, court cases involving litigation to collect assets and objections filed by claimants in the receivership are controlled by the judicial system; the Department as receiver has no control over the time that those matters may take to be resolved. Upon further review of this measure, the Department determined that revision was needed to this portion of the measure to better reflect that the Department needs to complete all asset collection activity, including litigation, prior to making final distributions and closure of a receivership, particularly for receiverships involving workers’ compensation claims in which full reinsurance recovery may take a number of years following the resolution of litigation, claims issues, etc. For this reason, the Department is proposing the following highlighted revisions to this portion of the measure: **“closed within 2 years after all asset collection activity, including litigation, is concluded and all objections have been resolved.”** The two year period of time remains a reasonable time period from the later of the completion of all asset collection activity or the resolution of claims objections to the closure of a receivership since this will allow ample time for final distribution(s) and wrap-up activities involving the receivership.

With the proposed revisions to the measure, the Division would report information on liquidations which:

- 1) Are closed during the fiscal year; and
- 2) Only involve distributions on Class 3 or higher claims.

The Division would use the following measurement method for the revised measure:

1) Determine which closures during the year only involve distributions on Class 3 or higher priority claims under Section 631.271, Florida Statutes;

2) For each such receivership, determine the last day of the month in which all asset collection activity, including litigation, was completed;

3) For each such receivership, determine the last day of the month in which all objections to the claims evaluation were resolved;

4) Using the later of the above dates, calculate 2 years from the date (this will be considered the "closing deadline month" for each receivership in determining whether or not a receivership met the 2 year closing deadline);

5) Percentage reported is calculated by dividing the number of receiverships with Class 3 or higher claims closed during the fiscal year that met the 2 year deadline by the total number of receiverships with class 3 or higher claims that were closed during the fiscal year.

**Reliability:** The Division of Rehabilitation and Liquidation maintains data on insurance entities that are in rehabilitation or liquidation. The data is supported by a signed court order and is considered very reliable.

The revision provides greater reliability for this performance measure as it provides for a measuring procedure that will yield the same results on repeated trials, and the data is complete and essentially error free. It is easily determined from the data currently maintained by the Department as to when asset collection activity, including litigation, is resolved since the Department as receiver currently tracks this information involving asset recovery in all receiverships. It is also easy to determine when all objections to the receiver's evaluation of claims have been resolved, and this data is also maintained by the Department. Claimants are entitled to a court hearing if they have filed an objection; those resolved without a court hearing involve a dated settlement agreement or equivalent correspondence. The two year time period from the date of conclusion of asset collection activity and resolution of objections to claim evaluations is also a very definitive period of time that provides for consistent measurement and accurate data.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Insurance Company Rehabilitation and Liquidation/43500100

**Measure:** Percent of appraised value of assets liquidated for real property

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Pursuant to Chapter 631, Florida Statutes, the Division of Rehabilitation and Liquidation is responsible for marshaling the assets of insurance companies ordered into receivership by the Court.

Impaired or insolvent insurance companies are placed in receivership for purposes of conservation, rehabilitation, or liquidation by an order of the Second Judicial Circuit Court in Leon County, Florida. The Department of Financial Services as the court-appointed receiver coordinates and directs the receivership process until entry of a discharge order by the Court.

Upon entry of an order appointing the receiver, the company's records are reviewed to determine ownership of any real property. Title to any real property is recorded in the name of the Receiver in order to safeguard the property. An appraisal is then obtained. When the determination is made to sell the real property, it is listed with an agent or broker. The Court approves all sales before being finalized.

The percent of appraised value of assets liquidated by the department for real property is determined by dividing the total amount received from the sale of real property by the total amount shown on the appraisal report.

### **Validity:**

The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the contract for sale, the court approval and the closing, during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal.

### **Reliability:**

Different appraisers may arrive at different appraisal values for the same property, which limits repeatable results.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Insurance Company Rehabilitation and Liquidation/43500100

Measure: Percent of appraised value of assets liquidated for personal property

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

Pursuant to Chapter 631, Florida Statutes, the Division of Rehabilitation and Liquidation is responsible for marshaling the assets of insurance companies ordered into receivership by the Court. Impaired or insolvent insurance companies are placed in receivership for purposes of conservation, rehabilitation, or liquidation by an order of the Second Judicial Circuit Court in Leon County, Florida. The Department of Financial Services as the court-appointed receiver coordinates and directs the receivership process until entry of a discharge order by the Court.

Upon entry of an order appointing the receiver, the company's records are reviewed to determine ownership of any personal property. Personal property is inventoried and tagged. Then an appraisal is obtained. When the determination is made to sell the personal property, the preferred method is by auction.

The percent of appraised value of assets liquidated by the department for personal property is determined by dividing the total amount received from the sale of inventory by the total amount shown on the appraisal report.

### Validity:

This measure assesses the service's ability to receive a fair price for inventory liquidated by dividing the total amount received from the sale by the appraised value.

The validity of the measure is strongly dependent on the accuracy of the appraisal. Also, there may be a lag time between the appraisal and the sale during which market conditions may fluctuate. This may result in a significantly higher or lower sale price than the appraisal. These inventories typically include personal computers (hardware and software) and other office equipment that rapidly depreciate or become obsolete due to changes in technology. Due to the long periods of time between the appraisal and the sale of the inventories these factors may result in inventories being sold for less than the appraisal value.

### Reliability:

Different appraisers may arrive at different appraisal values for the same property, which limits repeatable results.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Licensure, Sales Appointment and Oversight/43500200

Measure: Cost of Licensing Operations per active license.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

This measure will look at the operational cost of the division per active license (some licensees may hold more than one active license).

1. Take the overall Division operational expenses during the current fiscal year.
2. Divide the operational expense amount from Step 1 by the total number of active licenses in from the license database (ALIS).

The overall operational expenses will come from the division's budget information in the FLAIR system. The number of active licenses will be pulled from the licensing database, ALIS.

### Validity:

This measure will help monitor the effectiveness of the Division of Agent & Agency Services to ensure we are maximizing efficiency and resources.

### Reliability:

All systems required to track this measure are deemed to be reliable.

This measure will look at the amount the division has spent during the current fiscal year. Because some invoices are received on an annual or quarterly basis, the operational cost per active license will likely start at a higher rate and then fluctuate throughout the year as expenses are paid. The operational cost per enforcement action for June, the last month of the fiscal year, will be the final amount for that fiscal year's report.



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Licensure, Sales Appointment and Oversight/43500200

**Measure:** Cost of Investigation Operations per enforcement action.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This measure will look at the operational cost per enforcement action within the Bureau of Investigation. An enforcement action is any formal disciplinary action against a Licensee, including Final Orders, Consent Orders and Settlement Stipulation. It also includes any instance of a Licensee's appointments cancelling due to continuing education non-compliance.

1. We will start by pulling the overall operational expenses in the Bureau of Investigation during the current fiscal year.
2. Then divide the amount in Step 1 by the total number of enforcement actions taken during the current fiscal year.

The overall operational expenses will come from the FLAIR system. The number of enforcement actions will be pulled from the Bureau of Investigation case tracking database, BAITTS, and the continuing education area of ALIS.

### **Validity:**

This measure will help monitor the effectiveness of our investigative operations to ensure we are maximizing efficiency and resources.

### **Reliability:**

All systems required to track this measure are deemed to be reliable.

The BAITTS system will be migrating into the ALIS database to allow the Division to track all licensee information in one application. No functionality will be lost with the migration, and all data currently in BAITTS will be transferred into ALIS. The new investigation section of ALIS has been thoroughly tested and is scheduled to launch this fall.

This measure will first look at the amount spent to date during the current fiscal year in the Bureau of Investigation. Because some invoices are received on an annual or quarterly basis, the operational cost per enforcement action will likely fluctuate throughout the year as expenses are paid. The operational cost per enforcement action for June, the last month of the fiscal year, will be the final amount for that fiscal year's report.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Licensure, Sales Appointment and Oversight/43500200

Measure: Percent of licensees subject to a complaint during the previous 12 months.

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

This measure will look at the number of licensees subject to a justified complaint in the previous 12 calendar months. A "justified complaint" is any alleged violation of the Florida Insurance Code or terms of an insurance contract, a demonstrated lack of understanding of products or duties, or other unethical behavior related to their license.

This measure will combine complaint data from the Division of Consumer Services' database, ServicePoint, and the Bureau of Investigation's case tracking system, BAITTS.

### Steps required:

1. Pull all complaints against our Licensees from the Division of Consumer Services database. This will include complaints against individuals, such as agents and adjusters, and will also include business entities, such as insurance agencies or firms.
2. Pull all investigations opened during the previous 12 calendar months. This will include investigations opened with all types of allegations, with the exception that certain cases will be based on the disposition. For the allegations listed below, only those investigations where formal legal action or a letter of guidance was issued:

Address Name Violation	Criminal Proceedings-Pending	Investigations/Licensing Agency
Bail Bond Audit	Documents	Primary Adjuster Violation
Compliance Audit-Title	Failure to Pay Title Insurance	Primary Agent Violation
Criminal Proceedings	Surcharge	Revocation Follow Up
	Failure to Report Admin. Action	Suspension Follow Up

3. Look at the combined list of all complaints and count the number of unique license numbers to determine how many licensees have had a justified complaint.
4. Pull the total number of licensees from ALIS.
5. Divide the number of licensees with a justified complaint by the total number of licensees to get the percentage of licensees with a complaint.

**Validity:** This measure helps us gauge our effectiveness as regulators by showing how many Florida consumers are complaining about our licensees. If we continue to be proactive with investigations, we can hopefully keep the number of licensees being complained against very low. This also shows that our application screening process is working to keep dishonest individuals from entering the market.

**Reliability:**

All systems required to track this measure are deemed to be reliable.

The BAITTS system will be migrating into the ALIS database to allow the Division to track all licensee information in one application. No functionality will be lost with the migration, and all data currently in BAITTS will be transferred into ALIS. The new investigation section of ALIS has been thoroughly tested and is scheduled to launch this fall.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Consumer Assistance/43500400

Measure: Percent of Consumer Activities that Result in Quality Service

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

This measure reflects the percent of activities performed by Division staff that result in quality service to insurance and financial services consumers. This measurement is important in determining the Division's overall level and quality of service. An internal audit program was established to promote self-regulation by reviewing and measuring the quality and quantity of work produced by Division staff. The audit program enables the Division to place more emphasis on accountability and to ensure all critical information is identified, collected, evaluated, analyzed and disseminated as required. Audits are conducted on requests for assistance and helpline calls. The audit includes such measures as the quality of information provided, the accuracy of the information, timeliness, and written and oral communication.

The standard for providing quality service was determined by reviewing the audit form and evaluating the minimum necessary actions needed to provide quality service. The standard was established by the Division Management Team. The number of calls and Service Requests resulting in quality service is determined by the number of helpline and Service Request audits that meet or exceed the Division standard. That number is then divided by the total number of audits conducted, resulting in the percentage of audits that result in quality service.

The audits are performed by Division Managers and Division Auditors. Audits are conducted on consumer helpline calls and consumer service requests. Audit reports are produced monthly and quarterly and shared with staff.

### Validity:

The audit process was developed by the Division Management Team and Division Auditors based upon the internal procedures designed to provide quality service to consumers. The percent of quality service provided is determined by the score on the audits.

### Reliability:

The documentation of this process includes audit reports which are stored on a database and backed up nightly. Auditors periodically evaluate fellow auditor results to assure audit consistency.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Consumer Assistance/43500400

**Measure:** Percentage of consumers satisfied with the services provided

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This measure reflects the percent of consumers satisfied with the services provided by the Division when those consumers have asked the department for assistance with an insurance or financial services issue. Upon receipt of a request for assistance, the consumer's contact information and issue are entered into the department's complaint tracking system. The affected regulated entity is contacted and the department attempts to resolve the consumer's issue.

The complaint tracking system is queried each month to identify those consumers who have filed a request for assistance and provided an email address. Surveys are emailed within 30 days of resolution of the request for assistance.

Survey responses and statistical data are compiled by an independent third party that is not affiliated with DFS. Returned surveys are stored in a web-based data environment and periodically uploaded to an internal Division database. Reports are generated to determine the consumer responses and the consumer's level of satisfaction. The percentage is determined by totaling the number of surveys returned in which consumers indicated they received service that was acceptable, good, or excellent, and dividing that number by the total number of surveys received.

This measure also reflects the percentage of consumers who are satisfied with the level of service provided over the helpline. Each month a random sample of helpline calls are audited to determine whether the information or service provided over the helpline is satisfactory. The percentage is determined by dividing the number of helpline calls audited that resulted in customer satisfaction, by the total number of helpline calls audited.

The helpline survey audit statistics are combined with service request survey statistics to provide an overall percentage of customers who were satisfied with the service provided by the Division.

**Validity:**

A consumer satisfaction survey is emailed to individual consumers who request assistance from the department and have their email address stored in the Department's complaint tracking system. Of the surveys emailed, between 20-25% are returned. Survey results are compiled by an independent third party and periodically downloaded to a Department database. In addition, a random sample of four (4) helpline calls per Insurance Specialist are audited each month to determine if quality service was provided. These results are entered and stored in a Department database. The percent of satisfaction of services provided is based on the response of the consumer. No individual involved with the survey is involved with assisting the consumer resolve their issue.

**Reliability:**

The documentation of this process includes the consumer satisfaction surveys, and the helpline audits, and the database the survey and audit results are entered into. This database is backed up nightly.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Licensing and Consumer Protection

**Service/Budget Entity:** Consumer Assistance/43500400

**Measure:** Percentage of Phone Calls Answered Within Two Minutes

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This measure reflects the percentage of phone calls received through the Department's Consumer Helpline and answered within two minutes. This measure is important to determine the Division's response time as it relates to consumers contacting the Division via the helpline. This measurement also assists in determining the Division's overall level and quality of service. This measure is calculated by determining the total number of phone calls answered within two minutes divided by the total number of phone calls answered.

### **Validity:**

The CISCO Voice Over Internet Protocol (VOIP) telephone system automatically logs and stores data associated with each telephone call received through the Consumer Helpline. This data is stored, backed-up and archived in accordance with the Department's server and data management guidelines.

### **Reliability:**

All data is stored on a database and a back-up copy is created nightly.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Public Assistance Fraud/43500700

Measure: Dollar amount of benefits withheld, saved and recouped as a percentage of Public Assistance Fraud annual budget

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

1) Restitution Returned to the State of Florida

- \* Data is gathered from DCF which reflects the amount of Court Ordered Restitution actually collected from public assistance recipients that have been investigated by the Division of Public assistance Fraud and referred for prosecution.

2) Benefits Withheld from Recipients Committing Fraud

- \* Data is gathered from the Social Security Administration reflecting the dollar value of assistance benefits withheld from recipients of State and Federal benefits programs based on investigations by the Division of Public Assistance Fraud.
- \* Data is gathered from the Department of Children and Families reflecting the dollar value of assistance benefits withheld from recipients of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud.
- \* Data is gathered from the Agency for Workforce Innovation and Office of Early Learning reflecting the dollar value of assistance benefits withheld from recipients of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud.

3) Benefits received as a result of fraudulent acts by recipients

- \* Data is gathered from the Department of Health and the Agency for Health Care Administration reflecting the dollar value of assistance benefits wrongfully received by recipients of State and Federal benefit programs based on investigations by the division of Public Assistance Fraud.
- \* Data is gathered from the Department of Children and Families reflecting the dollar value of assistance benefits wrongfully received by recipients of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud .
- \* Data is gathered from the Agency for Workforce Innovation and Office of Early Learning reflecting the dollar value of assistance benefits wrongfully by recipients



of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud.

**Validity:** The Florida Public Assistance Programs involve a combination of Federal and State funds that are allocated to provide financial support to needy families. The Division of Public Assistance Fraud provides a benefit integrity support function to these agencies through an investigative process to fight fraud, waste, and abuse in the Florida Public Assistance Programs.

The values described above are program benefit dollars withheld and/or wrongfully received from the agencies by recipients who committed fraud. The amounts were independently calculated through an approved budgeting process and determined by each individual agency based on Federal Program Guidelines.

**Reliability:** The data gathered to report this Performance Measure is documented within a Investigative Case Management Data System and extracted through custom reports created to provide specific data collected as part of the investigative process. These values are reported from each agency after the investigation results are provided to the agency giving them sufficient data to support the new findings and facts. Reports are generated and used for official purposes including administrative disqualification, and prosecution in Florida Courts.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

Department: Department of Financial Services

Program: Licensing and Consumer Protection

Service/Budget Entity: Public Assistance Fraud/43500700

Measure: Number of completed cases resulting in referral for disqualification or prosecution

Action (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### Data Sources and Methodology:

#### 1) Restitution Returned to the State of Florida

- \* Data is gathered from DCF which reflects the amount of Court Ordered Restitution actually collected from public assistance recipients that have been investigated by the Division of Public assistance Fraud and referred for prosecution.

#### 2) Benefits Withheld from Recipients Committing Fraud

- \* Data is gathered from the Social Security Administration reflecting the dollar value of assistance benefits withheld from recipients of State and Federal benefits programs based on investigations by the Division of Public Assistance Fraud.
- \* Data is gathered from the Department of Children and Families reflecting the dollar value of assistance benefits withheld from recipients of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud.
- \* Data is gathered from the Agency for Workforce Innovation and Office of Early Learning reflecting the dollar value of assistance benefits withheld from recipients of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud.

#### 3) Benefits received as a result of fraudulent acts by recipients

- \* Data is gathered from the Department of Health and the Agency for Health Care Administration reflecting the dollar value of assistance benefits wrongfully received by recipients of State and Federal benefit programs based on investigations by the division of Public Assistance Fraud.
- \* Data is gathered from the Department of Children and Families reflecting the dollar value of assistance benefits wrongfully received by recipients of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud .
- \* Data is gathered from the Agency for Workforce Innovation and Office of Early Learning reflecting the dollar value of assistance benefits wrongfully by recipients

of State and Federal benefit programs based on investigations by the Division of Public Assistance Fraud.

**Validity:** The Florida Public Assistance Programs involve a combination of Federal and State funds that are allocated to provide financial support to needy families. The Division of Public Assistance Fraud provides a benefit integrity support function to these agencies through an investigative process to fight fraud, waste, and abuse in the Florida Public Assistance Programs.

The values described above are program benefit dollars withheld and/or wrongfully received from the agencies by recipients who committed fraud. The amounts were independently calculated through an approved budgeting process and determined by each individual agency based on Federal Program Guidelines.

**Reliability:** The data gathered to report this Performance Measure is documented within a Investigative Case Management Data System and extracted through custom reports created to provide specific data collected as part of the investigative process. These values are reported from each agency after the investigation results are provided to the agency giving them sufficient data to support the new findings and facts. Reports are generated and used for official purposes including administrative disqualification, and prosecution in Florida Courts.

## **LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department:** Department of Financial Services

**Program:** Workers' Compensation

**Service/Budget Entity:** Workers' Compensation/43600100

**Measure:** Number of Petitions for Reimbursement Dispute Resolution Resolved

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

Health care providers submit Petitions for Resolution of Reimbursement Dispute with the Office of Medical Services (OMS). The Petition is screened and docketed by OMS support staff and then assigned to an OMS case manager for review and resolution. After review, the OMS case manager may issue a Notice of Deficiency to either the health care provider or the carrier. The lack of a timely response or an insufficient response to the Notice of Deficiency may result in a Dismissal of the Petition. If not dismissed, the OMS case manager issues a Determination, based on the facts of the filings, resolving the reimbursement dispute.

### **Validity:**

440.13, F.S.

### **Reliability:**



# Department of Financial Services

Associated Activity  
Contributing to Performance  
Measure – LRPP Exhibit V

## LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures

Measure Number	Approved Performance Measures for 43010100 FY 2011-12 (Words)	Associated Activities Title
1	Administrative costs as a percent of total agency costs	ACT 0010 Executive Direction ACT 0030 Legislative Affairs ACT 0040 External Affairs ACT 0050 Cabinet Affairs ACT 0070 Communications/Public Information ACT 0080 Director of Administration ACT 0090 Planning and Budgeting ACT 0100 Finance and Accounting ACT 0110 Personnel Svcs/Human Resources ACT 0120 Training ACT 0130 Mail Room ACT 0140 Print Shop ACT 0200 Procurement ACT 2150 Process State Employee Payroll    
2	Administrative positions as a percent of total agency positions	ACT 0010 Executive Direction ACT 0030 Legislative Affairs ACT 0040 External Affairs ACT 0050 Cabinet Affairs ACT 0070 Communications/Public Information ACT 0080 Director of Administration ACT 0090 Planning and Budgeting ACT 0100 Finance and Accounting ACT 0110 Personnel Svcs/Human Resources ACT 0120 Training ACT 0130 Mail Room ACT 0140 Print Shop ACT 0200 Procurement ACT 2150 Process State Employee Payroll

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010200 FY 2011-12 (Words)	Associated Activities Title
3	Percent of closed files involving allegations of statutory violation that were successfully prosecuted	ACT0020 General Counsel <hr/> <hr/> <hr/>

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010300 FY 2011-12 (Words)	Associated Activities Title
4	Information technology costs as a percent of total agency cost	ACT0300 Information Technology - Executive Direction
5	Information technology positions as a percent of total agency positions	ACT0300 Information Technology - Executive Direction
6	System design and programming hourly costs	ACT0320 Information Technology - Enterprise Applications/Support
7	Percent of scheduled hours computer and network is available	ACT0330 Information Technology - Computer Operations ACT 0340 Information Technology- Network Operations
8	Percent of customers who returned a customer service satisfaction rating of at least four (4) on a scale of one (1) to five (5) on surveys	ACT0300 Information Technology - Executive Direction ACT0330 Information Technology - Computer Operations ACT 0340 Information Technology- Network Operations ACT 0350 Information Technology - Desktop Support



**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010400 FY 2011-12 (Words)	Associated Activities Title
9	Percentage of referred cases responded to and/or transferred within 10 days of receipt.	ACT 1040 Insurance Consumer Advocate _____ _____ _____
10	Percentage of rate filings subject to public hearing which were reviewed by our office.	ACT 1040 Insurance Consumer Advocate _____ _____ _____

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43010500 FY 2011-12 (Words)	Associated Activities Title
11	Percent of scheduled hours computer and network is available.	ACT0330 Information Technology - Computer Operations <hr/> <hr/> <hr/>

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43100200 FY 2011-12 (Words)	Associated Activities Title
12	Maximum administrative unit cost per \$100,000 of securities placed for deposit security service purposes	ACT 1210 Provide analysis on securities held for deposit and qulaified public depositories ACT 1220 Process Transactions, account changes and audit functions. Request Deletion of Measure
13	Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit	ACT 1210 Provide analysis on securities held for deposit and qulaified public depositories Request Deletion of Measure
14	Number of account actions taken on regulatory collateral deposit accounts	ACT 1220 Process Transactions, account changes and audit functions. Request Deletion of Measure

## LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures

Measure Number	Approved Performance Measures for 43100300 FY 2011-12 (Words)	Associated Activities Title
15	Ratio of net rate of return to established national benchmarks for: (I) Internal liquidity investments	ACT 1310 Investment of Public Funds <span style="color: red;">Request Deletion of Measure</span>
16	Ratio of net rate of return to established national benchmarks for: (II) Internal bridge investments	ACT 1310 Investment of Public Funds <span style="color: red;">Request Deletion of Measure</span>
17	Ratio of net rate of return to established national benchmarks for: (III) Internal intermediate investments	ACT 1310 Investment of Public Funds <span style="color: red;">Request Deletion of Measure</span>
18	Ratio of net rate of return to established national benchmarks for: (IV) Medium term external portfolio	ACT 1310 Investment of Public Funds <span style="color: red;">Request Deletion of Measure</span>
19	Number of cash management consultation services	ACT 1320 Provide cash management services

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43100400 FY 2011-12 (Words)	Associated Activities Title
20	Number of new participants in the State Deferred Compensation Plan over previous year.	ACT 1410 Administer the state supplemental deferred compensation plan
21	Percentage increase in deferred compensation contributions over the previous year.	ACT 1410 Administer the state supplemental deferred compensation plan

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43200100 FY 2011-12 (Words)	Associated Activities Title
22	Percent of vendor payments issued via electronic funds transfer (EFT).	ACT 2110 Accounting and Reporting of State Funds ACT 2180 FLAIR and CMS Replacement Project
23	Percent of payroll payments issued via electronic funds transfer (EFT).	ACT 2150 Process State Employee Payroll
24	Percent of retirement payments issued via electronic funds transfer (EFT).	ACT 2120 Migrate current Accounts Payable Procedures to Electronic Commerce
25	Number of post-audits and management reviews completed.	ACT 2140 Conduct post-audits of major State Programs.
26	Number of Clerk of the Circuit Court Financial Reviews.	ACT 2190 Article V-Clerk of the Courts
27	Percentage of compliance with the Statewide Financial Statements Compliance Checklist.	ACT 2110 Accounting and Reporting of State Funds
28	Percentage of warrants outstanding at 3 months that are stale-dated after 12 months.	ACT 2110 Accounting and Reporting of State Funds

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43200200 FY 2011-12 (Words)	Associated Activities Title
29	Percent of the total dollar amount of claims paid to the owner in the fiscal year compared to the total dollar amount of returnable accounts reported/received in the prior fiscal year. (Claims paid as a percent of all dollars in accounts received)	ACT 2210 Collect Unclaimed Property ACT 2220 Process and Payment of Unclaimed Property  
30	Percent of the total number of claims paid to the owner in the fiscal year compared to the total number of returnable accounts reported/received in the prior fiscal year. (Number of claims paid as a percent of all accounts)	ACT 2210 Collect Unclaimed Property ACT 2220 Process and Payment of Unclaimed Property  
31	Number / dollar value of owner accounts processed	ACT 2220 Process and Payment of Unclaimed Property   
32	Number of claims paid / dollar value of claims paid	ACT 2220 Process and Payment of Unclaimed Property   
33	Percent of claims paid within 45 days from date received (cumulative total)	ACT 2220 Process and Payment of Unclaimed Property   
34	Percent of increase in the number of holders reporting unclaimed property this fiscal year compared to the number of holders reporting last fiscal year.	ACT 2220 Process and Payment of Unclaimed Property   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300200 FY 2011-12 (Words)	Associated Activities Title
35	Number of fire related deaths occurring in state owned properties required to be inspected	ACT 3220 Perform Fire Safety Inspections
36	Percent of mandated regulatory inspections completed	ACT 3220 Perform Fire Safety Inspections
37	Number of recurring inspections completed	ACT 3220 Perform Fire Safety Inspections
38	Number of high hazard inspections completed	ACT 3220 Perform Fire Safety Inspections
39	Number of construction inspections completed	ACT 3220 Perform Fire Safety Inspections
40	Number of mandated regulatory inspections completed	ACT 3220 Perform Fire Safety Inspections
41	Percent of fire code inspections completed within statutory defined timeframes	ACT 3220 Perform Fire Safety Inspections
42	Percent of fire code plans reviews completed within statutory defined timeframes	ACT 3230 Review construction plans for fire code compliance
43	Number of boiler inspections completed by department inspectors	ACT 3240 Perform boiler inspections
44	Number of construction plans reviewed	ACT 3230 Review construction plans for fire code compliance
45	Number of entity requests for licenses, permits and certifications processed within statutorily mandated time frames	ACT 3210 License the fire protection industry



**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300300 FY 2011-12 (Words)	Associated Activities Title
46	Percent of closed fire investigations successfully concluded, including by cause determined, suspect identified and/or, arrested or other reasons	ACT 3310 Investigate Fires - accidental, arson and other  
47	Percent of arson arrests resulting in conviction	ACT 3310 Investigate Fires - accidental, arson and other <b>Request Deletion of Measure</b>  
48	Percent of closed arson investigations for which an arrest was made in Florida	ACT 3310 Investigate Fires - accidental, arson and other  

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300400 FY 2010-11 (Words)	Associated Activities Title
49	Percent of above satisfactory ratings by supervisors of students' job performance from post-class evaluations of skills gained through training at the Florida State Fire College	ACT 3410 Provide state, local, and business professional training & education   
50	Challenges to examination results and eligibility determination as a percent of those eligible to challenge	ACT 3410 Provide state, local, and business professional training & education   
51	Number of students trained and classroom contact hours provided by the Florida State Fire College	ACT 3410 Provide state, local, and business professional training & education   
52	Number of examinations administered	ACT 3421 Provide state, local, and business professional standards, testing and statutory compliance   
53	Percent of Fire College students passing certification exam on first attempt	ACT 3410 Provide state, local, and business professional training & education   
54	Percent of Student Satisfactory Evaluations of the Florida State Fire College facility and services.	ACT 3410 Provide state, local, and business professional training & education   
55	Percent of students who rate training received at the Florida State Fire College effective in improving their ability to perform assigned duties.	ACT 3421 Provide state, local, and business professional standards, testing and statutory compliance   
56	Number of Florida Certification Programs submitted for national accreditation or re-accreditation.	ACT 3410 Provide state, local, and business professional training & education   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43300500 FY 2011-12 (Words)	Associated Activities Title
57	Administrative costs as a percent of program agency costs	ACT 0010 Executive Direction   
58	Administrative positions as a percent of total program positions	ACT 0010 Executive Direction   
59	Number of evidence sample analyses / examinations processed and imaging services provided	ACT 3510 Provide forensic laboratory services   
60	To import 100% incident data submitted by Florida Fire Departments within the calendar year.	ACT 3520 Fire Incident Reporting   

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43400100 FY 2011-12 (Words)	Associated Activities Title
61	Average operational cost per claim worked	ACT 4110 Provide adjusting services on state workers' compensation ACT 4120 Provide adjusting services on state liability claims ACT 4130 Process property claims on state-owned buildings (structure & contents)
62	Number of workers' compensation claims requiring some payment per 100 FTE employees	ACT 4110 Provide adjusting services on state workers' compensation
63	Average cost of workers' compensation claims paid	ACT 4110 Provide adjusting services on state workers' compensation
64	Percent of liability claims closed in relation to liability claims worked during the fiscal year	ACT 4120 Provide adjusting services on state liability claims
65	State employees' workers' compensation benefit cost rate, as defined by indemnity and medical benefits, per \$100 of state employees' payroll as compared to prior years	ACT 4110 Provide adjusting services on state workers' compensation
66	Percent of indemnity and medical payments made in a timely manner in compliance with DFS Rule 4L-24.021, F.A.C.	ACT 4110 Provide adjusting services on state workers' compensation
67	Average cost of tort liability claims paid	ACT 4120 Provide adjusting services on state liability claims
68	Average cost of federal civil rights liability claims paid	ACT 4120 Provide adjusting services on state liability claims
69	Average cost of property claims paid	ACT 4130 Process property claims on state-owned buildings (structure & contents)
70	Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made	ACT 4140 Provide risk services training and consultation
71	Number of workers' compensation claims worked	ACT 4110 Provide adjusting services on state workers' compensation
72	Number of liability claims worked	ACT 4120 Provide adjusting services on state liability claims
73	Number of workers' compensation claims assigned for litigation during the current fiscal year.	ACT 4110 Provide adjusting services on state workers' compensation
74	Number of state property loss/damage claims worked	ACT 4130 Process property claims on state-owned buildings (structure & contents)

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500100 FY 2011-12 (Words)	Associated Activities Title
75	Percentage of companies with only class 3 or higher claims closed within 2 years after all litigation is concluded and all objections have been resolved.	ACT 5110 Rehabilitate and/or liquidate financially impaired insurance companies   
76	Percent of appraised value of assets liquidated for real property	ACT 5110 Rehabilitate and/or liquidate financially impaired insurance companies   
77	Percent of appraised value of assets liquidated for personal property	ACT 5110 Rehabilitate and/or liquidate financially impaired insurance companies   

## LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures

Measure Number	Approved Performance Measures for 43500200 FY 2011-12 (Words)	Associated Activities Title
78	Percent of licensees disciplined.	ACT 5250 Investigate Agents & Agencies ACT 5240 Administration of education requirements (pre-licensing and continuing education) ACT 5210 Review Applications for licensure (qualification)
79	Percent of applications processed within 7 working days.	ACT 5210 Review Applications for licensure (qualification) Request Deletion of Measure
80	Percent of licensees complying with continuing education requirements.	ACT 5240 Administration of education requirements (pre-licensing and Continuing Education) Request Deletion of Measure
81	Percent of investigations completed within 130 days.	ACT 5250 Investigate Agents & Agencies Request Deletion of Measure
82	Percent of satisfaction of Customer Contact Center services.	ACT 5210 Review Applications for Licensure (qualification) ACT 5240 Administration of education requirements (pre-licensing and Continuing Education) Request Deletion of Measure
83	Percent of completed investigations recommended for formal action that result in an action.	ACT 5250 Investigate Agents & Agencies Request Deletion of Measure

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500300 FY 2011-12 (Words)	Associated Activities Title
84	Percent of insurance fraud cases presented for prosecution by law enforcement investigators	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud  
85	Number of insurance fraud investigations completed (not including workers' compensation cases)	ACT 5310 Investigate insurance fraud (general)   
86	Number of worker's compensation insurance fraud investigations completed (not including general fraud investigations)	ACT 5320 Investigate workers' compensation insurance fraud   
87	Number of cases presented for prosecution	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud  
88	Dollar amount of restitution ordered by the court as a percent of the amount recommended by the Department for fraud investigations, by year ordered	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud  
89	Dollar amount of recommended orders of restitution, per capita	ACT 5310 Investigate insurance fraud (general) ACT 5320 Investigate workers' compensation insurance fraud  

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43500400 FY 2011-12 (Words)	Associated Activities Title
90	Percent of consumer activities that result in quality service.	ACT 5410 Respond to consumer requests for assistance ACT 5420 Provide consumer educational activities ACT 5430 Answer consumer telephone calls
91	Percentage of consumers satisfied with the service provided.	ACT 5410 Respond to consumer requests for assistance
92	Number of phone calls answered within 2 minutes.	ACT 5430 Answer consumer telephone calls



## LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures

Measure Number	Approved Performance Measures for 43500500 FY 2011-12 (Words)	Associated Activities Title
93	Percentage of investigations submitted to probable cause panel in which the panel agrees with the Division's probable cause recommendation.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
94	Percentage of investigations completed within 150 days of initiation.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
95	Percentage of establishments and cemeteries inspected per fiscal year.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
96	Percentage of financial examinations with deficit findings that resulted in deficits being corrected, initiation of an investigation of disciplinary action being taken against the licensee.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
97	Percentage of cemetery inspections with findings that resulted in improved care and maintenance and/or more accurate burial records, initiation of an investigation or disciplinary action being taken against the cemetery.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance
98	Percentage of funeral establishment inspections with health and safety findings that resulted in corrective action, initiation of an investigation or disciplinary action being taken against the establishment.	ACT 5470 Examine and regulate licensees in the Funeral & Cemetery business (Chapter 497) to ensure regulatory compliance

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for 43600100 FY 2011-12 (Words)	Associated Activities Title
99	Percent of first indemnity payments made timely	ACT 6110 Monitor and audit workers' compensation insurers to ensure benefit payments
100	Number of claim files reviewed annually	ACT 6110 Monitor and audit workers' compensation insurers to ensure benefit payments
101	Number of employer investigations conducted	ACT 6120 Verify that employers comply with workers' compensation laws
102	Number of disputes resolved for injured workers by the Employee Assistance Office	ACT 6130 Facilitate the informal resolution of disputes with injured workers,
103	Percentage of disputes resolved for injured workers by the Employee Assistance Office	ACT 6130 Facilitate the informal resolution of disputes with injured workers,
104	Number of reimbursement requests (SDF-2) audited	ACT 6140 Provide reimbursement for workers' compensation claims paid by insurance carriers on employees hired with preexisting conditions
105	Number of reimbursement requests (SDF-2) paid	ACT 6140 Provide reimbursement for workers' compensation claims paid by insurance carriers on employees hired with preexisting conditions

FINANCIAL SERVICES, DEPARTMENT OF		FISCAL YEAR 2010-11			
SECTION I: BUDGET		OPERATING		FIXED CAPITAL OUTLAY	
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT			301,802,111	0	
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)			29,175,282	0	
FINAL BUDGET FOR AGENCY			330,977,393	0	
SECTION II: ACTIVITIES * MEASURES		Number of Units	(1) Unit Cost	(2) Expenditures (Allocated)	(3) FCO
Executive Direction, Administrative Support and Information Technology (2)					0
Provide Analysis On Securities Held For Deposit And Qualified Public Depositories * Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit.		8,815	43.99	387,748	
Process Transactions, Account Changes And Audit Functions * Number of account actions taken on regulatory collateral deposit accounts.		55,793	18.53	1,033,998	
Provide Cash Management Services * Number of cash management consultation services.		30	34,167.83	1,025,035	
Receive Funds, Process Payment Of Warrants And Provide Account And Reconciliation Services * Number of financial management/accounting transactions processed and reports produced.		10,950,820	0.15	1,688,294	
Administer The State Supplemental Deferred Compensation Plan * Number of participant account actions processed by the state deferred compensation office.		1,549,153	1.10	1,696,431	
Accounting And Reporting Of State Funds * State Accounts Managed In The Florida Accounting Information Resource System.		37,193	117.30	4,362,762	
Migrate Current Accounts Payable Procedures To Electronic Commerce * Payments Issued Electronically To Settle Claims Against The State.		18,861,043	0.06	1,165,848	
Conduct Pre-audits Of Selected Accounts Payable * Agency payment requests are pre-audited and posted in a timely manner such that payments are issued in less than the 10 day statutory time limit.		727,986	4.59	3,340,857	
Conduct Post-audits Of Major State Programs * Number of contract/grant reviews and post-audits of contract/grant disbursements completed to determine compliance with statutory and contractual requirements.		10	160,272.50	1,602,725	
Process State Employees Payroll * Payroll payments issued.		3,419,049	0.68	2,335,983	
Conduct Post-audits Of Payroll * Post-audits completed of state agencies payroll payments to determine compliance with statutes and Federal rules and regulations.		21	8,239.57	173,031	
Conduct Fiscal Integrity Investigations * Fiscal integrity investigations completed to investigate allegations or suspicions of fraud, waste or abuse.		33	25,605.45	844,980	
Collect Unclaimed Property * Accounts reported by holders of unclaimed property.		2,079,297	1.23	2,555,622	
Process And Payment Of Unclaimed Property * Payments processed for claims of unclaimed property.		286,258	8.98	2,569,984	
License The Fire Protection Industry * Number of entity requests for licenses, permits and certificates processed within statutorily mandated time frames.		9,005	59.31	534,096	
Perform Fire Safety Inspections * Number of inspections of fire code compliance completed.		16,337	259.58	4,240,779	
Review Construction Plans For Fire Code Compliance * Number of construction plans reviewed.		758	750.30	568,730	
Perform Boiler Inspections * Number of boiler inspections completed by department inspectors.		2,535	232.46	589,290	
Investigate Fires Accidental, Arson And Other * Total number of closed fire investigations involving economic or physical loss.		3,942	3,422.24	13,490,483	
Provide State, Local And Business Professional Training And Education * Number of classroom contact hours provided by the Florida State Fire College.		207,293	20.02	4,149,266	
Provide State, Local And Business Professional Standards, Testing And Statutory Compliance * Number of examinations administered.		6,386	320.82	2,048,728	
Provide Forensic Laboratory Services * Number of evidence items and photographic images processed		12,794	95.38	1,220,232	
Fire Incident Reporting * Number of total incidents reported to the Florida Fire Incident Reporting System.		2,859,578	0.17	488,228	
Provide Adjusting Services On State Workers' Compensation Claims * Number of workers' compensation claims worked.		22,815	1,100.49	25,107,589	
Provide Adjusting Services On State Liability Claims * Number of liability claims worked.		5,065	2,198.78	11,114,826	
Process Property Claims On State Owned Buildings (structure And Contents) * Number of state property loss/damage claims worked.		146	13,216.48	1,929,606	
Provide Risk Services Training And Consultation * Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made.		359	4,926.17	1,768,495	
Rehabilitate And/Or Liquidate Financially Impaired Insurance Companies * Number of insurance companies in receivership during the year.		52	16,442.87	855,029	
Review Applications For Licensure (qualifications) * Number of applications for licensure processed.		106,354	32.82	3,490,058	
Administer Examinations And Issue Licenses * Number of examinations administered and licenses authorized.		69,711	51.58	3,595,984	
Administer The Appointment Process From Employers And Insurers * Number of appointment actions processed.		1,606,086	0.51	812,521	
Administration Of Education Requirements (pre Licensing And Continuing Education) * Number of applicants and licensees required to comply with education requirements.		190,842	2.26	431,083	
Investigate Agents And Agencies * Number of agent and agency investigations completed.		3,545	1,880.78	6,667,361	
Investigate Insurance Fraud (general) * Number of insurance fraud investigations completed (not including workers' compensation).		9,133	1,742.91	15,918,036	
Investigate Workers' Compensation Insurance Fraud * Number of workers' compensation insurance fraud investigations completed (not including general fraud investigations).		1,541	3,036.84	4,679,771	
Respond To Consumer Request For Assistance * Number of consumer requests and informational inquiries handled.		57,875	77.70	4,496,972	
Provide Consumer Education Activities * Number of consumer educational materials created and distributed.		291,381	2.55	742,676	
Answer Consumer Telephone Calls * Number of telephone calls answered through the consumer helpline.		233,961	20.57	4,811,884	
Monitor And Audit Workers' Compensation Insurers To Ensure Benefit Payments * Number of claims reviewed annually.		102,592	46.35	4,754,941	
Verify That Employers Comply With Workers' Compensation Laws * Number of employer investigations conducted.		34,252	417.24	14,291,454	
Facilitate The Informal Resolution Of Disputes With Injured Workers, Employers And Insurance Carriers * Number of injured workers that obtained one or more benefits due to intervention by the Employee Assistance Office.		1,530	3,386.92	5,181,985	
Provide Reimbursement For Workers' Compensation Claims Paid By Insurance Carriers On Employees Hired With Preexisting Conditions * Number of reimbursement requests (SDF-2) audited.		4,042	323.42	1,307,258	
Collection Of Assessments From Workers' Compensation Insurance Providers * Amount of assessment dollars collected.		90,662,959	0.01	749,092	
Occupation Injury And Illness Survey * Number of injuries and illnesses and incidence rates of injuries/illnesses.		8,552	63.29	541,253	
Data Collection, Dissemination, And Archival * Number of records successfully entered into the division's databases.		5,249,685	0.83	4,350,668	
Reimbursement Disputes * Number of petitions for reimbursement dispute resolution resolved annually		3,586	438.17	1,571,261	
Approve And License Entities To Conduct Insurance Business * Number of applications processed.		100	9,068.88	906,888	
Conduct And Direct Market Conduct Examinations. * Number of examinations and investigations completed for licensed companies and unlicensed entities		994	3,182.85	3,163,748	
Conduct Financial Reviews And Examinations. * Number of financial reviews and examinations completed.		9,268	1,801.82	16,699,247	
Review And Approve Rate And Form Filings. * Number of rate and forms review completed.		14,946	529.52	7,914,188	
Examine And Regulate Financial Services Companies To Ensure Regulatory Compliance. * Examinations of non-depository financial service companies to determine compliance with regulations.		1,108	10,841.11	12,011,954	
Evaluate And Process Applications For Licensure As A Financial Services Entity. * Applications processed or evaluated for licensure or registration as a non-depository financial services entity.		28,163	118.11	3,326,259	
Examine And Enforce Laws Regarding Banks, Trusts, And Credit Unions To Ensure Safety And Soundness. * Number of domestic financial institutions examined to ensure safety and soundness.		252	49,143.86	12,384,253	
Examine And Enforce Laws Regarding International Financial Institutions To Ensure Safety And Soundness. * Number of international financial institutions examined to ensure safety and soundness.		35	24,124.57	844,360	
Conduct Financial Investigations Into Allegations Of Fraudulent Activity. * Number of financial investigations into allegations of fraudulent activity.		137	42,181.72	5,778,896	
Examine And Regulate Money Services Businesses To Ensure Regulatory Compliance * Examinations of money services businesses conducted to determine compliance with regulations.		517	5,419.51	2,801,886	
Examine And Regulate Securities Firms, Branches To Ensure Regulatory Compliance. * Conducted examinations and investigations, handle complaints related to securities firms, branch offices, and their employees.		136	45,640.55	6,207,115	
Evaluate And Process Applications For Registration As A Securities Firm, Branch, And/Or Individual. * Substantively review and act upon securities applications for registration of firms, brance offices associated person and securities offerings.		61,079	45.27	2,764,922	
TOTAL				246,086,649	
SECTION III: RECONCILIATION TO BUDGET					
PASS THROUGHS					
TRANSFER - STATE AGENCIES					
AID TO LOCAL GOVERNMENTS					
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS					
OTHER				37,504,261	
REVERSIONS				47,386,515	
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)				330,977,425	

## SCHEDULE XI/EXHIBIT VI: AGENCY-LEVEL UNIT COST SUMMARY

- Some activity unit costs may be overstated due to the allocation of double budgeted items.
- Expenditures associated with Executive Direction, Administrative Support and Information Technology have been allocated based on FTE. Other allocation methodologies could result in significantly different unit costs per activity.
- Information for FCO depicts amounts for current year appropriations only. Additional information and systems are needed to develop meaningful FCO unit costs.
- Final Budget for Agency and Total Budget for Agency may not equal due to rounding.

BUDGET PERIOD: 2002-2013

SCHED XI: AGENCY-LEVEL UNIT COST SUMMARY

STATE OF FLORIDA

AUDIT REPORT FINANCIAL SERVICES

-----  
ACTIVITY ISSUE CODES SELECTED:

TRANSFER-STATE AGENCIES ACTIVITY ISSUE CODES SELECTED:

1-8:

AID TO LOCAL GOVERNMENTS ACTIVITY ISSUE CODES SELECTED:

1-8:  
-----

THE FOLLOWING STATEWIDE ACTIVITIES (ACT0010 THROUGH ACT0490) HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND SHOULD NOT:

\*\*\* NO ACTIVITIES FOUND \*\*\*  
-----

THE FCO ACTIVITY (ACT0210) CONTAINS EXPENDITURES IN AN OPERATING CATEGORY AND SHOULD NOT:

(NOTE: THIS ACTIVITY IS ROLLED INTO EXECUTIVE DIRECTION, ADMINISTRATIVE SUPPORT AND INFORMATION TECHNOLOGY)

\*\*\* NO OPERATING CATEGORIES FOUND \*\*\*  
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THE FOLLOWING ACTIVITIES DO NOT HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND ARE REPORTED AS 'OTHER' IN SECTION III: (NOTE: 'OTHER' ACTIVITIES ARE NOT 'TRANSFER-STATE AGENCY' ACTIVITIES OR 'AID TO LOCAL GOVERNMENTS' ACTIVITIES. ALL ACTIVITIES WITH AN OUTPUT STANDARD (RECORD TYPE 5) SHOULD BE REPORTED IN SECTION II.)

BE	PC	CODE	TITLE	EXPENDITURES	FCO
43010200	1602000000	ACT1020	HOLOCAUST VICTIMS ASSISTANCE	304,499	
43010400	1602000000	ACT1040	INSURANCE CONSUMER ADVOCATE	777,860	
43010500	1603000000	ACT1050	INFORMATION TECHNOLOGY - FLAIR	11,781,651	
43100300	1601000000	ACT1310	INVESTMENT OF PUBLIC FUNDS	600,196	
43200100	1601000000	ACT2010	PASS THROUGH FROM PRISON INDUSTRY	645,032	
43200100	1601000000	ACT2020	CAPITAL COLLATERAL REGISTRY	1,349,894	
43200100	1601000000	ACT2180	FLAIR AND CMS REPLACEMENT PROJECT	1,513,281	
43200100	1601000000	ACT2190	ARTICLE V - CLERK OF THE COURTS	773,971	
43400100	1601000000	ACT4150	PURCHASE OF EXCESS INSURANCE	11,715,231	
43500500	1204000000	ACT5470	EXAMINE AND REGULATE LICENSEES	1,571,460	
43600100	1102020000	ACT6010	TRANSFER TO 1ST DISTRICT COURT OF	1,994,090	
43500700	1202000000	ACT9060	AFDC/WAGES/EMPLOYEE FRAUD	379,974	
43500700	1202000000	ACT9070	PUBLIC ASSISTANCE FRAUD	898,536	
43500700	1202000000	ACT9080	MEDICAID FRAUD INVESTIGATIONS	383,703	
43900110	1204000000	ACT9150	HURRICANE RATE/RISK MODEL	588,409	
43200100	1601000000	ACT9200	AMERICAN RECOVERY AND REINVESTMENT	281,638	

43200100	1601000000	ACT9230	WRONGFUL INCARCERATION COMPENSATION	1,754,795
43500400	1205000000	ACT9250	DEEPWATER HORIZON OIL SPILL	2,452
43010100	1602000000	ACT9910	TRANSITION ASSISTANCE	187,589

-----  
TOTALS FROM SECTION I AND SECTIONS II + III:

DEPARTMENT: 43	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	330,977,393	
TOTAL BUDGET FOR AGENCY (SECTION III):	330,977,425	
	-----	-----
DIFFERENCE:	32-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====

## **GLOSSARY OF TERMS AND ACRONYMS**

**Activity:** A unit of work which has identifiable starting and ending points, consumes resources, and produces outputs. Unit cost information is determined using the outputs of activities.

**Actual Expenditures:** Includes prior year actual disbursements, payables and encumbrances. Payables and encumbrances are certified forward at the end of the fiscal year. They may be disbursed between July 1 and September 30 of the subsequent fiscal year. Certified forward amounts are included in the year in which the funds are committed and not shown in the year the funds are disbursed.

**Appropriation Category:** The lowest level line item of funding in the General Appropriations Act which represents a major expenditure classification of the budget entity. Within budget entities, these categories may include: salaries and benefits, other personal services (OPS), expenses, operating capital outlay, data processing services, fixed capital outlay, etc. These categories are defined within this glossary under individual listings. For a complete listing of all appropriation categories, please refer to the ACTR section in the LAS/PBS User's Manual for instructions on ordering a report.

**Baseline Data:** Indicators of a state agency's current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees.

**BFFEA: Bureau of Forensic Fire and Explosives Analysis**

**Budget Entity:** A unit or function at the lowest level to which funds are specifically appropriated in the appropriations act. "Budget entity" and "service" have the same meaning.

**CAFR** – Comprehensive Annual Financial Report

**CIO** - Chief Information Officer

**CIP** - Capital Improvements Program Plan

**D3-A:** A legislative budget request (LBR) exhibit which presents a narrative explanation and justification for each issue for the requested years.

**Demand:** The number of output units which are eligible to benefit from a service or activity.

**DFS** – Department of Financial Services

**EOG** - Executive Office of the Governor

**Estimated Expenditures:** Includes the amount estimated to be expended during the current fiscal year. These amounts will be computer generated based on the current year appropriations adjusted for vetoes and special appropriations bills.

**FCO - Fixed Capital Outlay**

Fixed Capital Outlay: Real property (land, buildings including appurtenances, fixtures and fixed equipment, structures, etc.), including additions, replacements, major repairs, and renovations to real property which materially extend its useful life or materially improve or change its functional use. Includes furniture and equipment necessary to furnish and operate a new or improved facility.

**FLAIR - Florida Accounting Information Resource Subsystem**

Florida Advisory Committee on Arson Prevention (FACAP): A non-profit corporation, founded in 1975, made up of personnel from the Bureau of Fire and Arson Investigations, Division of State Fire Marshal; federal, county and city law enforcement officers throughout the state, fire service personnel, insurance representatives, private arson investigators, attorneys and others engaged, on a continuing basis, in eradicating arson in Florida.

**F.S. - Florida Statutes**

**GAA - General Appropriations Act**

**GR - General Revenue Fund**

High Hazard (building inspections): Any building or structure, containing combustible or explosive matter; where persons receive educational instruction; that is a non-private dwelling residence; or contains three or more floor levels.

Indicator: A single quantitative or qualitative statement that reports information about the nature of a condition, entity or activity. This term is used commonly as a synonym for the word "measure."

Information Technology Resources: Includes data processing-related hardware, software, services, telecommunications, supplies, personnel, facility resources, maintenance, and training.

Input: See Performance Measure.

Interagency Advisory Council on Loss Prevention: Representatives from state agencies meet quarterly to discuss safety problems within Florida state government, to attempt to find solutions for these problems, and, when possible, to assist in the implementation of the solutions.

**IOE - Itemization of Expenditure**

**IT - Information Technology**

Judicial Branch: All officers, employees, and offices of the Supreme Court, district courts of appeal, circuit courts, county courts, and the Judicial Qualifications Commission.

**LAN** - Local Area Network

**LAS/PBS** - Legislative Appropriations System/Planning and Budgeting Subsystem. The statewide appropriations and budgeting system owned and maintained by the Executive Office of the Governor.

**LBC** - Legislative Budget Commission: A standing joint committee of the Legislature. The Commission was created to: review and approve/disapprove agency requests to amend original approved budgets; review agency spending plans; and take other actions related to the fiscal matters of the state, as authorized in statute. It is composed of 14 members appointed by the President of the Senate and by the Speaker of the House of Representatives to two-year terms, running from the organization of one Legislature to the organization of the next Legislature.

**LBR** - Legislative Budget Request: A request to the Legislature, filed pursuant to section 216.023, Florida Statutes, or supplemental detailed requests filed with the Legislature, for the amounts of money an agency or branch of government believes will be needed to perform the functions that it is authorized, or which it is requesting authorization by law, to perform.

Life Safety Code: Also known as NFPA 101, it is a publication of the National Fire Protection Association (NFPA). In 1998, the Florida Legislature mandated that NFPA 101 and NFPA 1, the Uniform Fire Code, be adopted by the Florida State Fire Marshal as the base codes for the Florida Fire Prevention Code. With the adoption of the 2006 edition of the Life Safety Code along with the State Fire Marshal's adaptations for Florida, it will be entitled NFPA 101—2006 Florida Edition. The entire Florida Fire Prevention Code is scheduled to become effective on October 1, 2008, to match the planned effective date for the Florida Building Code.

**L.O.F.** - Laws of Florida

Loss Payment Revolving Fund: A fund maintained in a controlled disbursement/positive payment bank account for claim-related payments to claimants and vendors for casualty and property lines of coverage.

**LRPP** - Long-Range Program Plan

Long-Range Program Plan: A plan developed on an annual basis by each state agency that is policy based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance.

**NASBO** - National Association of State Budget Officers



Narrative: Justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed.

National Fire Incident Reporting System: A national database that collects data nationwide on all fire incidences and provides reports to interested parties for development of local and national fire prevention policies.

National Fire Protection Association (NFPA): A private, non-profit corporation whose mission is “to reduce the worldwide burden of fire and other hazards on the quality of life by providing and advocating consensus, codes and standards, research, training, and education.” It has more than 81,000 U.S. and international members representing more than 80 national trade and professional organizations. NFPA drafts and publishes over 300 fire prevention codes and standards, and is an authoritative source on fire safety and public safety. Its codes and standards have been adopted by state and local governments, including the State of Florida.

Nonrecurring: Expenditure or revenue which is not expected to be needed or available after the current fiscal year.

**OPB** - Office of Policy and Budget, Executive Office of the Governor

Outcome: See Performance Measure.

Output: See Performance Measure.

Outsourcing: Means the process of contracting with a vendor(s) to provide a service or an activity. Management responsibility is transferred to the vendor for the delivery of resources and performance. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission.

**PAF** – Division of Public Assistance Fraud

Pass Through: Funds that the state distributes directly to other entities, e.g., local governments, without being managed by the agency distributing the funds. These funds flow through the agency’s budget; however, the agency has no discretion regarding how the funds are spent, and the activities (outputs) associated with the expenditure of funds are not measured at the state level. *NOTE: This definition of “pass through” applies ONLY for the purposes of long-range program planning.*

Performance Ledger: The official compilation of information about state agency performance-based programs and measures, including approved programs, approved outputs and outcomes, baseline data, approved standards for each performance measure and any approved adjustments thereto, as well as actual agency performance for each measure.

Performance Measure: A quantitative or qualitative indicator used to assess state agency performance.

- Input means the quantities of resources used to produce goods or services and the demand for those goods and services.
- Outcome means an indicator of the actual impact or public benefit of a service.
- Output means the actual service or product delivered by a state agency.

Policy Area: A grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code.

Primary Service Outcome Measure: The service outcome measure which is approved as the performance measure which best reflects and measures the intended outcome of a service. Generally, there is only one primary service outcome measure for each agency service.

Privatization: Occurs when the state relinquishes its responsibility or maintains some partnership type of role in the delivery of an activity or service.

Process Mapping: Process mapping creates a workflow diagram intended to help clarify the steps in a series of routine, repeated activities. Diagramming is used to understand inputs received, activities conducted and outputs sent to a customer. Process maps are used to identify gaps and duplications as well as measure tasks and activities.

Program: A set of services and activities undertaken in accordance with a plan of action organized to realize identifiable goals and objectives based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word "Program." In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. "Service" is a "budget entity" for purposes of the LRPP.

Program Purpose Statement: A brief description of approved program responsibility and policy goals. The purpose statement relates directly to the agency mission and reflects essential services of the program needed to accomplish the agency's mission.

Program Component: An aggregation of generally related objectives which, because of their special character, related workload and interrelated output, can logically be considered an entity for purposes of organization, management, accounting, reporting, and budgeting.

Qualified public depositories: Banks, savings banks, or savings associations that are organized and exist under the laws of the United States, the laws of this state or any other state or territory of the United States. They have their principal place of business or a branch office in this state which is authorized under the laws of this state or of the United States to receive deposits in Florida. Qualified public depositories have deposit insurance under the provision of the Federal Deposit Insurance Act, as amended, 12 U.S.C. ss. 1811 et seq. and have procedures and practices

for accurate identification, classification, reporting, and collateralization of public deposits. They meet all the requirements of Chapter 280, F.S. and have been designated by the Chief Financial Officer as a qualified public depository.

Records Retention Schedules: Retention schedules identify agency records and establish minimum periods of time for which the records must be retained based on the records' administrative, fiscal, legal, and historical values. The Department of State administers Florida's Records Management Program which requires an inventory of records maintained by an agency and the identification of existing retention schedules or the establishment of new retention schedules.

Recurring (building inspections): Any building or structure not under the High Hazard definition.

Regional Domestic Security Task Forces: Each task force consists of representatives from law enforcement, fire rescue, health and medical and emergency management/regulatory. Each component plays a vital role in efforts to prevent a terrorist attack and, if necessary, responds immediately to and coordinates efforts at disaster sites.

Reliability: The extent to which the measuring procedure yields the same results on repeated trials and data are complete and sufficiently error free for the intended use.

Service: See Budget Entity.

Service of Process: All authorized insurers (insurance companies) registered to do business in the State of Florida are required to designate the Chief Financial Officer of Florida as their Registered Agent for Service of Process. These processes (Summons & Complaint or Subpoenas) may be delivered by personal service or mail.

Special Purpose Investment Account (SPIA): An optional investment program open to any entities established by the Florida Constitution or Florida Statutes. The Division of Treasury manages a fixed income investment operation for both general revenue and trust funds in the Treasury and funds of organizations participating in the Treasury SPIA.

Standard: The level of performance of an outcome or output.

Statement on Auditing Standards (SAS) No.70, Service Organizations: A service auditor's examination performed in accordance with SAS No. 70 (a recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA)) is widely recognized, because it represents that a service organization has been through an in-depth audit of its control objectives and control activities, which often include controls over information technology and related processes.

State Wide Cost Allocation Plan (SWCAP): The methodology used to allocate general and administrative costs to various programs, grants, contracts and agreements. The plan identifies costs associated with programs; describes the programs for which cost data is needed; includes the methodology for identifying program-specific costs; and displays the techniques used to

accumulate cost data. Florida's SWCAP requires that each state agency and the judicial branch include a prorated share of general and administrative costs, such as accounting, provided by central service agencies. For federal grants or contracts, these costs are reimbursable to the state pursuant to the provisions of U.S. Office of Management and Budget Circular A-87. DFS ensures that the SWCAP presents the most favorable allocation of central services costs allowable to the state by the federal government.

**SWOT** - Strengths, Weaknesses, Opportunities and Threats

**TCS** - Trends and Conditions Statement

**TF** - Trust Fund

**TRW** - Technology Review Workgroup

Unit Cost: The average total cost of producing a single unit of output – goods and services for a specific agency activity.

United States Fires Administration: Federal sub-agency that provides a clearing house for national fire issues and is the repository of the National Fire Incident Reporting System

Validity: The appropriateness of the measuring instrument in relation to the purpose for which it is being used.

**WAGES** - Work and Gain Economic Stability (Agency for Workforce Innovation)

**WAN** - Wide Area Network (Information Technology)



## OFFICE OF INSURANCE REGULATION

**KEVIN M. McCARTY**  
COMMISSIONER

**FINANCIAL SERVICES  
COMMISSION**

**RICK SCOTT**  
GOVERNOR

**JEFF ATWATER**  
CHIEF FINANCIAL OFFICER

**PAM BONDI**  
ATTORNEY GENERAL

**ADAM PUTNAM**  
COMMISSIONER OF  
AGRICULTURE

September 30, 2011

Jerry L. McDaniel, Director  
Office of Policy and Budget  
Executive Office of the Governor  
1701 Capitol  
Tallahassee, Florida 32399-0001

Jo Ann Leznoff, Staff Director  
House Appropriations Committee  
221 Capitol  
Tallahassee, Florida 32399-1300

Terry Rhodes, Staff Director  
Senate Budget Committee  
201 Capitol  
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Office of Insurance Regulation is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2012-13 through Fiscal Year 2016-2017. This submission has been approved by Insurance Commissioner Kevin McCarty.

Should further information be required, please do not hesitate to contact me at (850) 413-5100.

Sincerely,

A handwritten signature in cursive script that reads "Audrey S. Brown".

Audrey S. Brown  
Chief of Staff

AB:aes

**FINANCIAL SERVICES COMMISSION**

**OFFICE OF INSURANCE REGULATION**



**Long-Range Program Plan**

**FY 2012-13 through 2016-17**

September 2011

***Kevin M. McCarty***  
***Commissioner***

# **OFFICE OF INSURANCE REGULATION MISSION AND GOALS**

## **Mission Statement**

To ensure that insurance companies licensed to do business in Florida are financially viable; operating within the laws and regulations governing the insurance industry; and offering insurance products at rates that are not excessive, inadequate, and which do not unfairly discriminate against the buying public.

## **Vision**

The Florida Office of Insurance Regulation envisions a robust and competitive insurance market while maintaining protections for the insurance-buying public.

## **AGENCY GOALS**

The Florida Office of Insurance Regulation (Office) has established the following goals as priorities. The paragraphs immediately following each goal describe the compelling trends and conditions that identify the goal as an Office priority. Additionally, significant legislation and technology initiatives related to the goals are referenced.

### **GOAL #1: Influence insurance markets where possible to make available insurance products that offer fair, understandable coverage and are not priced in a manner that is discriminatory, excessive or inadequate for the coverage provided.**

The business units within the Office that contribute to this goal are the Property & Casualty Product Review (PCPR) unit, and Life and Health Product Review (LHPR) unit.

The Office is responsible for the review of form and rate filings submitted by insurers and other insurance related entities. Form filings include policy forms (contracts), new products or changes to existing products. Rate filings are requests from insurers to maintain, increase or decrease the rates of certain products. These policy forms and rates are reviewed by Office staff to determine their compliance with Florida Statutes and to ensure that the products are offered at a fair and adequate price and that they do not unfairly discriminate against the public. For Fiscal Year 2010-2011, the PCPR unit processed 7,478 form and rate filings in an average of 55 days. The LHFO unit processed 7,468 form and rate filings in an average of 21 days.

In 1995, the former Department of Insurance initiated a Filing and Compliance Symposium to provide a forum for insurance industry personnel to learn about the Office's electronic filing system (I-File), to be briefed on new legislation and current topics in the marketplace, and to discuss the basics about how companies can improve the quality of rate and form filings to facilitate more timely reviews and approvals. In 2008, more than 400 industry representatives attended the Symposium. Due to budget cuts, the Office is not hosting a symposium during the 2011-2012 Fiscal Year.

### **Significant Legislation**

#### 2011 Senate Bill 408 – Insurance

This bill revises various aspects of the Insurance Code:

- ✧ Raises the surplus requirements for insurers transacting residential property insurance that are not a wholly owned subsidiary of an insurer domiciled in another state.
- ✧ Authorizes the State Board of Administration (SBA) and private market insurers to renegotiate the terms of a surplus note issued pursuant to the Insurance Capital Build-Up Incentive Program before January 1, 2011.
- ✧ Authorizes insurers to renew a property and casualty insurance policy under different policy terms by providing to the policyholder a written "Notice of Change in Policy Terms" instead of a written "Notice of Non-Renewal."



### ***Time Limits for Claims and Statute of Limitations***

- ⤴ Places time limits for bringing a hurricane or sinkhole claim. Creates a statute of limitations for bringing a breach of contract property insurance action in court.
- ⤴ Claims, supplemental claims, or reopened windstorm or hurricane claims must be submitted to the insurer within three years after the hurricane first makes landfall or the windstorm causes covered damage.
- ⤴ Initial, supplemental or reopened sinkhole claims must be given to the insurer within two years after the policyholder knew or reasonably should have known about the sinkhole loss.
- ⤴ A five-year statute of limitations for bringing an action for the breach of a property insurance contract that runs from the date of loss was also enacted.

### ***Public Adjusters***

- ⤴ Limits public adjuster fees related to a maximum of 20 percent for reopened or supplemental claim payment and for claim payment made by the insurer more than one year after events declared by the Governor to be a State of Emergency.
- ⤴ Public adjuster fees related to a policy issued by Citizens Property Insurance Corporation (Citizens) may not exceed 10% of the additional amount actually paid in excess of the amount originally offered by Citizens on the claim.
- ⤴ Prohibits public adjusters from making deceptive or misleading advertisements or solicitations and specifies what must be in the public adjuster contract.

### ***Rate Standards***

- ⤴ Requires property insurance rate filings to be submitted via the “file and use” method until May 1, 2012.
- ⤴ Revises requirements for Limited Reinsurance filings, including allowing an insurer to increase rates by up to 15% due to changes in its rates for reinsurance and financing products used as a replacement for reinsurance.
- ⤴ Specifies that the sworn certification of a property insurance rate filing is not rendered false if the insurer provides the Office with additional information pursuant to a request from the Office. The actuary for the insurer responsible for providing the additional information must provide an additional sworn certification.

### ***Citizens***

- ⤴ Removes sinkhole premiums from the cap on rate increases of 10% for any single policy.
- ⤴ Repeals the requirement to reduce the high-risk area.
- ⤴ Specifies that Citizens may not levy regular assessments until the full Citizens policyholder surcharge has been levied.
- ⤴ Specifies that Citizens policies issued or renewed on or after January 1, 2012, which cover sinkhole loss may not include coverage for losses to appurtenant structures, sidewalks, decks, or patios that are caused by sinkhole activity. Citizens must exclude such coverage using a notice of coverage change, which may be included with the policy renewal.

## **Sinkholes**

- ⤴ Authorizes insurers to restrict catastrophic ground cover collapse and sinkhole loss coverage to the principal building as defined in the insurance policy.
- ⤴ Allows an insurer to require a property inspection prior to issuing sinkhole loss coverage.
- ⤴ Clarifies that additional living expense coverage is only available pursuant to a sinkhole loss if there is structural damage to the covered building.
- ⤴ Changes the definition of “sinkhole loss,” primarily by creating a statutory definition of “structural damage.”
- ⤴ Creates a substantially new process for an insurer’s investigation of a sinkhole claim.
- ⤴ Provides that payment shall be made to conduct such repairs in accordance with the recommendations of the professional engineer retained by the insurer.
- ⤴ Provides the insurer may limit payment to the actual cash value of the sinkhole loss not including below-ground repair techniques until the policyholder enters into a contract for the performance of building stabilization repairs.
- ⤴ Requires the contract for below-ground repairs to be made in accordance with the recommendations set forth in the insurer’s sinkhole report and entered into within 90 days after the policyholder receives notice that the insurer has confirmed coverage for sinkhole loss.
- ⤴ Stabilization and all other repairs to the structure and contents must be completed within 12 months after the policyholder enters into the contract for repairs unless the insurer and policyholder mutually agree otherwise, the claim is in litigation, or the claim is in neutral evaluation, appraisal or mediation.
- ⤴ Specifies that if a covered building suffers a sinkhole loss or catastrophic ground cover collapse, the insured must repair such damage in accordance with the insurer’s professional engineer’s recommended repairs. However, if repairs cannot be completed within policy limits, the insurer has the option to either pay to complete the recommended repairs or tender policy limits.
- ⤴ Revises the procedures and time frames for conducting the neutral evaluation.

## 2011 House Bill 99 - Insurance

This bill amends the insurance “Rating Law,” to allow additional specified types of commercial lines insurance to be exempt from the rate filing and review requirements of sections 627.062(2) and 627.0651(1), F.S., similar to SB 2176 that was enacted in 2010. Provides that in order to exercise this exemption, an insurer must notify the Office of any changes to rates for these exempted types of insurance within 30 days after the effective date of the change. It also specifies the information that must be included in the notice, and requires that underwriting files, premiums, and loss/expense statistics must be maintained by the insurer and subject to review by the Office.

## **Technology Initiatives**

### I-Portal & I-FILE

The Office's online system for insurance companies to make rate and form filings, and for the public to access to these filings is superior to any used in other states, and has actually been used for cooperative filings with California, Texas, Georgia, Nevada, and Florida. By increasing the speed and efficiency of rate and form filing review, this system helps the Office meet public expectations of transparency, manage an enormous workload, and provide faster service for insurance companies to offer innovative products to market.

In 2002, the design and implementation of an Internet portal (I-Portal) for submission of form and rate filings allowed our customers (the industry) to submit filings electronically, therefore eliminating the need to send copies of filings through the mail. These systems have shortened our customer response time and the speed at which the industry is able to get new products or rates to the public. A company can go to the I-Portal and submit filings through I-File. With respect to on-going regulations, the Office plans to fully utilize current and developing electronic filing systems, which will improve production, efficiency, and monitoring capacity. Each year, the I-FILE system is modified to implement significant legislative changes.

In 2011, House Bill 99 (Insurance) was passed and technical changes were made to I-File to reflect the reduced filing requirements for rate filings for the following lines of business: Fiduciary liability; general liability; nonresidential property (currently limited to highly protected risks only); nonresidential multi-peril (currently limited to highly protected risks only); excess property (currently limited to highly protected risks only); burglary and theft; commercial auto (currently limited to only those that cover fleets of 20 or more vehicles); professional liability, errors and omissions; accountants; lawyers; engineers and architects; and miscellaneous professional liability.

House Bill 1037 (Related to Continuing Care Retirement Communities (CCRC)) was also passed during the 2011 legislative session and requires the Office to make technical changes to I-File for collecting data related to the CCRC At-Home program.

Additionally, technical changes were made pertaining to changes in specific products codes as a result of the passage of House Bill 408 (Related to Property and Casualty Insurance).

## **NAIC**

Many of the significant changes that affect insurers are decided by the National Association of Insurance Commissioners (NAIC). The organization provides state insurance regulators with a forum to collaborate on national public policy issues that promote a competitive marketplace for insurers while maintaining important protections for consumers. The Office is an active participant in the NAIC with Commissioner McCarty currently serving as President-Elect. Commissioner McCarty will lead the organization as President in 2012. In addition to Commissioner McCarty's leadership role, Florida chairs the NAIC's

Senior Issues Task Force, which handle issues such as Medicare, Medicare supplement insurance, and long-term care insurance that affect so many of Florida's senior population. Florida also chairs the International Insurance Relations Committee, which is responsible for strengthening the international insurance regulatory system and providing a forum for cooperative efforts between state insurance regulators, international regulators, and multi-national associations of regulators on issues of mutual interest. Florida continues to chair the Catastrophe Insurance Working Group and has also been active in the areas of company solvency and financial oversight. Florida's active participation in national market conduct issues has resulted in millions of dollars being returned to consumers. Participation in NAIC activities has given Florida the ability to be in front of many issues that are critical to the regulation of insurance and to better understand and influence insurance markets.

To reach the Goal #1, the Office will continue to develop systems to more accurately assess market trends, and will continue to participate actively in the national and global regulatory environments that control and shape the Florida marketplace. Some of the immediate issues facing insurance regulators are a new level of federal involvement in insurance regulation as well as the potential shift to consistent international accounting and reporting standards. Florida continues to provide leadership on these and other important issues with a focus on consumer protection.

### **Multi-State Review Program**

The Multi-State Review Program (MSRP) offers insurance companies the opportunity to submit an individual, online annuity contract filing simultaneously to member states. The founding states are Texas, California and Florida. Additional participating states are Nevada and Georgia. Annuity filers use the Florida's online I-File system <https://iportal.fldfs.com/ifile/default.asp> to submit filings, which are subject to combined annuity review standards and provide companies with a simultaneous product approval in all participating states.

Participating insurers see a noticeable increase in their product speed to market and a reduction in administrative costs. Each submission offers insurers the opportunity to obtain approval within 60 days or less with an average review period of 35 days and reach over a quarter of the country's annuities market. Company participation in the MSRP is free (although some existing states require filing fees) and only requires an Internet connection.

### **GOAL #2: Protect the public from illegal, unethical insurance practices.**

The Market Investigations Unit monitors the activities of the Florida insurance marketplace to detect and address unfair trade practices and other Insurance Code violations that pose a risk of harm to consumers.

Nationally, there has been a shift away from performing routine examinations of insurers at regular intervals. The current trend is to conduct target (issue specific) examinations or to collaborate with other regulatory jurisdictions

utilizing multi-state examinations. Target examinations more efficiently address issues that may affect a large number of Floridians, while multi-state examinations more efficiently address issues that may affect consumers in numerous states. Florida continues to identify significant issues through market analysis, which is a review and analysis of information reported in financial statements, complaint data, through lawsuit activity and other data sources, to determine whether or not a particular practice may be adversely affecting consumers. This enables the Office to concentrate its efforts on those practices that have the most potential for public harm.

In the aftermath of the 2004-2005 hurricanes, the Market Investigations Unit focused on property insurance issues and the myriad issues surrounding hurricane claim payments. While property insurance issues will remain important in the years to come, the Unit will also focus on issues affecting senior consumers. In particular, sales practices to senior consumers in the annuity marketplace have drawn attention in recent years and these practices warrant further review by regulators and the industry. In addition, the Unit will continue to focus on preventing the sale of unauthorized insurance products to consumers.

In the coming years, Market Investigations will continue to take a proactive approach and conduct numerous examinations to verify that data required to be submitted by insurance companies to the Office is timely and accurately reported. This is an important task as the Legislature and other policymakers rely on this data when making policy decisions.

Goals for the years 2012-2017 include refining processes and procedures in to efficiently conduct investigations and examinations, timely report results, and take appropriate administrative action to address violations of the Florida Insurance Code. During Fiscal Year 2010-2011, the Office collected \$2.1 million in fees, penalties and fines for violations of the insurance code.

Since the Cabinet Reorganization Act of 2002 and the creation of the Financial Services Commission, effective January 7, 2003, the Office has made significant efforts to provide restitution to Florida's policyholders. In Fiscal Year 2010-2011, the Office's Market Investigations unit efforts resulted in insurance company refunds exceeding \$32 million to Florida consumers.

**GOAL #3: Regulate the solvency of licensed insurance companies to address financial issues as early as possible to prevent unnecessary harm to consumers.**

The Office has the statutory responsibility of reviewing the financial books and records of insurance companies and related entities to ensure that they are financially viable and operating within the laws of Florida.

The activity of reviewing financial statements is divided into two areas of expertise: Life & Health Financial Oversight (LHFO), and Property & Casualty Financial Oversight (PCFO). In 2010, the Specialty Product Administration (SPA) business unit merged into PCFO and LHFO. Each unit performs analysis

of financial statements and performs on-site examinations of financial records for entities transacting insurance business in Florida.

Most insurance companies are not exclusively operating in Florida, but may operate or even be domiciled in other states and do business in Florida. To effectively regulate the financial viability of entities transacting business in Florida, the Office must establish and maintain communication channels with other states, the NAIC, the industry and consumers. The financial health of the insurance industry remains an ever-changing landscape and continues to challenge the Office's responsibility for regulating the financial health of the industry in Florida.

The Office monitors the financial condition of all regulated entities through the use of internal financial analysis and on-site examinations. During financial analysis and examination of each regulated entity, a determination is made as to the quality of assets, adequacy of stated liabilities, general operating results to see if the condition of the company warrants continuation of its certificate of authority to operate in Florida.

In 2007, Section 624.316, F.S., was amended to allow the Office to engage outside experts to conduct financial examinations and allow the Office to bill insurers for the cost of the examinations. Without this ability, the Office would not have been able to complete statutorily required examinations and would have needed a substantial increase in resources. A combination of trained staff and outside experts works most effectively in this area.

### **Property & Casualty**

The financial health of the Florida homeowner's insurance marketplace is ever-changing and continues to face serious challenges even without a hurricane in the past several years.

Property and Casualty insurers are continuing to be negatively impacted in part because of their reduced yields on investments, increases in fraudulent claims, and a soft market. A significant number of insurers have withdrawn from the residential property market and others have significantly curtailed writing. Insurers face challenges from the economic environment and the following cost drivers:

- Increased Reinsurance Costs;
- Replacement Cost Methodology;
- Fraud;
- Reported Sinkhole Claims; and
- Premium Reductions from the full Implementation of Mitigation Discounts

During the 2011 Florida Legislative session, the Office and the Florida domestic insurance industry supported changes included in SB 408 that became effective May 17, 2011. SB 408 increased surplus requirements for insurers transacting residential property insurance that are not a wholly owned subsidiary of an insurer domiciled in another state. Along with other pertinent parts, SB 408

authorizes the State Board of Administration and private market insurers to renegotiate the terms of a surplus note issued before January 1, 2011 pursuant to the Insurance Capital Build-Up Incentive Program, revises the notice of cancellation, nonrenewal or termination requirements for personal lines and commercial lines residential property insurance policies, places time limits for bringing a breach of contract property insurance action in court, and limits public adjuster fees related to reopened or supplemental claims to a maximum of 20% of the reopened or supplemental claim payment.

In May of each year, the Office conducts a Reinsurance Data Call to determine whether insurers writing property risks in this state will be able to meet their policy obligations in the event of one or more catastrophic events during the hurricane season. In addition, in 2010, the Office conducted an examination of sinkhole claims. The scope of the examination covered the period from 2006 to 2010, and relates specifically to homeowner claims filed in Florida on properties located in Florida. These continuing efforts will improve the quantitative information available about the Florida property insurance market to enable policyholders to make more informed decisions.

The Office remains committed to fostering and developing a robust competitive market for risk capital in Florida. The Office has initiated a systematic program to introduce a series of innovations that reflect recent developments in the risk transfer and capital markets. The objective is to reduce the frictional cost to primary insurers of obtaining catastrophic risk finance, while at the same time ensuring that effective risk transfer using these mechanisms enhances the financial solvency of the primary insurers, for the benefit of Florida's property insurance policyholders. This is a long-term process. New markets and solvency frameworks take time to develop and expand. With continued effort and market acceptance, the end result will be a more stable insurance market in the state. Related objectives are as follows:

- ✧ Adapt the financial solvency oversight framework to reflect developments in the market with respect to legitimate effective risk transfer.
- ✧ Working with the legislative and executive branches, aid in creating market opportunities and structures to attract catastrophic risk finance capital.

## **Life & Health**

### New Federal Health Insurance Law

The Patient Protection and Affordable Care Act (PPACA) was passed by the U.S. Congress and signed by the president in March 2010. This new law requires, among other things, that issuing carriers provide a rebate to consumers if the percentage of premiums expended for clinical services and activities that improve health care quality is less than 85% in the large group market and 80% in the small group and individual markets. The Office participated in a national effort, through the NAIC, to determine what activities can qualify as improving health care quality.

The following changes were effective September 23, 2010, and are applicable to a group health plan and a health insurance issuer offering group or individual health insurance coverage. Most policies issued on or after September 23, 2010 have to comply with the reforms outlined below:

- Rescissions are prohibited except for instances of fraud or intentional misrepresentation (also applicable to grandfathered plans and self-insured plans);
- Plans are required to provide first-dollar coverage for a defined set of preventive medical services without cost to the policyholder or certificateholder (not applicable to grandfathered plans, applicable to self-insured plans);
- Plans may not establish lifetime limits on the dollar value of benefits; plans may only establish restricted annual limits prior to January 1, 2014, on the dollar value of Essential Health Benefits (also applicable to grandfathered plans and self-insured plans);
- Plans are required to implement internal appeals and external review processes pertaining to coverage determinations and claims (not applicable to grandfathered plans, applicable to self-insured plans);
- Plans are prohibited from imposing preexisting condition exclusions for children under age 19 (also applicable to grandfathered plans, except individual; applicable to self-insured plans);
- Plans that offer and provide dependent coverage of children shall continue to make such coverage available for an adult child until the child turns 26 years of age (also applicable to grandfathered plans and self-insured plans);
- Plans are prohibited from requiring “preauthorization” for emergency health services. A patient cannot be penalized for visiting a hospital outside of the plan’s network for emergency services. The health plan cannot charge the patient a higher co-payment than if the emergency services were provided by an in-network hospital (not applicable to grandfathered plans, but applicable to self-insured plans);
- Plans may not require authorization or referral for female patients to receive obstetric or gynecological care from participating providers and must treat their authorizations as the authorization of a primary care provider (not applicable to grandfathered plans, but applicable to self-insured plans); and
- Plans must submit to the U.S. Secretary of Health and Human Services and State insurance commissioner and make available to the public the following information in plain language:
  - Claims payment policies and practices



- Periodic financial disclosures
- Data on enrollment
- Data on disenrollment
- Data on the number of claims that are denied
- Data on rating practices
- Information on cost-sharing and payments with respect to out-of-network coverage
- Other information as determined appropriate by the Secretary.

The Office has worked with health carriers to ensure that these new consumer protections are contained in Florida health insurance policies.

### Health Flex Plans

Health Flex Plans (HFPs) are established in Section 408.909, Florida Statutes, with the intent to expand health care options for low-income uninsured state residents by encouraging health insurers, health maintenance organizations, health care provider sponsored organizations, local governments, health care districts or other public or private community-sponsored organizations to develop alternative approaches to traditional health insurance that emphasize coverage for basic and preventive health care services. The initial expiration date of the pilot program was July 2004; however, the 2008 Legislature extended the program to July 2013. The future of health flex plans is uncertain after January 1, 2014, when the full federal health insurance reforms go into effect and more comprehensive coverage will be required.

### CCRCs

Continuing Care Retirement Communities (CCRCs) present an ongoing issue of concern within the Office. CCRCs provide services to all segments of the senior population in Florida from those seeking an active lifestyle to those needing assistance with daily living. Included in these services are food, housing, transportation, social activities, wellness services, nursing care and personal services.

CCRCs serve a crucial need for the growing senior population in Florida. Economic conditions have proven a challenge for many of these entities. Seniors often use the proceeds from the sale of their homes to pay the required entrance fee. The depressed market conditions have left many prospective residents unable to afford the entrance fee due to the decline in value or the inability to sell their home. As a result, most entities have experienced declining occupancy rates. Entities have been responding by lowering fees to make CCRCs more affordable. However, this has led to lower revenue at many of the entities. As of August 26, 2011, there were 70 CCRCs with certificates of authority and 3 CCRCs with provisional certificates of authority in Florida.

CCRC legislation was passed during the 2011 Session. This legislation amended Chapter 651, Florida Statutes, by:

- Creating regulations for continuing care at-home programs including:
  - Licensing requirements for new CCRCs offering continuing care at-home,
  - Requirements for existing CCRCs to add continuing care at-home,
  - Residency contract requirements,
  - Escrow requirements, and
  - Limits upon the maximum number of continuing care and continuing care at-home contracts that may be issued by a facility.
- Allowing skilled nursing beds to be used by continuing care at-home residents.
- Providing a facility 90 days to comply with a written directive from the Office to bring a residency contract into compliance.
- Clarifying that a resident is not entitled to any interest on a deposit or an entrance fee unless it is specified in the continuing care contract.
- Setting requirements for feasibility studies and actuarial studies.
- Allowing CCRCs to request a greater number of skilled nursing beds from the Agency for Health Care Administration to use for non-continuing care residents.

### STOLI and STOA

Viatical settlement providers present continuing issues of concern within the Office. These entities buy life insurance policies from the policy owner for an amount less than the death benefit of the policy and then resell the policy and death benefit to investors. The investor makes premium payments to keep the policy in force and expects to profit upon the death of the insured. While legislation was signed into law in Florida in 2005, making a “viatical settlement investment” subject to Florida’s Securities and Investor Protect Act, many areas of concern remain. Among the more complex issues requiring attention are Stranger-Originated Life Insurance (STOLI) and Stranger-Originated Annuity (STOA) transactions.

In general, STOLI transactions involve a plan to initiate, or originate a life insurance policy for the benefit of investors who seek to profit by purchasing life insurance on a stranger. STOLI is a scheme designed to procure life insurance on individuals, often using fraudulent means such as misrepresentation, falsification, or omission of material facts in the life insurance application. This may entail misrepresenting the true net worth of the proposed insured to obtain large face value life insurance policies. STOAs are similar in that an individual of poor health or terminally ill is paid to serve as annuitants on variable annuity contracts and after their death, the stranger collects the guaranteed minimum death benefit.

STOLI and STOA transactions are occurring in Florida and involve Florida seniors who are induced into obtaining insurance policies they otherwise would not buy or need. STOLI policies are procured in a manner that circumvents the insurable interest laws by allowing persons with no insurable interest in the life of the insured at the time of purchase to obtain a policy for which they could not directly apply.

#### STOLI and STOA Transactions Harm Seniors:

- Seniors may exhaust their life insurance purchasing capability and not be able to protect their own family or business.
- The incentives, especially cash payments, used to lure seniors to participate in STOLI and STOA schemes are taxable as ordinary income.
- Seniors may subject themselves or their estates to potential liability in the event the life insurance policy is rescinded by an insurer who discovers fraud.
- Seniors may encounter unexpected tax liability from the sale of the life insurance policy.
- The “free” insurance is not free and may be subject to tax based on the economic value of the coverage.
- Seniors have to give the purchaser, and subsequent purchasers, access to their medical records when they sell their life insurance policy in the secondary market so that investors know the health status of the insured. The investors want to know the “status” of their investment and how close they are to getting paid.
- STOLI may lead to an increase in life insurance rates for the over 65 population.

#### Medigap

Medicare Supplement insurance (Medigap) is a health policy sold by private insurance companies to fill the “gaps” in the federal Medicare coverage. Medigap policies help Florida’s seniors pay some of the health care costs that traditional Medicare does not cover. There are more than 100 companies insuring over 674,000 Florida lives with Medigap coverage. These insurers generated nearly \$1.4 billion dollars in taxable premium payments in 2009. By concept and design, currently issued Medigap policies are standardized for easy benefit comparison by the consumer. Currently, there are 10 standardized Medigap plans called “A” through “N.” Each plan, A through N, has a different set of benefits. Plan A covers only a basic set of benefits, while the remainder of the plans build on each other and provide more comprehensive coverage.

Beginning in 2009, Florida law was expanded to provide an open enrollment opportunity for those persons eligible for Medicare by virtue of disability or

having end-stage renal disease (ESRD). Until 2015, insurers shall review experience for this class of individuals separately from the rest of the pool. After that time, carriers must pool the under age 65 issues with the rest of its Medigap business, but premiums for the disabled/ESRD will always be higher than the premiums for those 65 and older.

**GOAL #4: Expand and retain companies doing business in Florida and provide transparency of insurance related data.**

In 2005, the Office created the Business Development and Market Research unit (BDMR). The unit is grouped into two sections; Business Development/Company Admissions Unit which is responsible for the retention and expansion of insurance companies in the Florida marketplace, and the Market Research and Technology Unit that serves as the information clearinghouse for the collection and dissemination of public data for the Office. The Business Development/Company Admissions Unit also manages the company application process and is responsible for the coordination of licensure approvals by the Commissioner.

**Business Development/Company Admissions (BDCA)**

The primary role of the unit is to facilitate the regulatory process for companies and to streamline the steps companies must take to comply with the Florida Insurance Code. The goal of this effort is to retain companies, while attracting new insurers and products to increase competition that ultimately benefits Florida's consumers. Another goal of the unit is to identify financially stable, highly rated companies not writing in Florida, and communicate to them the positive aspects of the Florida marketplace and incentivize them to expand or domesticate in Florida. As required by statute, this outreach to the marketplace is a program that has been developed within the existing resources of the Office.

Initially, the BDCA unit worked with Enterprise Florida and other economic development councils throughout the state to promote the benefits of expanding or moving lines of business to Florida and facilitating the regulatory process for established and new insurance companies. This involved travel in and outside of the state of Florida. However, due to significant budget reductions, the Office has curtailed this type of travel.

The BDCA has played a proactive role in promoting the opportunities available to insurance companies in the Florida marketplace and in light of current economic conditions, continues its outreach without travel and within the existing resources of the Office. In addition, the unit continuously reviews and where necessary, modifies certain of the Office's website information to accommodate the ever-changing statutory and business requirements in Florida's insurance market. BDCA makes every effort to assist companies that have submitted applications for licenses or amendments to licenses as the application goes through the various steps in acceptance and the review process.

The BDCA works closely with companies to submit applications via an online system called iApply. The intent of this system is to decrease application processing time, thereby increasing speed to market of new insurance products for consumers and bringing enhanced competition to Florida's marketplace. The system does not reduce the scrutiny given to new insurance company applications, but enhances and organizes the information so that decisions may be made quickly and based on complete information.

During this past year, the Legislature through HB 1087, created under Section 624.402(8), F.S., a registration process to allow non-U.S. based insurers to operate in Florida without holding a Certificate of Authority subject to certain conditions. This legislation also created an opportunity for service warranty associations operating from this state that do not provide services to Florida residents, to conduct business without licensure, subject to minimum notification. Using iApply functionality, application/registration packages were created and implemented with minimal system resources, which facilitate the registration/notification process and provide prospective applicants with timely instructions for fulfilling these new requirements. Similarly, federal legislation (H.R. 4173, 111th Cong. § 524 (2010)), which was passed in 2010 and amended requirements for surplus lines insurers, necessitating the establishment of yet another application package in iApply, again with minimal system resources.

Since the creation of the Office in 2003, the number of entities regulated by the Office has increase from approximately 3,400 to 4,024 (including surplus lines). In Fiscal Year 2010-2011, the insurance premium tax collected by the state of Florida according to the Department of Revenue was more than \$ 698.1 million.

### **Market Research & Technology**

The Market Research and Technology Unit serves as the data clearinghouse for the collection and dissemination of public insurance industry data. This unit is comprised of two areas that support the Office in the oversight and development of Florida's insurance markets.

The primary purpose of the Market Research Unit (MRU) is operational in nature. MRU ensures efficiency and transparency in the collection and validation of data that is collected from regulated entities. This section provides the data to satisfy public record requests, legislatively mandated reports and internal business unit requests.

The MRU makes insurance data it collects available to the public on [www.floir.com](http://www.floir.com). Many of these web pages and databases continue to evolve over the years due to the legislative changes and technology enhancements. Most notably, the development and use of the **I-Portal and I-File** is critical to company filings, as well as the Office's ability meet it mission (refer to Goal 1).

The Technology Unit's primary role is to support the Office in the day-to-day maintenance and development of computer applications. This unit works very closely with technical staff augmentation vendors and with the Department of Financial Services/Division of Information Systems to meet the needs of internal and external users by ensuring that systems are functioning properly. The Technology Unit in effect serves as the Office's leader in identifying strategic initiatives for innovation through technology enhancement.

Below is a list of significant technology initiatives, systems and data collections the Market Research and Technology Business Unit administers and reports on each year:

**Medicare Supplement Rate Plan Update from 1992 to 2010**

Due to federal changes, the Medicare Supplement Rate Plans were required to be updated at the state level by June 1, 2010. System changes and enhancements to the public Website were made to bring the plan options into compliance.

**Data Collection and Analysis Modules (DCAM)**

The DCAM system is housed within Office's I-Portal and it administers both *ad hoc* and standardized data collection events including, but not limited to, informational documents, surveys, questionnaires and numeric data. This system provides the Office with quicker access to important company data.

Since its establishment in 2008, DCAM handled various data collection activities including, but not limited to, the Florida Legislature's Office of Program Policy Analysis and Government Accountability's (OPPAGA) Long-Term Care Partnership Survey. DCAM is also used annually to facilitate the data collection survey for the Report on Life Insurance Limitations Based on Travel to Foreign Countries.

Additionally, each year DCAM is prepared to administer the collection of data for damage caused by a catastrophic event, such as a tropical storm or hurricane.

Since summer 2010 DCAM has become the major data collection application within MRTU. Property & Casualty *ad hoc* data calls were conducted for sinkhole claims and Personal Injury Protection (auto) claims. Four parts of the revised Annual Reinsurance Data Call are being conducted in DCAM during 2011. Additionally, MRU's largest data activity, General Emergency Assessments Reporting for Florida's Cat Fund and Citizen's Property Insurance, was converted to a DCAM data activity in April 2011.

Within DCAM both *ad hoc* and regular data activities have run more efficiently and have given MRU much greater flexibility in deployment and administration efforts. Internal staff efficiency, contractor hours, and the time-to-production has diminished by utilizing DCAM.

**Quarterly and Supplemental Reporting System Next Generation (QUASRng)**

Section 624.424, Florida Statutes, directs the Office to quarterly collect data from companies writing personal and commercial residential policies. The Office publishes prepared reports on [www.floir.com](http://www.floir.com) by Policies in Force, Structure Exposure, Premiums Written, Non-renewed Policies, Canceled Policies and New Policies Written. A comprehensive database of all QUASRng data is also available at the Office's Website.

### **Annual Report on Life Insurance Limitations Based on Travel to Foreign Countries**

Section 626.9541(1)(dd), Florida Statutes, defines the conditions under which the refusal to issue life insurance, the refusal to continue existing life insurance, or the limitation on the amount of life insurance based on past or future lawful travel constitutes an unfair trade practice. Based on the data call sent to insurers this report includes, but is not limited to, the number of applications under which life insurance was denied, continuance was refused, or coverage was limited based on future travel plans, the number of insurers taking such action and the reason for taking such action.

### **Accident and Health Gross Annual Premiums and Enrollment (GAP)**

Section 627.9175, F.S., states that each health insurer, prepaid limited health services organization, and health maintenance organization shall submit to the Office information concerning health and accident insurance coverage and medical plans being marketed and currently in force in Florida.

### **Small Group: Accident and Health Quarterly Premiums and Enrollment; Managed Care; and Market Share Reports**

Pursuant to Section 627.6699, F.S., the Office collects data pertaining to:

- Small Employer Group Carrier estimates of earned premiums and membership enrollment.
- Managed Care financial and county enrollment data for (Health Maintenance Organizations/HMOs) and other managed care health insurers (Group and Individual).
- Summary data of Small Employer Group Health annualized premiums earned.

### **Professional Liability Claims Reporting (PLCR) and Medical Malpractice Financial Information Closed Claim Database and Rate Filings Report**

Section 627.912, Florida Statutes, requires the Office to collect closed claims data from medical and legal professionals, as well as officers and directors. This data is utilized to comply with the requirements of Section 627.912(6)(b)&(c), F.S., which directs the Office to prepare an annual report detailing the medical malpractice insurance market in Florida. The report provides a review of the profitability and solvency characteristics of the medical malpractice insurers doing business in Florida, a review of rate filings received by the Office during the year, and a review of the characteristics of the medical malpractice closed claims required to be filed with the Office.

### **Property and Casualty Calendar Year Experience Report (PCCY)**

Section 627.915(2), F.S., requires insurers transacting fire, homeowner's multiple peril, commercial multiple peril, medical malpractice, products liability, workers' compensation, private passenger automobile liability, commercial automobile liability, private passenger automobile physical damage, commercial automobile physical damage, officers' and directors' liability insurance, or other liability insurance to report its calendar year experience for Florida business only (e.g., this includes, but is not limited to, direct premiums written, direct premiums earned, direct losses paid, acquisition costs, general expenses, etc.).

[www.flor.com/choices](http://www.flor.com/choices) (CHOICES)

In 2007, Governor Crist and the Office launched “Shop and Compare Rates,” a Website that assists consumers with comparing homeowners’ insurance rates in all 67 Florida counties. By clicking on each county, a consumer will see a pop-up window with a representative sample of companies and rates for insuring a typical Florida home. The list of insurers is sorted from the lowest to highest premium. In 2011, hosting of this Website was transferred to the Office whereupon it was renamed CHOICES (Consumer HomeOwners’ Insurance Comparison Electronic System). The Website received a new look and additional features when it was launched by the Office in July 2011.

#### **Small Employer Sample Rate Search (SESRS)**

In June 2006, the Office launched a Website that provides Floridians the ability to compare and search the benefits and premiums for small employer health plans offered in the state. Small businesses can use the site to obtain a sample monthly cost to provide health insurance for their employees. The Small Employer Sample Rate Search (SESRS) website gives small employers the ability to view small group major medical health insurance rates for standard, basic and high deductible health plans currently available in the state. Small businesses can enter the number of employees in various categories and calculate an estimated monthly cost for their company.

In addition to searching for small group employer rates, the website has links for frequently asked questions on small employer health insurance, links to various health insurance consumer guides and information for consumers to request assistance for information on health insurance.



## AGENCY OBJECTIVES

**GOAL #1: Availability of insurance products that are not discriminatory, excessive or inadequately priced.**

OBJECTIVE 1A: Shorten the time it takes to make new products and services available.

OUTCOME: Percentage of rate and form reviews completed within 90 days

Baseline Year 2003-2004	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
91%	92%	92%	92%	92%	92%

OBJECTIVE 1B: Shorten the time it takes to allow new companies to enter the market

OUTCOME: Maximum number of days from date of applications for a new certificate of authority initially submitted to the Office to the date the Office approves or denies the application pursuant to 120.80(9), F.S.

Baseline Year 2003-2004	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
180	90	90	90	90	90

*NOTE: The statutory requirement is processing an application within 180 days of receipt by the Office; however, for the 2007-08 Fiscal Year, the average number of days to process an application was 55. In Fiscal Year 2010-11, the average number of days to process an application was 45.*

**GOAL #2: Protect the public from unethical insurance practices.**

OBJECTIVE 2A: Ensure that allegations of unethical or fraudulent practices are acted upon.

OUTCOME: Percentage of market-conduct examinations that result in corrective action.

Baseline Year 2003-2004	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
63%	80%	80%	80%	80%	80%

**GOAL #3: Financially viable companies.**

OBJECTIVE 3A: Review, monitor and respond quickly to correct companies that are not meeting the required financial standards.

OUTCOME: Percentage of companies meeting required financial standards

Baseline Year 2003-2004	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
95%	96%	96%	96%	96%	96%

OBJECTIVE 3B: Timely review of company financial condition.

OUTCOME: Percentage of financial reviews completed within set standards.

Baseline Year 2003-2004	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
90%	98%	98%	98%	98%	98%

**GOAL #4: Expand and retain companies doing business in Florida and provide transparency of insurance related data.**

OBJECTIVE 4A: Provide requested data to Cabinet, Legislature, state agencies and consumers in a timely manner.

OUTPUT 1: Number of legislative/public information requests completed.

OUTPUT 2: Number of project requests received.

OBJECTIVE 4B: Provide a user friendly website with pertinent regulatory information.

OUTCOME: Percentage increase in the number of website hits, from the baseline year.

Baseline Year 2005-2006	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
303,610	1,100,000	1,150,000	1,200,000	1,250,000	1,300,000

OBJECTIVE 4C: Increase competition in the insurance market

OUTCOME: Number of new applications filed with the Office

Baseline Year 2005-2006	FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
567	723	760	760	760	760

## SERVICE OUTCOMES WITH PERFORMANCE PROJECTION TABLES

### **Program: Office of Insurance Regulation**

#### 43900110 Compliance and Enforcement – Insurance

Authority: Chapters 20, 112, 120, 440, 624, 625, 626, 627, 628, 629, 630, 631, 632, 634, 635, 636, 641, 642, 648, 651 and 817, Florida Statutes and applicable rules of the Florida Administrative Code.

Description: This service protects the public through regulatory oversight of company solvency, policy forms and rates, and market investigations performance.

Service Outcome: Percent of reviews (financial, form & rate, market investigations) completed within set standards.

FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
98%	98%	98%	98%	98%

#### 43900120 Executive Direction and Support Services

Authority: Chapters 20, 186, 215, 216, 282, 283, and 287, Florida Statutes, and applicable rules of the Florida Administrative Code.

Description: This service provides overall direction in carrying out the Office of Insurance Regulation's statutory and administrative responsibilities. The Commissioner and support staff provide administrative support, leadership, direction and executive guidance in carrying out the Office's statutory responsibilities.

Service Outcome: Administrative costs as a percent of total program costs

FY 2012-2013	FY 2013-2014	FY 2014-2015	FY 2015-2016	FY 2016-2017
Less than 12.6%	Less than 12.6%	Less than 12.6%	Less than 12.6%	Less than 12.6%

## **Trends and Conditions**

### **Property Insurance**

Despite efforts by the Office and the Legislature in recent years, the Florida property insurance market continues to pose a significant challenge. The Citizens Property Insurance Corporation (Citizens) provides a viable alternative for property owners who cannot find coverage in the voluntary market or who cannot find coverage except at an exorbitant rate. Citizens remains the largest writer of new insurance policies in the Florida property market. This is not desirable in the long run. In addition, several national insurers that wrote in Florida have withdrawn or significantly curtailed writing insurance in Florida since Hurricane Andrew in 1992 and even more since the 2004-2005 hurricanes. On the positive side, Florida is still viewed by some investors as a good place to do business as is evidenced by the 29 new domestic property writers that have formed since 2006.

A goal of the Office is to find equilibrium at which, despite our natural hurricane risk, Florida property is insurable at rates that its citizens can accept which do not produce excessive profits nor result in intolerable losses for insurers. Adding to the challenge in past years has been the growth in exposure resulting from real estate development. The Florida Hurricane Catastrophe Fund has estimated Florida's hurricane risk to exceed \$2 trillion. Insurers cannot attract enough new capital, and new insurers cannot form fast enough to satisfy this growing demand for insurance capacity. Due to recent economic conditions, some of this growth may slow, but adding new real estate, particularly to coastal areas, exacerbates the issues in the property market.

Likewise, failure to retrofit older real estate with modernized mitigation features adds to Florida's property risk. It became immediately apparent after the 2004-2005 storms that older homes that are not mitigated for hurricane risk fare much poorer than newer, more fortified homes. In addition, older condominium structures and mobile homes are primarily insured by Citizens.

The Office believes that improving the property market requires dramatic change in several key areas:

1. Reduce the risk. This includes mitigation of existing structures and increased vigilance in the permitting of new structures.
2. Eliminate as much fraud as possible. Insurers cannot write in areas where fraud is uncontrolled. Efforts to address this will include funding for vigorous prosecution of fraud in both claims and premium/application fraud.
3. Make certain that the policyholder has access to good information and then enable policyholders to make selections of coverage levels according to their individual needs.

4. Allow insurers to provide limited coverage for older structures that are unmitigated, and mobile homes. Allow pricing structures that encourage mitigation.
5. Eliminate expenses from the system where possible without reducing customer service. Property insurance companies may use 25-30% of the premium dollar for agent commissions and administration. Typically, the producing agent receives about 10% of the premium depending on the policy. The rest of this expense is consumed by policy administration costs, managing general agents fees, financing costs, and other related costs. These costs should be transparent to the policyholder to allow the policyholder to make choices accordingly.

^ Obviously, all of these initiatives are not within the purview of the Office. However, working with the Legislature and other state agencies, the Office intends to promote ideas that will help to make property insurance more available and more affordable. The Office's regulatory focus will be consistent with these efforts.

During the 2011 Legislative Session, the Office worked with legislative leaders and interested stakeholders to pass SB 408. This bill addresses several "cost drivers" in the property insurance market that are threatening the financial viability of many insurers and driving up costs for consumers. Among the various provisions of the legislation are enhanced tools for the Office to assist financially stressed insurers and new surplus requirements for property insurers doing business in Florida. SB 408 also makes comprehensive reforms to sinkhole coverage in an effort to guard against frivolous claims that increase costs to consumers.

The Office plans to focus its resources on solvency regulation, and on improving information available to the policyholders and the public as funding allows. In addition, the Office plans to work to improve insurance products offered to the public and to continue the effort to require insurers to have rates that are adequate, but not excessive, and not unfairly discriminatory. The Office has also been, and will continue to be, an advocate for the mitigation of homes and commercial property against hurricane damage, and will seek opportunities for the reduction of risk to the state's real property as a result of natural disasters. Particular emphasis will be placed on nurturing the newer insurers that have formed in this state and that have the potential to insure more of Florida's property risk in the voluntary, private insurance market.

The Office is also engaged in state and national efforts to strengthen the ability of the Citizens Property Insurance Corporation and the Florida Hurricane Catastrophe Fund to finance and pay hurricane claims.

### **Health Insurance**

The rising cost and decreased availability of health insurance is the subject of great concern both nationally and for the state of Florida. In Florida alone there are 3.8 million people that do not have health insurance. Commissioner McCarty serves as the Chairman of the Florida Health Insurance Advisory

Board (Board) and is responsible for appointing qualified, representative individuals to serve on the Board. The Board was established by the Florida Legislature in 1992 as the Small Employer Health Reinsurance Program for the purpose of promoting availability of health care coverage to small employers. At that time, the Board was primarily composed of representatives of health insurers licensed under chapter 624 or 641, Florida Statutes, who were tasked with facilitating standard and basic health benefit plans by providing reinsurance protection to small employer carriers and improving fairness and efficiency in Florida's small group health insurance market.

In 2005, the Legislature expanded the composition of the Board to include representatives of employers, an individual policyholder and a representative from the Agency for Health Care Administration (AHCA). The Board's responsibilities have also been expanded to serve in an advisory role to the Office of Insurance Regulation, AHCA, the Department of Financial Services, other executive departments and the Legislature on health insurance issues. Annually, the Board meets to fulfill their charges to issue a report on the state of the health insurance market in Florida and to hear testimony and make legislative recommendations for health care reforms.

The United States Congress has enacted sweeping health care reforms. It is not yet known whether these healthcare reforms will be effective or whether they will address the health care affordability crisis. The Office will monitor the effects of the federal legislation and its impacts on the numbers of uninsured and under-insured.

### **Other**

Another focus of the Office is bringing jobs to the state of Florida. The Office worked with the Legislature to pass HB 1087 which will expand the opportunities for international insurers to operate in Florida.

Finally, there are a multitude of issues that can affect the affordability and availability of insurance to consumers. Affordability in some lines of insurance has improved dramatically. The workers' compensation market is doing well, and has experienced reductions in claim costs and corresponding reductions in rates of more than 60% since 2003. Medical malpractice rates have also decreased since reforms were enacted in 2003. The Office is beginning to see a slight uptick in rates for both of these lines of insurance, which may be a signal that the savings from the reforms have been fully realized and that the markets are changing.

## LRPP Exhibit II - Performance Measures and Standards

43900000 Financial Services Commission
43900110 Compliance and Enforcement - Insurance

Approved Performance Measures	Approved Prior Year Standards for FY 2010-11	Prior Year Actual FY 2010-2011	Approved Standards for FY 2011-12	Requested FY 2012-13 Standards
Maximum number of days from date of applications for a new certificate of authority initially submitted to the OIR approves or denies the applications pursuant to 120.80(9), F.S.	180 days	284 days	180 days	180 days
Number of applications processed	328	100	328	328
Number of rate and forms review completed	13,000	14,946	13,000	13,000
Percent of rate and forms review completed within 90 days	92%	94.79%	92%	92%
Number of financial review and examinations completed	11,952	9,268	11,952	10,000
Percent of financial analysis reviews completed timely (within 90 days)	93%	99.968%	93%	93%
Number of examinations and investigations that are completed for licensed companies and unlicensed entities	760	994	760	760
Current number of licensed/regulated insurance entities	3,500	4,024	3,500	3,500
Residual market premium as a percent of total premium for homeowner's (total), mobile home, dwelling fire insurance	22.50%	15.23%	22.50%	22.50%
Residual market premium as a percent of total premium for workers' compensation insurance	0.75%	0.40%	0.75%	0.75%
Residual market premium as a percent of total premium for automobile insurance	0.50%	0.713%	0.50%	0.50%
Average risk based capital percentage	5.00%	5.45%	5.00%	5.00%
Percent of financial exams completed within 18 months of exam date	98%	99.230%	98%	98%

**LRPP Exhibit II - Performance Measures and Standards**

43900120 Executive Direction and Support Services
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<b>Approved Performance Measures</b>	Approved Prior Year Standards for FY 2010-11	Prior Year Actual FY 2010-2011	Approved Standards for FY 2011-12	Requested FY 2012-13 Standards
Administrative costs as a percent of total agency costs	<12.6%	10.0%	<12.6%	<12.6%
Administrative costs as a percent of total agency positions	<12.6%	12.0%	<12.6%	<12.6%



**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Maximum number of days from date of applications for a new certificate of authority initially submitted to the OIR to the date the OIR approves or denies the applications pursuant to 120.080(9), F.S.

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
180	284	104	58%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

OIR resources have been reduced by over 10%. However, only 1 application exceeded the standard.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input checked="" type="checkbox"/> Technology |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify)      |

**Recommendations:**

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of applications processed

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
328	100	(228)	(69%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |  |

**Explanation:** The Office does not control the number of new Certificate of Authority applications received from the insurance industry.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of rate and forms review completed

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure            |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
13,000	14,946	1,946	15%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

The number of rate and form reviews completed only provides a partial picture of the Office’s performance. A timely review brings more products to the market for consumers and access to new rates for companies. The Office recommends adding the language “percent of rate and forms filings completed within 90 days”.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Number of financial review and examinations completed

**Action:**

- |   |   |
|---|---|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input checked="" type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure            |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
11,952	9,268	(2,684)	(29%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities         | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect  | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

Office resources have been reduced from 315 FTE to 283 FTE.

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input checked="" type="checkbox"/> Legal/Legislative Change                 | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

Laws have been amended over the years to allow more time between examinations; therefore some exams are done every 3-5 years or on an as-needed basis.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:**

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Number of examinations and investigations that are completed for licensed companies and unlicensed entities

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure
- Performance Assessment of Output Measure       Deletion of Measure
- Adjustment of GAA Performance Standards

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
760	994	234	24%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors       Staff Capacity
- Competing Priorities       Level of Training
- Previous Estimate Incorrect       Other (Identify)

**Explanation:**

**External Factors** (check all that apply):

- Resources Unavailable       Technological Problems
- Legal/Legislative Change       Natural Disaster
- Target Population Change       Other (Identify)
- This Program/Service Cannot Fix The Problem
- Current Laws Are Working Against The Agency Mission

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training       Technology
- Personnel       Other (Identify)

**Recommendations:**

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Current number of licensed/regulated insurance entities

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
3,500	4024	524	15%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

This number does not include surplus lines.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Residual market premium as a percent of total premium for homeowner's, mobile home, dwelling fire insurance

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
22.50%	15.23%	(7.27%)	(32%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:**

The Office does not control the number of policies in the residual marketplace.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Residual market premium as a percent of total premium for workers' compensation insurance

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
0.75%	0.40%	(.35%)	(47%)

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:**

The Office does not control the number of policies in the residual marketplace.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.



**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation

**Program:** Financial Services Commission

**Service/Budget Entity:** Compliance and Enforcement

**Measure:** Residual market premium as a percent of total premium for automobile insurance

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
0.50%	.713%	.213%	43%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |   |   |
|---|---|
| <input type="checkbox"/> Resources Unavailable                                  | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                               | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                               | <input type="checkbox"/> Other (Identify)       |
| <input checked="" type="checkbox"/> This Program/Service Cannot Fix The Problem |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission    |   |

**Explanation:**

The Office does not control the number of policies in the residual marketplace.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Insurance Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** Compliance and Enforcement  
**Measure:** Average Risk Based Capital percentage

**Action:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure            |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input checked="" type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |   |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
5%	5.45%	.45%	9%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster       |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify)       |
| <input type="checkbox"/> This Program/Service Cannot Fix The Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against The Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |  |
|------------------------------------|--|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology                  |
| <input type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:**

Request deletion. This measure does not show any level of performance by the Office staff.

**LRPP Exhibit V: Identification of Associated Activity Contributing to Performance Measures**

Measure Number	Approved Performance Measures for FY 2011-12 (Words)		Associated Activities Title
1	Maximum number of days from date of applications for a new certificate of authority initially submitted to the OIR to the date OIR approves or denies the application pursuant to 120.80(9), F.S.		Approve and license entities to conduct insurance business
2	Number of applications processed		Approve and license entities to conduct insurance business
3	Number of rate and forms review completed		Review and approve rate and form filings
4	Percent of rate and forms filings completed within 90 days		Review and approve rate and form filings
5	Number of financial review and examinations completed		Conduct financial reviews and examinations
6	Percent of financial analysis reviews completed timely (within 90 days)		Conduct financial reviews and examinations
7	Number of examinations and investigations that are completed for licensed companies and unlicensed entities		Conduct and direct market examinations
8	Current number of licensed/regulating insurance entities		Approve and license entities to conduct insurance business
9	Residual market premium as a percent of total premium for insured homeowner's (total), mobile home, dwelling fire insurance		Review and approve rate and form filings
10	Residual market premium as a percent of total premium for workers' compensation insurance		Review and approve rate and form filings
11	Residual market premium as a percent of total premium for automobile insurance		Review and approve rate and form filings
12	Average risk based capital percentage		Conduct financial reviews and examinations
13	Percent of financial exams completed within 18 months of exam date		Conduct financial reviews and examinations
14	Administrative costs as a percent of total agency costs		N/A
15	Administrative positions as a percent of total agency positions		N/A

FINANCIAL SERVICES, DEPARTMENT OF		FISCAL YEAR 2010-11			
SECTION I: BUDGET		OPERATING		FIXED CAPITAL OUTLAY	
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT			301,802,111	0	
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)			29,175,282	0	
FINAL BUDGET FOR AGENCY			330,977,393	0	
SECTION II: ACTIVITIES * MEASURES		Number of Units	(1) Unit Cost	(2) Expenditures (Allocated)	(3) FCO
Executive Direction, Administrative Support and Information Technology (2)					0
Provide Analysis On Securities Held For Deposit And Qualified Public Depositories * Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit.		8,815	43.99	387,748	
Process Transactions, Account Changes And Audit Functions * Number of account actions taken on regulatory collateral deposit accounts.		55,793	18.53	1,033,998	
Provide Cash Management Services * Number of cash management consultation services.		30	34,167.83	1,025,035	
Receive Funds, Process Payment Of Warrants And Provide Account And Reconciliation Services * Number of financial management/accounting transactions processed and reports produced.		10,950,820	0.15	1,688,294	
Administer The State Supplemental Deferred Compensation Plan * Number of participant account actions processed by the state deferred compensation office.		1,549,153	1.10	1,696,431	
Accounting And Reporting Of State Funds * State Accounts Managed In The Florida Accounting Information Resource System.		37,193	117.30	4,362,762	
Migrate Current Accounts Payable Procedures To Electronic Commerce * Payments Issued Electronically To Settle Claims Against The State.		18,861,043	0.06	1,165,848	
Conduct Pre-audits Of Selected Accounts Payable * Agency payment requests are pre-audited and posted in a timely manner such that payments are issued in less than the 10 day statutory time limit.		727,986	4.59	3,340,857	
Conduct Post-audits Of Major State Programs * Number of contract/grant reviews and post-audits of contract/grant disbursements completed to determine compliance with statutory and contractual requirements.		10	160,272.50	1,602,725	
Process State Employees Payroll * Payroll payments issued.		3,419,049	0.68	2,335,983	
Conduct Post-audits Of Payroll * Post-audits completed of state agencies payroll payments to determine compliance with statutes and Federal rules and regulations.		21	8,239.57	173,031	
Conduct Fiscal Integrity Investigations * Fiscal integrity investigations completed to investigate allegations or suspicions of fraud, waste or abuse.		33	25,605.45	844,980	
Collect Unclaimed Property * Accounts reported by holders of unclaimed property.		2,079,297	1.23	2,555,622	
Process And Payment Of Unclaimed Property * Payments processed for claims of unclaimed property.		286,258	8.98	2,569,984	
License The Fire Protection Industry * Number of entity requests for licenses, permits and certificates processed within statutorily mandated time frames.		9,005	59.31	534,096	
Perform Fire Safety Inspections * Number of inspections of fire code compliance completed.		16,337	259.58	4,240,779	
Review Construction Plans For Fire Code Compliance * Number of construction plans reviewed.		758	750.30	568,730	
Perform Boiler Inspections * Number of boiler inspections completed by department inspectors.		2,535	232.46	589,290	
Investigate Fires Accidental, Arson And Other * Total number of closed fire investigations involving economic or physical loss.		3,942	3,422.24	13,490,483	
Provide State, Local And Business Professional Training And Education * Number of classroom contact hours provided by the Florida State Fire College.		207,293	20.02	4,149,266	
Provide State, Local And Business Professional Standards, Testing And Statutory Compliance * Number of examinations administered.		6,386	320.82	2,048,728	
Provide Forensic Laboratory Services * Number of evidence items and photographic images processed		12,794	95.38	1,220,232	
Fire Incident Reporting * Number of total incidents reported to the Florida Fire Incident Reporting System.		2,859,578	0.17	488,228	
Provide Adjusting Services On State Workers' Compensation Claims * Number of workers' compensation claims worked.		22,815	1,100.49	25,107,589	
Provide Adjusting Services On State Liability Claims * Number of liability claims worked.		5,065	2,198.78	11,114,826	
Process Property Claims On State Owned Buildings (structure And Contents) * Number of state property loss/damage claims worked.		146	13,216.48	1,929,606	
Provide Risk Services Training And Consultation * Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made.		359	4,926.17	1,768,495	
Rehabilitate And/Or Liquidate Financially Impaired Insurance Companies * Number of insurance companies in receivership during the year.		52	16,442.87	855,029	
Review Applications For Licensure (qualifications) * Number of applications for licensure processed.		106,354	32.82	3,490,058	
Administer Examinations And Issue Licenses * Number of examinations administered and licenses authorized.		69,711	51.58	3,595,984	
Administer The Appointment Process From Employers And Insurers * Number of appointment actions processed.		1,606,086	0.51	812,521	
Administration Of Education Requirements (pre Licensing And Continuing Education) * Number of applicants and licensees required to comply with education requirements.		190,842	2.26	431,083	
Investigate Agents And Agencies * Number of agent and agency investigations completed.		3,545	1,880.78	6,667,361	
Investigate Insurance Fraud (general) * Number of insurance fraud investigations completed (not including workers' compensation).		9,133	1,742.91	15,918,036	
Investigate Workers' Compensation Insurance Fraud * Number of workers' compensation insurance fraud investigations completed (not including general fraud investigations).		1,541	3,036.84	4,679,771	
Respond To Consumer Request For Assistance * Number of consumer requests and informational inquiries handled.		57,875	77.70	4,496,972	
Provide Consumer Education Activities * Number of consumer educational materials created and distributed.		291,381	2.55	742,676	
Answer Consumer Telephone Calls * Number of telephone calls answered through the consumer helpline.		233,961	20.57	4,811,884	
Monitor And Audit Workers' Compensation Insurers To Ensure Benefit Payments * Number of claims reviewed annually.		102,592	46.35	4,754,941	
Verify That Employers Comply With Workers' Compensation Laws * Number of employer investigations conducted.		34,252	417.24	14,291,454	
Facilitate The Informal Resolution Of Disputes With Injured Workers, Employers And Insurance Carriers * Number of injured workers that obtained one or more benefits due to intervention by the Employee Assistance Office.		1,530	3,386.92	5,181,985	
Provide Reimbursement For Workers' Compensation Claims Paid By Insurance Carriers On Employees Hired With Preexisting Conditions * Number of reimbursement requests (SDF-2) audited.		4,042	323.42	1,307,258	
Collection Of Assessments From Workers' Compensation Insurance Providers * Amount of assessment dollars collected.		90,662,959	0.01	749,092	
Occupation Injury And Illness Survey * Number of injuries and illnesses and incidence rates of injuries/illnesses.		8,552	63.29	541,253	
Data Collection, Dissemination, And Archival * Number of records successfully entered into the division's databases.		5,249,685	0.83	4,350,668	
Reimbursement Disputes * Number of petitions for reimbursement dispute resolution resolved annually		3,586	438.17	1,571,261	
Approve And License Entities To Conduct Insurance Business * Number of applications processed.		100	9,068.88	906,888	
Conduct And Direct Market Conduct Examinations. * Number of examinations and investigations completed for licensed companies and unlicensed entities		994	3,182.85	3,163,748	
Conduct Financial Reviews And Examinations. * Number of financial reviews and examinations completed.		9,268	1,801.82	16,699,247	
Review And Approve Rate And Form Filings. * Number of rate and forms review completed.		14,946	529.52	7,914,188	
Examine And Regulate Financial Services Companies To Ensure Regulatory Compliance. * Examinations of non-depository financial service companies to determine compliance with regulations.		1,108	10,841.11	12,011,954	
Evaluate And Process Applications For Licensure As A Financial Services Entity. * Applications processed or evaluated for licensure or registration as a non-depository financial services entity.		28,163	118.11	3,326,259	
Examine And Enforce Laws Regarding Banks, Trusts, And Credit Unions To Ensure Safety And Soundness. * Number of domestic financial institutions examined to ensure safety and soundness.		252	49,143.86	12,384,253	
Examine And Enforce Laws Regarding International Financial Institutions To Ensure Safety And Soundness. * Number of international financial institutions examined to ensure safety and soundness.		35	24,124.57	844,360	
Conduct Financial Investigations Into Allegations Of Fraudulent Activity. * Number of financial investigations into allegations of fraudulent activity.		137	42,181.72	5,778,896	
Examine And Regulate Money Services Businesses To Ensure Regulatory Compliance * Examinations of money services businesses conducted to determine compliance with regulations.		517	5,419.51	2,801,886	
Examine And Regulate Securities Firms, Branches To Ensure Regulatory Compliance. * Conducted examinations and investigations, handle complaints related to securities firms, branch offices, and their employees.		136	45,640.55	6,207,115	
Evaluate And Process Applications For Registration As A Securities Firm, Branch, And/Or Individual. * Substantively review and act upon securities applications for registration of firms, brance offices associated person and securities offerings.		61,079	45.27	2,764,922	
TOTAL				246,086,649	
SECTION III: RECONCILIATION TO BUDGET					
PASS THROUGHS					
TRANSFER - STATE AGENCIES					
AID TO LOCAL GOVERNMENTS					
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS					
OTHER				37,504,261	
REVERSIONS				47,386,515	
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)				330,977,425	

## SCHEDULE XI/EXHIBIT VI: AGENCY-LEVEL UNIT COST SUMMARY

- Some activity unit costs may be overstated due to the allocation of double budgeted items.
- Expenditures associated with Executive Direction, Administrative Support and Information Technology have been allocated based on FTE. Other allocation methodologies could result in significantly different unit costs per activity.
- Information for FCO depicts amounts for current year appropriations only. Additional information and systems are needed to develop meaningful FCO unit costs.
- Final Budget for Agency and Total Budget for Agency may not equal due to rounding.

BUDGET PERIOD: 2002-2013

SCHED XI: AGENCY-LEVEL UNIT COST SUMMARY

STATE OF FLORIDA

AUDIT REPORT FINANCIAL SERVICES

-----  
ACTIVITY ISSUE CODES SELECTED:

TRANSFER-STATE AGENCIES ACTIVITY ISSUE CODES SELECTED:

1-8:

AID TO LOCAL GOVERNMENTS ACTIVITY ISSUE CODES SELECTED:

1-8:  
-----

THE FOLLOWING STATEWIDE ACTIVITIES (ACT0010 THROUGH ACT0490) HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND SHOULD NOT:

\*\*\* NO ACTIVITIES FOUND \*\*\*  
-----

THE FCO ACTIVITY (ACT0210) CONTAINS EXPENDITURES IN AN OPERATING CATEGORY AND SHOULD NOT:  
(NOTE: THIS ACTIVITY IS ROLLED INTO EXECUTIVE DIRECTION, ADMINISTRATIVE SUPPORT AND INFORMATION TECHNOLOGY)

\*\*\* NO OPERATING CATEGORIES FOUND \*\*\*  
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THE FOLLOWING ACTIVITIES DO NOT HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND ARE REPORTED AS 'OTHER' IN SECTION III: (NOTE: 'OTHER' ACTIVITIES ARE NOT 'TRANSFER-STATE AGENCY' ACTIVITIES OR 'AID TO LOCAL GOVERNMENTS' ACTIVITIES. ALL ACTIVITIES WITH AN OUTPUT STANDARD (RECORD TYPE 5) SHOULD BE REPORTED IN SECTION II.)

BE	PC	CODE	TITLE	EXPENDITURES	FCO
43010200	1602000000	ACT1020	HOLOCAUST VICTIMS ASSISTANCE	304,499	
43010400	1602000000	ACT1040	INSURANCE CONSUMER ADVOCATE	777,860	
43010500	1603000000	ACT1050	INFORMATION TECHNOLOGY - FLAIR	11,781,651	
43100300	1601000000	ACT1310	INVESTMENT OF PUBLIC FUNDS	600,196	
43200100	1601000000	ACT2010	PASS THROUGH FROM PRISON INDUSTRY	645,032	
43200100	1601000000	ACT2020	CAPITAL COLLATERAL REGISTRY	1,349,894	
43200100	1601000000	ACT2180	FLAIR AND CMS REPLACEMENT PROJECT	1,513,281	
43200100	1601000000	ACT2190	ARTICLE V - CLERK OF THE COURTS	773,971	
43400100	1601000000	ACT4150	PURCHASE OF EXCESS INSURANCE	11,715,231	
43500500	1204000000	ACT5470	EXAMINE AND REGULATE LICENSEES	1,571,460	
43600100	1102020000	ACT6010	TRANSFER TO 1ST DISTRICT COURT OF	1,994,090	
43500700	1202000000	ACT9060	AFDC/WAGES/EMPLOYEE FRAUD	379,974	
43500700	1202000000	ACT9070	PUBLIC ASSISTANCE FRAUD	898,536	
43500700	1202000000	ACT9080	MEDICAID FRAUD INVESTIGATIONS	383,703	
43900110	1204000000	ACT9150	HURRICANE RATE/RISK MODEL	588,409	
43200100	1601000000	ACT9200	AMERICAN RECOVERY AND REINVESTMENT	281,638	

43200100	1601000000	ACT9230	WRONGFUL INCARCERATION COMPENSATION	1,754,795
43500400	1205000000	ACT9250	DEEPWATER HORIZON OIL SPILL	2,452
43010100	1602000000	ACT9910	TRANSITION ASSISTANCE	187,589

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TOTALS FROM SECTION I AND SECTIONS II + III:

DEPARTMENT: 43	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	330,977,393	
TOTAL BUDGET FOR AGENCY (SECTION III):	330,977,425	
	-----	-----
DIFFERENCE:	32-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====

## **GLOSSARY OF TERMS AND ACRONYMS**

Activity – A unit of work which has identifiable starting and ending points, consumes resources and produces outputs. Unit cost information is determined using the outputs of activities.

Ad Hoc - For a specific purpose, case or situation

CCRC – Continuing Care Retirement Communities

CFO - Chief Financial Officer

Citizens - Citizens Property Insurance Corporation

Demand - The number of output units which are eligible to benefit from a service or activity.

F.A.C. - Florida Administrative Code

F.S. - Florida Statutes

FSC - Financial Services Commission. Pursuant to Section 20.121(3), Florida Statutes, the FSC “shall not be subject to control, supervision, or direction by the Department of Financial Services in any manner, including purchasing, transactions involving real or personal property, personnel, or budgetary matters.” The FSC is comprised of the Governor and Florida Cabinet and contains the Office of Insurance Regulation and Office of Financial Regulation.

FTE - Full Time Equivalent

FWCJUA – Florida Workers’ Compensation Joint Underwriting Association

FWUA - Florida Windstorm Underwriting Association

FY - Fiscal Year

GAA - General Appropriations Act

HMO - Health Maintenance Organization

Input - See Performance Measure

LAS/PBS - Legislative Appropriations System/Planning and Budgeting Subsystem. The statewide appropriations and budgeting system owned and maintained by the Executive Office of the Governor.

Long-Range Program Plan (LRPP) - A plan developed on an annual basis by each state agency that is policy-based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of

agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance.

LOF – Laws of Florida

Medigap – Medial Supplement Insurance

MSRP – Multi State Review Program

NAIC - National Association of Insurance Commissioners

OIR or Office – Office of Insurance Regulation

Outcome - See Performance Measure

Output - See Performance Measure

Performance Measure - A quantitative or qualitative indicator used to assess state agency performance.

- ^ Input means the quantities of resources used to produce goods or services and the demand for those goods and services.
- ^ Outcome means an indicator of the actual impact or public benefit of a service.
- ^ Output means the actual service or product delivered by a state agency.

Primary Service Outcome Measure – The service outcome measure which is approved as the performance measure which best reflects and measures the intended outcome of a service. Generally, there is only one primary service outcome measure for each agency service.

Program - A set of activities undertaken in accordance with a plan of action organized to realize identifiable goals based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word “Program.” In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. “Service” is a “budget entity” for purposes of the LRPP.

Standard - The level of performance of an outcome or output.

Unit Cost - The average total cost of producing a single unit of output – goods and services for a specific agency activity.

Viatical Settlement – is the sale of a life insurance policy to a licensed viatical settlement provider in return for a negotiated payment. This payment is usually represented as a percentage of the policy’s face value.



WAGES – Work and Gain Economic Stability (Agency for Workforce Innovation)

WAN – Wide Area Network (Information Technology)

ZBB - Zero-Based Budgeting

**TOM GRADY**  
COMMISSIONER

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September 30, 2011

Jerry McDaniel  
Office of Policy and Budget  
Executive Office of the Governor  
1701 Capitol  
Tallahassee, Florida 32399-0001

JoAnne Leznoff, Staff Director  
House Appropriations Committee  
221 Capitol  
Tallahassee, Florida 32399-1300

Terry Rhodes, Staff Director  
Senate Budget Committee  
201 Capitol  
Tallahassee, Florida 32399-1300

Dear Directors:

Pursuant to Chapter 216, Florida Statutes, our Long Range Program Plan (LRPP) for the Office of Financial Regulation is submitted in the format prescribed in the budget instructions. The information provided electronically and contained herein is a true and accurate presentation of our mission, goals, objectives and measures for the Fiscal Year 2012-13 through Fiscal Year 2016-17. This submission has been approved by Tom Grady, Commissioner.

Respectfully,



Kathleen Kight  
Budget and Planning Administrator

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FINANCIAL SERVICES COMMISSION

**RICK SCOTT**  
GOVERNOR

**PAM BONDI**  
ATTORNEY  
GENERAL

**JEFF ATWATER**  
CHIEF FINANCIAL  
OFFICER

**ADAM PUTNAM**  
COMMISSIONER OF  
AGRICULTURE

# OFR

# Long Range Program

# Plan

Fiscal Years 2012-13 to 2016-17

September 30, 2011

**Tom Grady**  
Commissioner

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**FINANCIAL SERVICES COMMISSION**

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GOVERNOR

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GENERAL

**JEFF ATWATER**  
CHIEF FINANCIAL  
OFFICER

**ADAM PUTNAM**  
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AGRICULTURE

# OFFICE OF FINANCIAL REGULATION LONG RANGE PROGRAM PLAN

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**TOM GRADY**  
COMMISSIONER

September 30, 2011

**Building Trust.** This is the singular goal of the Office of Financial Regulation. Without trust and confidence in our financial markets, the economy grinds to a halt. We saw this in 2008, and have yet to recover. It's time.

To achieve this, we are questioning everything; not only what we do, but how we do it. As a result, the accompanying report is a work-in-process, and likely to change significantly. We invite you to help us identify those areas where we should focus and excel, and those where our efforts may be redundant or beyond our statutory charge.

More regulation is not always better regulation. With that in mind, we intend to be good stewards of Florida's tax dollars. Our Office's talented problem solvers are up to this challenge, and are eager to shatter the myth that public sector employees cannot perform. Watch and hold us accountable, but also help us vigilantly enforce Florida's financial laws.

Every consumer must be diligent. Today's low interest rates punish savers, and there is much temptation to reach for yield. If a financial opportunity or product looks too good to be true, it likely is. If you don't know who you're dealing with, you may want to investigate or reconsider. Don't borrow money that you may not be able to repay. Use our Office as a resource, and report questionable activity, but be vigilant in conducting your financial affairs. Remember, it's your money.

Economic growth, job creation and prosperity depend upon free and transparent financial markets. With your help, we will succeed in Building Trust.

Respectfully,

Tom Grady

# Building Trust

The Office of Financial Regulation (the Office or OFR) has built its 2012-2013 budget proposal largely from the ground up, focusing on goals and output. Rather than working with the *most* money we estimate may be appropriated through the General Appropriations Act, we have estimated what is *necessary* to do our part in achieving economic growth and prosperity while vigorously enforcing Florida's financial laws.

To assist us in focusing on service and results, we have embarked upon the following new initiatives:

1. **People** – Rethink the way we measure and reward the success of our organization and every employee.
2. **Regulatory, Redundancy and Caseload Reform** – Reduce unnecessary and burdensome regulation to promote prosperity while vigorously safeguarding consumers and financial markets. Eliminate non-required activities that are performed more effectively by others. Focus our resources on cases that will have the biggest impact for Floridians.
3. **Budget Pilot** – Request a simplified biennial performance-based budget.

Based on these initiatives, the Office will be re-evaluating its current metrics in the coming year. The new measures will focus on results, not process.

In prior years, the Office has identified the following priorities. These priorities will change as we evolve to a more results oriented organization.

**PRIORITY #1: Excellence in all OFR does**

**PRIORITY #2: Enforce compliance with State laws related to the financial industry**

**PRIORITY #3: Examine regulated companies and individuals**

**PRIORITY #4: Register or charter institutions, companies and individuals**

# AGENCY SERVICE OUTCOMES

**PRIORITY #1: Excellence in all OFR does**

**OBJECTIVE 1A:** Improve metrics to measure agency results

**OUTCOME 1A-1:** Review all existing performance measures annually to ensure they are meaningful and “results” oriented rather than process driven

Baseline Year 2012-13	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
100%	100%	100%	100%	100%	100%

**OBJECTIVE 1B:** Develop an atmosphere of continuous improvement

**OUTCOME 1B-1:** Review all existing performance measures annually to ensure they are meaningful and “results” oriented rather than process driven

Baseline Year 2012-13	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
100%	100%	100%	100%	100%	100%

**OBJECTIVE 1C:** Ensure customer satisfaction in the Division of Financial Institutions by surveying financial institutions

**OUTCOME 1C-1:** Percentage of financial institution surveys completed that rate the professionalism and responsiveness to management’s request and concerns of the Division's examiners as excellent

Baseline Year 2010-11	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
97%	90%	90%	90%	90%	90%

**OUTCOME 1C-2:** Percentage of financial institution surveys completed that rate the overall professionalism, responsiveness, staffing level and training of the Division's examiners, as compared to federal examiners, as excellent

Baseline Year 2010-11	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
89%	90%	90%	90%	90%	90%

**OUTCOME 1C-3:** Percentage of financial institution surveys completed that rate the ability of the Division's examiners to logically and clearly discuss all material supervisory concerns, findings, and recommendations with management prior to the conclusion of the on-site examination as excellent

Baseline Year 2010-11	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
89%	90%	90%	90%	90%	90%

**OBJECTIVE 1D:** Provide quick, responsive service to applicants

**OUTCOME 1D-1:** Decrease the average number of days to review a Finance license application

Baseline Year 2010-11	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
25	22	19	18	17	16

**OUTCOME 1D-2:** Provide prompt resolution of registration matters by decreasing the number of broker dealer agent applications that are pending

Baseline Year 2011-12	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
270	257	245	233	221	210

**OUTCOME 1D-3:** Provide prompt resolution of registration matters by decreasing the number of days to process broker dealer agent applications

Baseline Year 2011-12	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
45	43	42	41	40	39

**OBJECTIVE 1E:** Provide excellent regulatory service to the stakeholders of the Division of Securities by ensuring prompt regulatory action

**OUTCOME 1E-1:** Take prompt action against those who violate the Securities law and undermine the public trust by increasing the number of enforcement actions

Baseline Year 2011-12	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
45	47	50	50	50	50



**OUTCOME 1E-2:** Take prompt action against those who violate the Securities law and undermine the public trust by increasing the amount of fines received

Baseline Year 2011-12	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
\$750,000	\$787,500	\$826,875	\$826,875	\$826,875	\$826,875

**OUTCOME 1E-3:** Prompt action against those who violate the law and undermine the public trust by increasing the number of meaningful sanctions imposed

Baseline Year 2011-12	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
22	24	25	26	27	28

**PRIORITY #2: Enforce compliance with State laws related to the financial industry**

**OBJECTIVE 2A:** Help Florida investors protect themselves by conducting examinations, investigations and enforcement cases pursuant to the Florida Securities & Investor Protection Act

**OUTCOME 2A-1:** The number of Securities examinations, investigations and enforcement cases resulting in the imposition of meaningful sanctions

Baseline Year 2009-10	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
22	24	25	26	27	28

**OUTCOME 2A-2:** The number of active, major Securities enforcement cases

Baseline Year 2009-10	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
25	28	29	30	31	32

**OBJECTIVE 2B:** Increase percentage of financial investigations completed that result in administrative, civil and/or criminal action against individuals or entities that conduct fraudulent or illegal financial services activities

**OUTCOME 2B-1:** Percentage of investigations accepted by prosecutors or OFR legal counsel for enforcement action that result in action being taken

Baseline Year 2007-08	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected	Fiscal Year 2016-17 Projected
80%	82%	84%	84%	84%	84%

**OBJECTIVE 2C:** Improve efficiency of Finance examination program by decreasing the time to refer a priority examination to Legal Services

**OUTCOME 2C-1:** Average number of days to refer a Finance priority examination to Legal Services

Baseline Year 2010-11	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected	Fiscal Year 2016-17 Projected
43	42	40	38	36	36

**OBJECTIVE 2D:** Improve investigative efficiency by reducing the time required to prepare a legally sufficient case for potential enforcement action

**OUTCOME 2D-1:** Percentage of priority investigations accepted by prosecutors or OFR legal counsel for enforcement action within 12 months of case opening

Baseline Year 2009-10	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected	Fiscal Year 2016-17 Projected
60%	62%	64%	64%	64%	64%

**PRIORITY #3: Examine regulated companies and individuals**

**OBJECTIVE 3A:** Examine all state financial institutions within statutory timeframes

**OUTCOME 3A-1:** Percentage of state financial institutions examined within the last 18 and 36 months

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
50%/100%	100%/100%	100%/100%	100%/100%	100%/100%	100%/100%

**OBJECTIVE 3B:** Provide fair, balanced and responsive service to Division of Financial Institutions' customers, the state chartered or licensed financial institutions

**OUTCOME 3B-1:** Percentage of financial institution surveys giving OFR's financial institution examination program a rating of 2 or better (1 highest, 5 lowest)

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
77%	75%	75%	75%	75%	75%

**OBJECTIVE 3C:** Promote the Dual Banking System in Florida

**OUTCOME 3C-1:** Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better (1 highest, 5 lowest)

Baseline Year 2010-11	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
94%	85%	85%	85%	85%	85%

**OBJECTIVE 3D:** Examine companies and individuals regulated under the Florida Securities & Investor Protection Act to more effectively protect Florida investors

**OUTCOME 3D-1:** The number of complex Securities examinations completed

Baseline Year 2009-10	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
41	55	60	60	60	60

**OBJECTIVE 3E:** Improve service to Division of Finance consumers by providing an easy to use method of filing information with the agency

**OUTCOME 3E-1:** Total number of consumer complaints received by Finance staff

Baseline Year 2010-11	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
3500	3550	3600	3650	3650	3650

**OBJECTIVE 3F:** Examine all money services businesses (MSBs) within statutory timeframes

**OUTCOME 3F-1:** Percentage of statutorily required examinations completed

Baseline Year 2009-10	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
100%	100%	100%	100%	100%	100%

**OBJECTIVE 3G:** Improve the efficiency of the Finance examination process by reducing the number of days to complete a priority examination

**OUTCOME 3G-1:** Average number of days to complete a Finance priority examination

Baseline Year 2010-11	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
65	64	60	58	56	56

**OBJECTIVE 3H:** Improve efficiency of MSB examination program by providing examination results to licensed MSBs in a timely manner

**OUTCOME 3H-1:** Percentage of licensed check cashers and foreign currency exchangers receiving an examination report within 60 days of the conclusion of the onsite examination

Baseline Year 2009-10	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
75%	75%	75%	75%	75%	75%

**OUTCOME 3H-2:** Percentage of licensed money transmitters and payment instrument sellers receiving an examination report within 90 days of the conclusion of the onsite examination

Baseline Year 2009-10	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
90%	90%	90%	90%	90%	90%

**PRIORITY #4: Register or charter institutions, companies and individuals**

**OBJECTIVE 4A:** Provide fair, balanced and responsive licensing and chartering service to our customers, the state chartered or licensed financial institutions and applicants for new charters

**OUTCOME 4A-1:** Percentage of all applications, except applications for new charters, statutorily complete that are processed within 60 days and within 90 days

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
67%/100%	67%/100%	67%/100%	67%/100%	67%/100%	67%/100%

**OUTCOME 4A-2:** Percentage of new banks opened in Florida during the fiscal year who chose a state charter

Baseline Year Fiscal Year 2002-03	Fiscal Year 2011-12 Projected	Fiscal Year 2012-13 Projected	Fiscal Year 2013-14 Projected	Fiscal Year 2014-15 Projected	Fiscal Year 2015-16 Projected
67%	67%	67%	67%	67%	67%

**OBJECTIVE 4B:** Improve service to Securities applicants and registrants by processing submissions in a timely manner

**OUTCOME 4B-1:** Percentage of Securities registration applications processed within the Administrative Procedures Act

Baseline Year 2007-08	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
100%	100%	100%	100%	100%	100%

**OBJECTIVE 4C:** Improve service to Finance applicants and registrants by processing submissions in a timely manner

**OUTCOME 4C-1:** Percentage of Finance license applications processed within Administrative Procedures Act requirements

Baseline Year Fiscal Year 2008-09	FY 2012-13 Projected	FY 2013-14 Projected	FY 2014-15 Projected	FY 2015-16 Projected	FY 2016-17 Projected
100%	100%	100%	100%	100%	100%

## **LINKAGE TO GOVERNOR'S PRIORITIES**

The Office of Financial Regulation has closely linked its Legislative Budget Request to the first four of seven priorities identified by Governor Scott:

1. Accountability Budgeting
2. Reduce Government Spending
3. Regulatory Reform
4. Focus on Job Growth and Retention

The remaining priorities deal with universities, property taxes and elimination of the corporate income tax, which is not within the Office's jurisdiction.

## TRENDS AND CONDITIONS

### Florida's Economy

The OFR regulates a remarkably dynamic yet severely challenged financial industry. Many economic indicators continue to show distress:

- Existing home prices have been essentially flat since February 2009, with a slight downward drift.
- The median price for a single-family residence has been below the national average since 2008 and is now 18.7% below the national average.
- Florida remains #2 in the number of foreclosures and third in the foreclosure rate.

There are also positive signs of recovery:

- Population growth is recovering
- State Gross Domestic Product (GDP) grew
- Florida's personal income grew
- Unemployment is improving
- Florida housing is generally improving

**Population growth** is Florida's primary engine of economic growth, fueling both employment and income growth.<sup>1</sup> The population growth hovered between 2.0% and 2.6% from the mid 1990s to 2006, before slowing and crossing into negative territory in 2009. Population growth is expected to remain relatively flat, averaging 0.7% between 2010 and 2012. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 88% of the growth coming from net migration. Between 2009 and 2030, Florida's population is forecast to grow by almost 5.1 million, with 64.4% of the gains in the age 60 and over age group. This rate is different from the past; Florida's long term growth rate between 1970 and 1995 was over 3%.<sup>2</sup>

Florida's **State Gross Domestic Product** (GDP: all goods and services produced or exchanged in a state) outperformed the nation as a whole in nine of the past 11 years. For 2007 and 2008, Florida fell well below the national level (4.8% U.S. versus 2.8% Florida and 3.3% U.S. versus 0.3% Florida respectively).<sup>3</sup> Florida's growth turned positive in 2010 with a gain of 1.4%.<sup>4</sup>

**Personal income growth** is also used to gauge the health of an individual state. It is primarily related to changes in salaries and wages and the quarterly figures are particularly good for measuring short-term movements in the economy. Florida has exhibited positive quarterly growth in personal income since the fourth quarter of 2009.

<sup>1</sup> *Florida: An Economic Overview*, The Florida Legislature, Office of Economic and Demographic Research, July 27, 2011. Available on line at: <http://edr.state.fl.us/Content/presentations/index.cfm#economic>

<sup>2</sup> *Florida Economic Outlook*, The Florida Legislature, Legislative Office of Economic and Demographic Research, June 23, 2011. Available online at: [http://edr.state.fl.us/Content/presentations/economic/FlEconomicOverview\\_6-23-11.pdf](http://edr.state.fl.us/Content/presentations/economic/FlEconomicOverview_6-23-11.pdf)

<sup>3</sup> *Florida Economic Outlook*, The Florida Legislature, Legislative Office of Economic and Demographic Research, July 23, 2010. Available online at: [http://edr.state.fl.us/recentpresentations/Fl%20Economic%20Overview\\_7-23-10.pdf](http://edr.state.fl.us/recentpresentations/Fl%20Economic%20Overview_7-23-10.pdf)

<sup>4</sup> *Florida Economic Outlook*, July 27, 2011



While the first quarter of 2011, Florida's person income grew 1.6%, it still lagged behind the national rate of 1.8%.<sup>5</sup>

The **unemployment** rate in Florida is improving, falling to 10.7% in June 2011 from 11.5% in July 2010. Florida remains above the national rate of 9.1%.<sup>6</sup> Florida's job growth during the two years since the official end of the Great Recession of 2007-2009 has been weak when compared to recoveries after the last two recessions (July 1990-March 1991 and March 2001-November 2001). In those recoveries, job gains accelerated in the third year. According to the Florida Council of Economic Advisors at Florida TaxWatch, while job growth is predicted to pick up during 2011-12, it is unlikely to advance as strongly as in the past two recessions. They predict that the collapse of the housing sector has left such a large surplus of homes either on the market or waiting for foreclosure that "it will be years before prices start to rise and construction returns to normal." In addition, there is a transition towards a smaller share of jobs in government as jobs move the private sector.<sup>7</sup>

Florida's growth rates are slowly returning to more typical levels; however, drags on growth rates are more persistent than in past recessions. The turnaround in Florida housing will be led by low home prices that begin to attract buyers and clear the clear the inventory, long-run sustainable demand caused by population growth and Florida's unique demographics and the aging of the baby-boom generation.<sup>8</sup>

The state and national economies remain in a state of flux, and Florida's improvement is highly dependent on the national one. For Florida, the major downside risk is the possibility of another U.S. or global recession. The upside possibilities include a strong resurgence of retirees moving to Florida, a better-than-expected global recovery and an increased flow of firms moving to Florida. Tourism will likely be the strongest sector to improve. However, that is also dependent on national economic growth and rising incomes overseas.<sup>9</sup>

### **Dodd-Frank Wall Street Reform and Consumer Protection Act**

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was signed into law. This bill was passed to address the problem areas in the financial markets that are believed to have led to the current financial crisis. The passage of the Dodd-Frank bill represented the largest regulatory reform of laws governing the financial industry since the Great Depression. The bill required 67 regulatory studies and 243 new rules, many of which remain unresolved. Once implemented by the required regulations, Dodd-Frank will significantly alter the financial regulatory system. All financial institutions will be directly impacted, and non-financial institutions that use regulated products will be indirectly impacted.

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<sup>5</sup> *Florida Economic Outlook*, July 27, 2011

<sup>6</sup> *Florida Economic Outlook*, July 27, 2011

<sup>7</sup> *Economic Perspective*, From the Florida Council of Economic Advisors at Florida TaxWatch, August 2011

<sup>8</sup> *Florida Economic Outlook*, June 23, 2011

<sup>9</sup> *Economic Perspective*

Substantial changes were made to bank and thrift regulation by the bill. The Dodd-Frank bill abolished the Office of Thrift Supervision (OTS) and transferred that authority primarily to the Office of Comptroller of the Currency (OCC), but preserved the thrift charter. The bill requires the Federal Reserve to examine non-bank subsidiaries engaged in certain activities (e.g. mortgage lending) on the same schedule and in the same manner as bank examinations.

As a result of the Dodd-Frank bill, the Securities and Exchange Commission (SEC) was given the authority to impose a fiduciary duty on brokers who give investment advice – the advice must be in the best interest of the customer. Dodd-Frank also transfers broader responsibility for regulation of investment advisers from the SEC to the states. During Fiscal Year 2011-12, mid-sized investment adviser firms (those with assets under management between \$25 and \$100 million) will transition from SEC registration to state registration. It is anticipated Florida will register and have regulatory oversight of approximately 700 additional investment adviser firms. The states previously had authority only over those investment advisers who had less than \$25 million in assets under management.

While it is clear Dodd-Frank will significantly impact OFR and its regulated industries, the full impact of the act is still not clear as various studies are not yet complete and federal implementing regulations are not yet fully adopted.

## **Division of Financial Institutions**

### Economic Trends and the Impact on State-Chartered Financial Institutions

From 1996 to 2009, Florida has led the nation in the number of new banks opened. However, the current recession has seen the pool of potential (and acceptable) new bank investors dry up. Little or no new bank application activity is anticipated until the economy recovers.

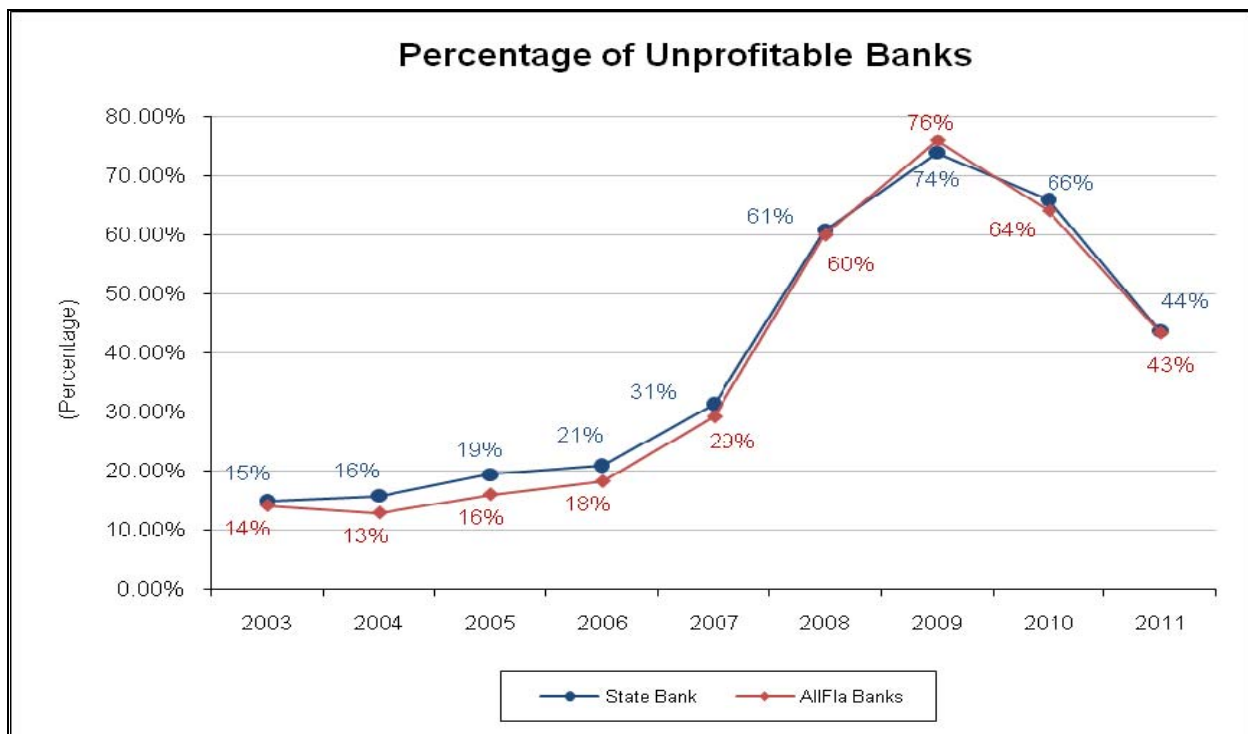
The United States' economy has been in a recession that is approaching four years in length, the longest economic contraction since the Great Depression. Worse than expected employment figures and economic weakness, particularly in the credit and residential real estate sectors, have fueled this recession. Mortgage difficulties spread to the financial markets. Commercial real estate and credit card defaults also have affected the financial institution industry. These negative conditions continue to impact both the national and state economy and, ultimately, state financial institutions.

The financial institution industry in Florida has been dramatically impacted during this economic recession. Unemployment in Florida has exceeded the national average. Home values have declined dramatically throughout the state. As a variety of adjustable rate mortgage loans reset, many homeowners were “underwater” (loan balance exceeded appraised home value) and were not able to refinance to lower fixed rate loans. Homeowners have lost their homes to foreclosure in record numbers in

Florida. However, the foreclosure rate appears to be improving. As of June 2011, only one Florida city placed among the top 20 metro foreclosure rates in the country. This represents a considerable improvement over June 2010 when nine of the top 20 metro foreclosure rates in the country were located in Florida.<sup>10</sup> The overall impact to state financial institutions has been a significant increase in delinquent or non-performing loans, as well as significant increases in the level of foreclosed or repossessed real estate, resulting in the depletion of equity capital and unprecedented loss of income.

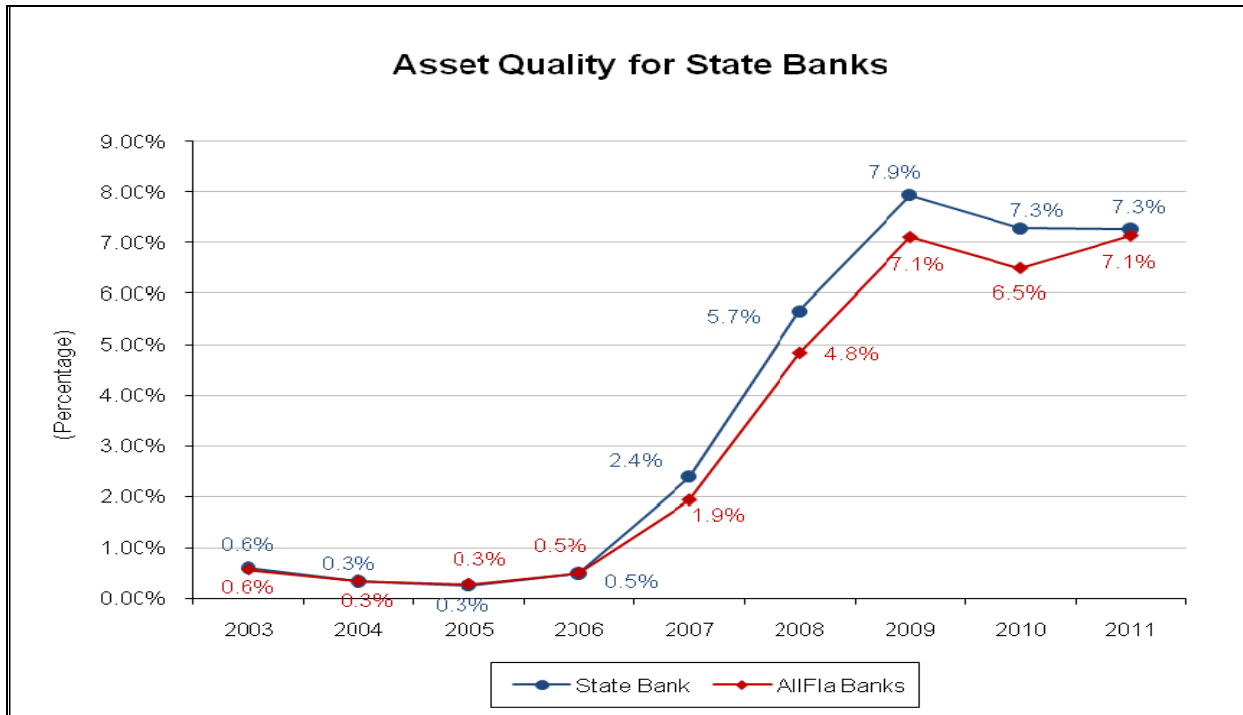
As the economic recession has progressed in Florida, the Division of Financial Institutions (DFI) has seen a decline in the overall condition of state financial institutions resulting in an increasing number of state institutions under heightened supervision based on number and assets.

Improvement is evident in several key industry trends. For example, the percentage of unprofitable banks has decreased significantly from its peak in 2009.

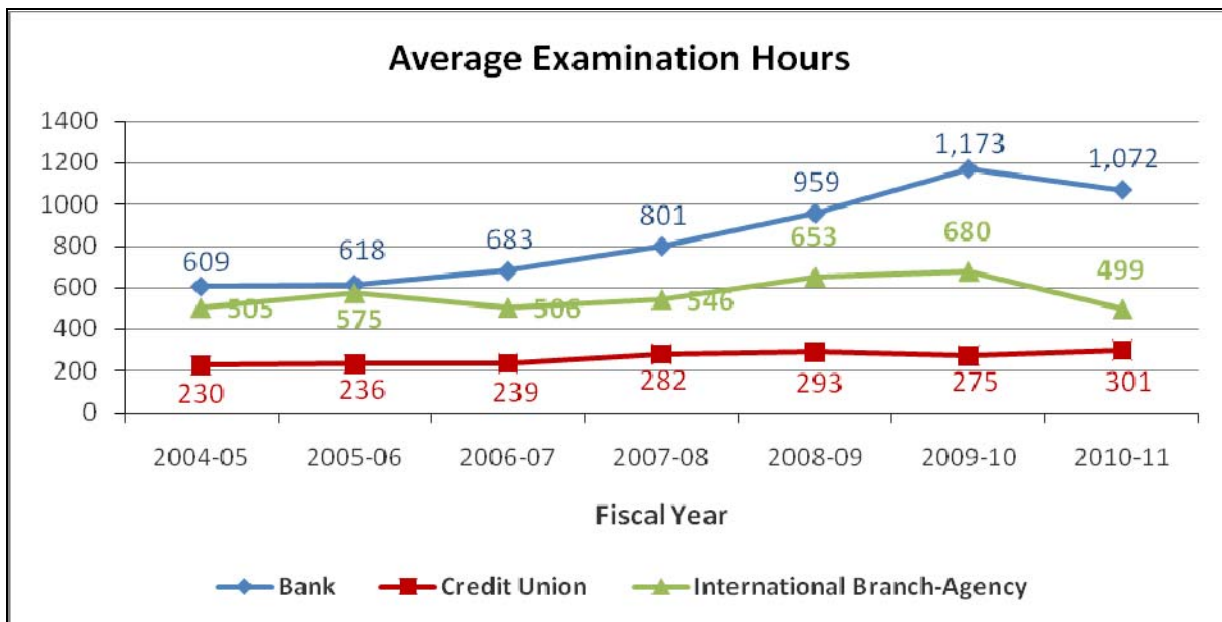


Although asset quality in state banks still reflects significantly high levels of delinquent loans, a slight improvement was noted over the last eighteen months.

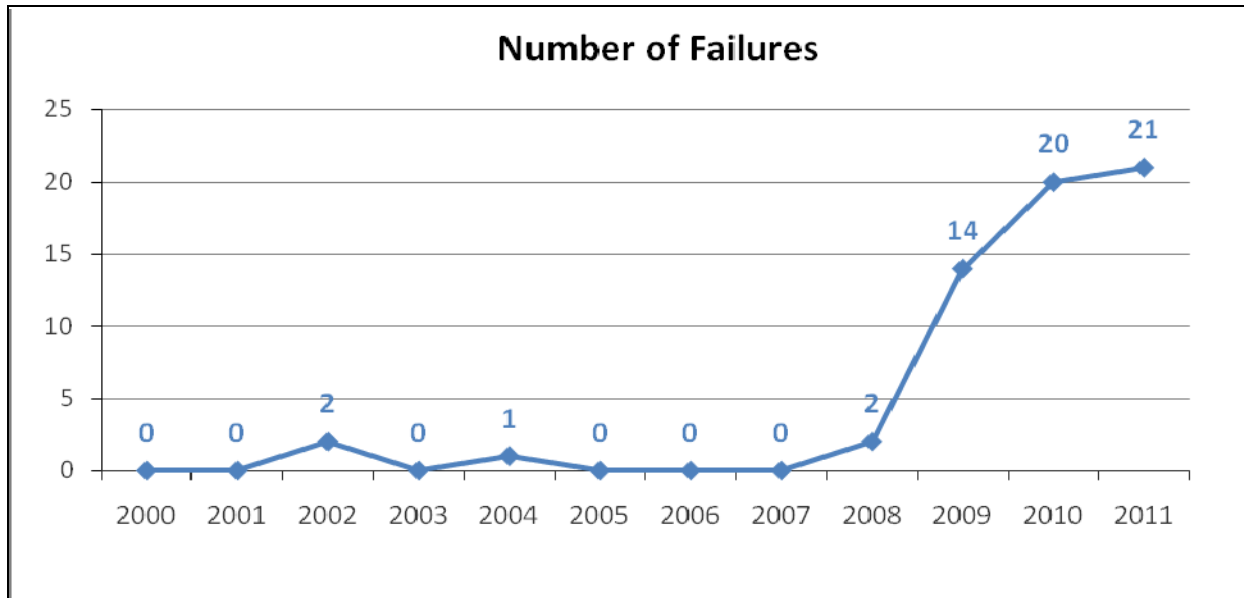
<sup>10</sup> RealtyTrac: 84 Percent of US Metros Post Lower Foreclosure Activity in First Half of 2011, July 26, 2011. Online at: <http://www.realtytrac.com/content/foreclosure-market-report/midyear-2011-metropolitan-foreclosure-market-report-6730>. Also see RealtyTrac: Florida a foreclosure leader, *South Florida Business Journal*, July 29, 2010. Online at: <http://www.bizjournals.com/southflorida/stories/2010/07/26/daily47.html>



The ongoing economic recession has impacted DFI's workload significantly since the downturn began. Examinations of troubled institutions must be performed more frequently than is required by the statutes. In addition, examinations are more complex and require more time to complete. Examination review in headquarters is also more time consuming because it is critical that the most appropriate corrective action is implemented on a troubled financial institution. These factors have impacted the average length of time required to complete an examination.



The ultimate outcome of the deterioration in Florida's financial institutions industry over the last three-and-a-half-years is an increase in the number of institution failures, particularly commercial banks. In 2010, Florida lost 29 state and national banks to insolvency. The chart below indicates the number of bank failures in Florida through June 30, 2011:



#### Financial Institution Regulation in the United States

All states in the United States operate under a dual-banking system. The term “dual banking system” refers to the dual state-national chartering and regulatory programs established in the United States for commercial banks and credit unions. It is a unique regulatory system that embodies the principle of checks-and-balances on power. The dual banking system provides financial institutions a choice in state or federal chartering, reduces the potential for preferential or unwise actions, and promotes creativity.

The “state” component of the dual banking system allows for local oversight, bringing financial institution regulation closer to the citizens, their communities, and legislative leaders. Laws and regulations can be tailored to meet the particular needs of the communities, providing a more responsive financial system.

State-chartered banks are generally community banks that provide individuals and local businesses with the competitive financial services they need. The accessibility and responsiveness of state regulators, who have a unique interest in and understanding of the needs of the citizens in the state in which they live and work, is not typically matched at the federal level.

#### Potential Policy Changes Affecting the Agency Budget Request

The ongoing economic recession will end. Potential policy changes may include the need for more frequent contacts with all institutions, not just troubled institutions.

Chartering criteria may need to be enhanced to minimize the receipt of applications that meet just the minimum standards, referred to as “compliance” applications. OFR also would like to bolster its supervisory authority to allow OFR to act more swiftly when dealing with financial institutions before they become troubled. These policy changes may require statutory revisions.

### Legislation

In 2011, the Florida Legislature enacted the legislative changes DFI proposed to address “lessons learned” and changes needed as a result of Dodd-Frank Wall Street Reform and Consumer Protection Act. In order to improve and strengthen the state’s financial institution system for the future, OFR has established a working group charged with the responsibility of incorporating lessons learned during this economic downturn cycle into the regulatory oversight process.

## **Division of Securities**

The mission of the Office’s Division of Securities (Securities) is investor protection. The division administers and enforces compliance with Chapter 517, Florida Statutes, the Florida Securities and Investor Protection Act (Act). The Act is designed to help protect the investing public from unlawful securities activity while promoting the sound growth and development of Florida’s economy.

The division accomplishes its mission through its Bureau of Regulatory Review (Regulatory Review) by registering securities firms and their employees to do business in, to or from the State of Florida. The Bureau of Securities Regulation (Securities Regulation) receives and processes consumer complaints regarding securities industry activities and participants. Securities Regulation conducts compliance and enforcement examinations and investigations of securities firms and their employees and develops enforcement actions brought by OFR for violations of the securities laws. Both bureaus engage in outreach to consumers and selected groups, such as the military and seniors, the securities industry and the Florida Bar Association.

### Enforcement

The Commissioner of OFR has broad authority to enforce the Act. Regulatory Review recommends to the Commissioner whether to deny, suspend, revoke or restrict the registrations of firms and persons that apply for registration, or are currently registered under the Act. Through cases developed by Securities Regulation, the Commissioner may seek administrative remedies in the Division of Administrative Hearings or civil remedies in court including cease and desist orders, civil penalties, fines, restitution, disgorgement, rescission, freezing of assets or appointment of a receiver.

Securities Regulation works with OFR’s Bureau of Investigations regarding matters warranting criminal prosecution.

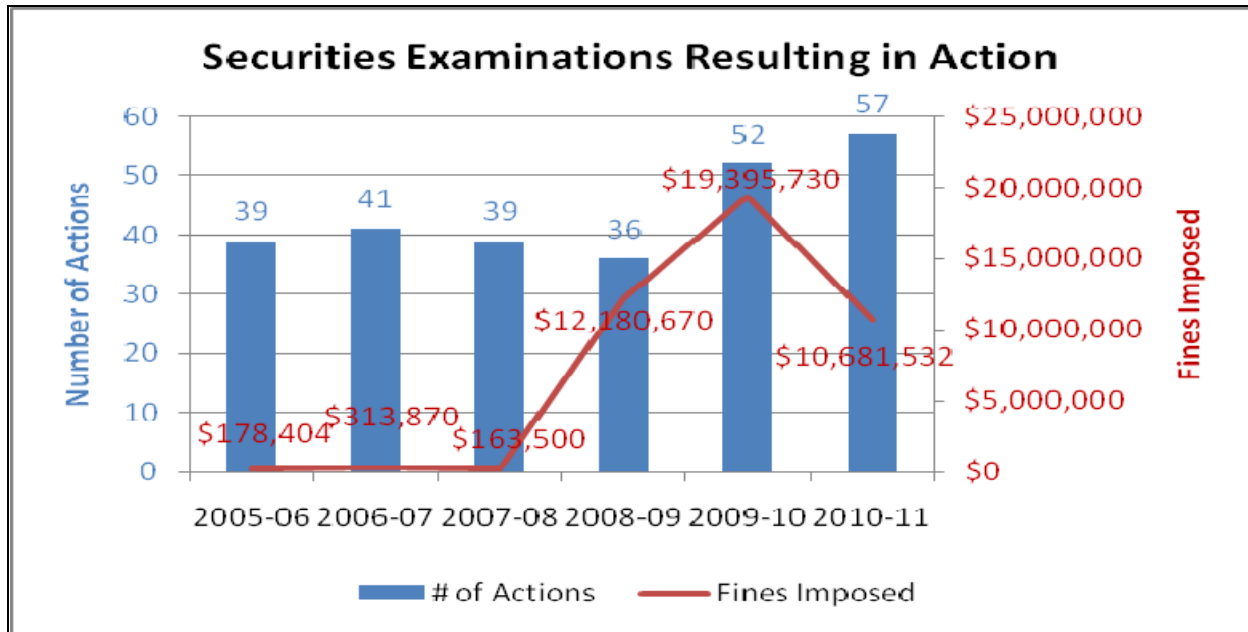
Civil, administrative or criminal violations of the Act can take many forms, but the most serious violations involve fraudulent conduct. Fraudulent conduct involves material misrepresentations or omissions by the perpetrator to prospective or actual investors which frequently result in substantial losses of money or property by the victims. In the securities realm, this often involves one or more sales practice abuses.

Securities Regulation and Regulatory Review maintain close relationships with other states and Canadian securities regulators through the North American Securities Administrators Association (NASAA), the organization of U.S. state and Canadian provincial and territorial securities regulators; the U.S. Securities and Exchange Commission (SEC); self-regulatory organizations (SROs), e.g., the Financial Industry Regulatory Authority (FINRA), which regulates its securities broker dealer industry members; and state and local prosecutors and law enforcement. This results in case referrals, joint investigations and enforcement cases, which allow for leveraging of resources, taking advantage of the experience and expertise of each entity, and the ability to prosecute larger, multi-jurisdictional cases. Referrals of matters to OFR affecting Florida investors also result from these close relationships.

Securities has jointly investigated cases with the Office of the Attorney General pursuant to section 517.191, Florida Statutes, which provides the Attorney General with the authority to investigate and bring actions under the anti-fraud provisions of the Act. The most recent joint case with the Attorney General resulted in \$2 million in fines and costs to OFR and a \$23 million restitution payment to the State Board of Administration (SBA) for unlawful sales of unregistered securities to the SBA. The division and the Attorney General are currently jointly investigating other major cases.

Recent examples of multi-jurisdictional cases are:

- Florida and Texas led a state securities task force of seven states, which resulted in a June, 2011 final order issued by OFR against Raymond James and Associates, Inc. and Raymond James Financial Services, Inc. (collectively Raymond James) relating to sales of auction rate securities to their customers. OFR fined Raymond James \$384,933.58 for having engaged in dishonest and unethical practices and failure to reasonably supervise their agents in violation of the Act. Raymond James was ordered to offer to repurchase approximately \$300 million of auction rate securities from its retail customers. Raymond James paid \$250,000 to Florida for its costs of investigation.
- Since 2008, the division has been part of the NASAA Multi-State Auction Rate Securities Task Force that has resulted in more than \$60 billion being returned to investors for activity by numerous large securities firms who had misled investors.



#### Complaints

For Fiscal Year 2010-11, Securities Regulation received 342 complaints, 44% of which involved fraudulent or unregistered activities. The Office encourages Florida investors and consumers to file complaints electronically through OFR’s website, [www.flofr.com](http://www.flofr.com), by calling the Office at 1-800-848-3792 (Toll Free) or by writing OFR. The Office reviews all complaints received and determines whether there are violations of the Act which warrant taking action.

#### Public Outreach

The Division of Securities engages in outreach to educate the public so they can protect themselves from fraud and other abuses perpetrated by unscrupulous firms and individuals. Through outreach members of the public are encouraged to contact Securities for assistance, if they are approached by someone attempting to sell them securities or who seeks to advise them about managing their money, or if they have already lost their money or an investment as a result of fraudulent conduct by someone in the securities arena.

#### Targeted Outreach

Securities Regulation engages in targeted public outreach to interested groups such as seniors, the military, minorities and other affinity groups who want education and assistance about investing.

The division reached out to senior investors through the national program *Trick\$ of the Trade: Outsmarting Investment Fraud*. This investor education and protection program was offered by OFR to Florida seniors in collaboration with the FINRA Investor Education Foundation, the SEC, the American Association of Retired Persons (AARP), Seniors vs. Crime, a special project of the Florida Attorney General and OFR. *Trick\$ of*



*the Trade* teaches older investors the tactics used by fraudsters and the steps investors can take to reduce their risk.

The Office has provided investor educational outreach programs through public libraries, military installations and law enforcement associations.

#### Legal and Compliance Outreach

Regulatory Review and Securities Regulation provide legal and compliance outreach to the securities industry and bar association. This encourages compliance with the Act by educating the securities industry and bar about the Act's requirements and the division's processes. This outreach is also a valuable source of securities industry input which sometimes leads to modification of industry or OFR processes for the mutual benefit of all stakeholders. Members of the securities industry and bar also refer problematic matters to the division.

Future outreach will be broadened to further sensitize local law enforcement personnel to securities issues and fraud. Since local law enforcement personnel typically do not handle securities fraud cases, awareness of how OFR can assist them will result in joint cooperation on matters, or referral of the matters to OFR's Division of Securities.

#### Examinations

Securities Regulation conducts routine (risk-based) and for cause (enforcement) examinations of dealers, investment advisers and their associated persons located in Florida, to determine whether any person has violated or is about to violate the securities Act, or to aid in the enforcement of the securities law and rules. Securities Regulation does not require "cause" or grounds for legal action to examine a dealer or investment adviser, so firms registered with the division may be subject to an unannounced examination.

Risk-based examinations typically target registered firms and individuals whose disciplinary history shows a pattern of conduct warranting further examination.

Enforcement examinations involve more complex examinations than risk-based examinations. Enforcement examinations are commenced when: (1) there appears to be significant securities law violations (i.e., fraud or abusive sales practices) or significant investor losses; (2) the examinations are complex, require significant time and are resource intensive; or (3) there is a concern that customers have been, or will be, harmed, and regulatory or enforcement action may be appropriate.

As the result of Dodd-Frank, states will regain responsibility for broader regulation of investment advisers. During Fiscal Year 2011-12, mid-sized investment adviser firms will transition from SEC registration to state registration. It is anticipated Florida will register and have regulatory oversight of approximately 700 additional investment adviser firms. In preparation, the registration staff cross-trained additional analysts to ensure an efficient transition to state regulation from SEC regulation. The Legislature provided five additional positions for investment adviser regulation, including four new examiners and one attorney. The division has determined it will redirect the

responsibilities of up to seven existing staff in the examination program to investment adviser regulation. Securities has also made concerted efforts to provide staff with additional training. In the area of investment adviser industry outreach, Securities has posted a notice on its website which provides information about Dodd-Frank and provides responses to frequently asked questions about the transition from SEC to state regulation. Additionally, Securities is assessing the need to provide industry outreach programs specific to the registration requirements and on-going compliance required of a state registered investment adviser

### Staff Training

The Office conducts mission critical training for the Securities examination staff and provides opportunities for staff to participate in training sponsored by NASAA. The Annual OFR/NASAA Broker Dealer Training is an ongoing program that has been conducted for 26 consecutive years. The 2011 program consisted of an introductory track about securities regulation and a more advanced track featuring a case study about examinations and investigations of problem firms and agents, and focused on books and records and sales practice examinations.

Securities Regulation, which spearheaded the creation and development of the NASAA Broker-Dealer Examination Module in the late 1990s and early 2000s, is working through NASAA with other state securities regulators to update the electronic broker-dealer and investment adviser examination modules. This is important so that examinations of securities industry participants are conducted in a fair, uniform and consistent manner.

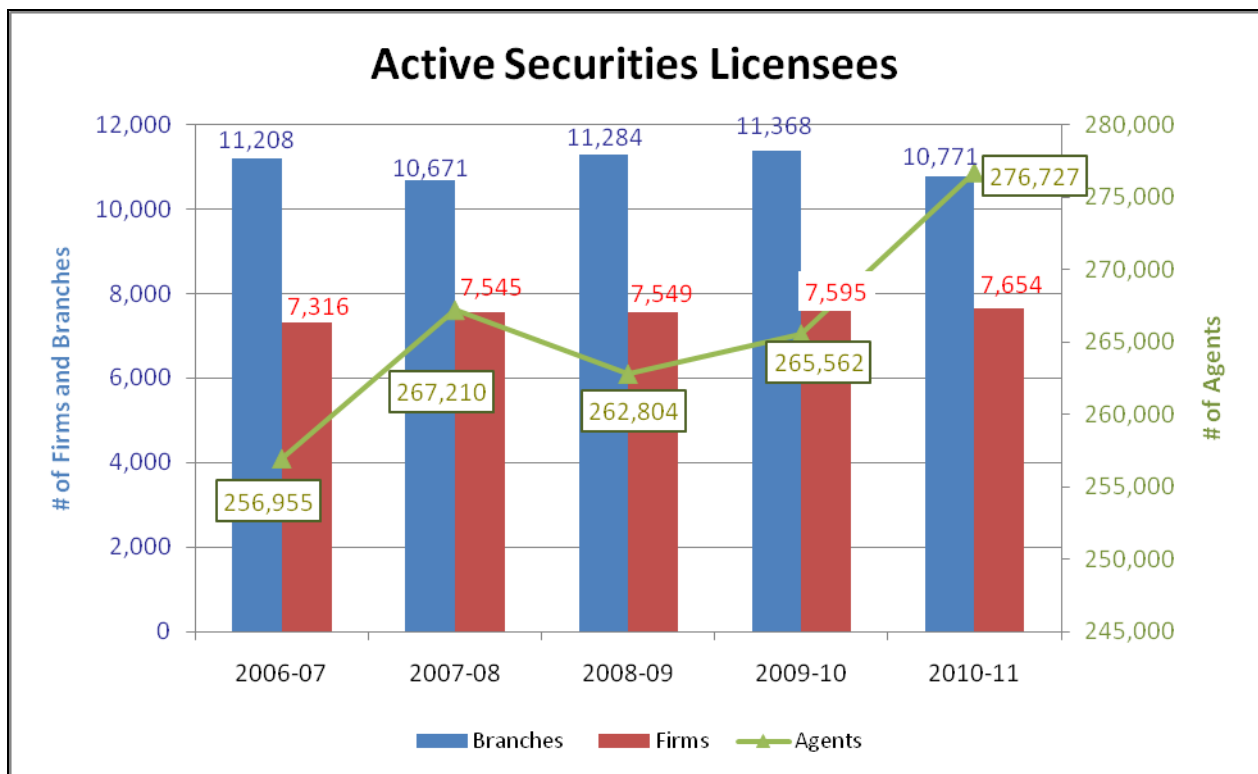
In preparation for the Florida's increased regulatory responsibility and oversight over mid-sized investment adviser firms, Securities Regulation staff attended NASAA's Investment Adviser Training in August 2011. The training utilized case study format involving a mock examination of an investment adviser.

Regulatory Review staff receives annual training through the NASAA Broker Dealer and Investment Adviser Registration Training Seminar. The 2011 training seminar concentrated on the changes to registration of investment advisers (IAs) and their representatives as a result of Dodd-Frank and various rule adoptions in the works by the SEC. The program also covered the changes to the IA Registration Form, the SEC timetable for switching, the proposed IA Model Rules, and the IA Registration and Examination Module.

### Registration

As of June 30, 2011, the Office had 7,654 dealer and investment adviser firms, 10,771 branches and 276,727 individual associated persons actively registered. Florida ranks third in the nation in the number of registered dealers, investment advisers and their registered associated persons, and fourth in the number of registered branch offices. Regulatory Review is responsible for the review of 13 different application types including dealers, investment advisers, branches and their employees, and with monitoring the activities of existing registrants.

By registering dealers (firms that buy and sell securities) and their sales persons (commonly known as stockbrokers, agents or associated persons), and by registering investment advisers (firms that manage money for a flat fee or a fee based on a percentage of the assets under management) and their employees (commonly known as investment adviser representatives, agents or associated persons) who conduct business in Florida, Regulatory Review ensures that only applicants that meet the minimum registration requirements set by the Act and the rules are allowed to conduct business in Florida. In instances where the minimum qualifications are not met, denial of the application for registration, or restriction of the applicants' business activities upon registration, may be required, thus helping protect consumers.



Dealers, investment advisers, their associated persons and their branch offices that apply for registration are reviewed for any prior securities law violations and, once registered, are continually monitored for any actions in violation of the Act. Regulatory Review's analysts check the disciplinary history (including any criminal history) for the firms and individual applicants, and the educational and employment background for the individual applicants employed by the dealers and investment advisers.

With respect to firms and individuals already registered, Regulatory Review is able to identify problems that require remedial or regulatory action. Regulatory action can include revocation, suspension or restriction of the right to do business in, to, or from Florida, which also protects consumers.

Applicants must disclose disciplinary events at the time of the initial application and registrants have a duty to report any updated disciplinary matters in a timely fashion.

Regulatory Review received more than 27,000 disciplinary updates on registrants in Fiscal Year 2010-11. All disciplinary updates are carefully reviewed to determine if there are legal grounds to take regulatory action.

Regulatory Review participates in the Central Registration Depository (CRD) and Investment Adviser Registration Depository (IARD) systems, which are national databases of dealers and investment advisers and their associated persons. CRD and IARD are jointly administered by NASAA and FINRA on behalf of OFR and the other state securities regulators. OFR registers securities dealers and associated persons doing business in, to or from Florida, and FINRA registers its member dealers through the CRD. OFR registers smaller investment advisers and associated persons of all investment advisers doing business in Florida and the SEC registers larger investment adviser firms through the IARD.

#### Increased Investment Adviser Oversight by States Coming in 2012

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) was enacted by Congress in 2010. Dodd-Frank partially restored state regulation in the investment adviser area, so that, effective July 21, 2011, the states became the sole regulator for investment advisers with up to \$100 million (from the current \$25 million) in assets under management doing business in, to or from their respective states. Investment advisers with more than \$100 million in assets under management will continue to be registered with the SEC. Prior to October 11, 1996, all investment advisers were dually registered with the state securities regulators and the SEC. Since 1996, the number of registered investment advisers has grown significantly because of the shift in the securities industry from the broker-dealer business model to the investment adviser business model. Broker/dealer firms have been migrating to the investment adviser business model to attract more customers by offering customers what is portrayed as a more “full service” approach to financial services.

In 2012, the division will become the sole regulator of these mid-size investment adviser firms, as it already is for 1,100 state registered investment advisers doing business in Florida. More than 700 investment adviser firms are expected to transfer to state registration from SEC registration, bringing the total registered in Florida to approximately 1,800 advisers. The SEC postponed the timeframe for current SEC registrants to transition to state registration until the first quarter of 2012. New applicants for investment adviser registration after July 21, 2011, with less than \$100 million in assets under management are required to register with the state. By 2015, approximately 2,600 investment advisory firms are projected to be registered with Florida’s Division of Securities.

## Division of Finance

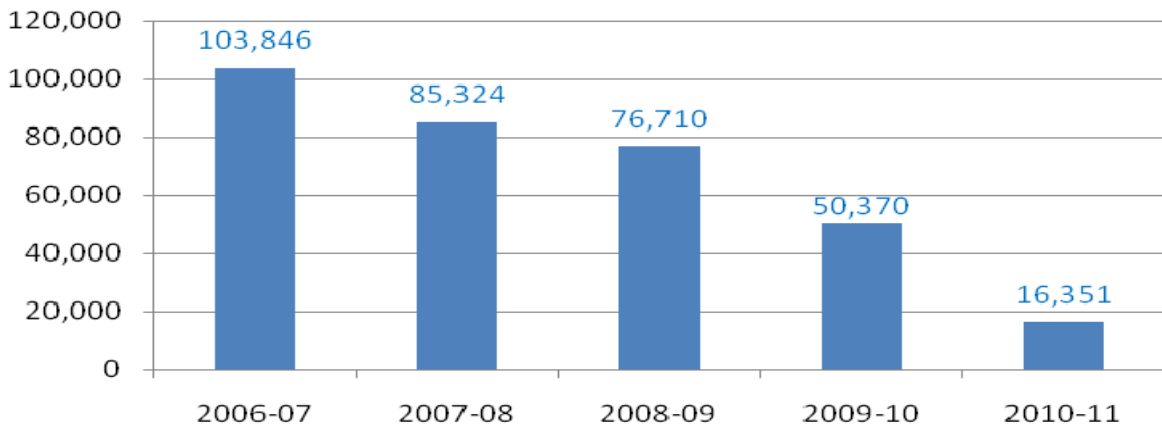
The Division of Finance (Finance) regulates a diverse list of industries through authority granted to OFR under Chapters 494, 516, 520, 537, 559, and 560, Florida Statutes. These industries include mortgage loan origination, consumer finance lending, retail and installment financing, title loan lending, collection agencies and money services businesses including payday lending. The division is made up of three bureaus; the Bureau of Finance Regulation, the Bureau of Money Transmitter Regulation and the Bureau of Regulatory Review.

Florida's economic conditions over the last few years have caused financial distress to all industries regulated by Finance and consequently have negatively impacted the division's revenues. With the collapse of the mortgage industry and the strain on industries that extend credit, Finance has seen its revenue drop significantly over the past several fiscal years. Given the economic forecasts for the next year, there is no reason to anticipate there will be a dramatic turnaround.

The Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act), passed by Congress in 2008, was intended to prevent foreclosures, stabilize the declining housing market, reform government sponsored enterprises Fannie Mae and Freddie Mac, and establish minimum national licensing and oversight standards for mortgage brokers and loan originators. The S.A.F.E. Act attempted to eliminate persons with criminal backgrounds of misconduct relating to loan originations from the mortgage industry, and requires loan originators to meet minimum national professional standards to ensure they are competent and trustworthy.

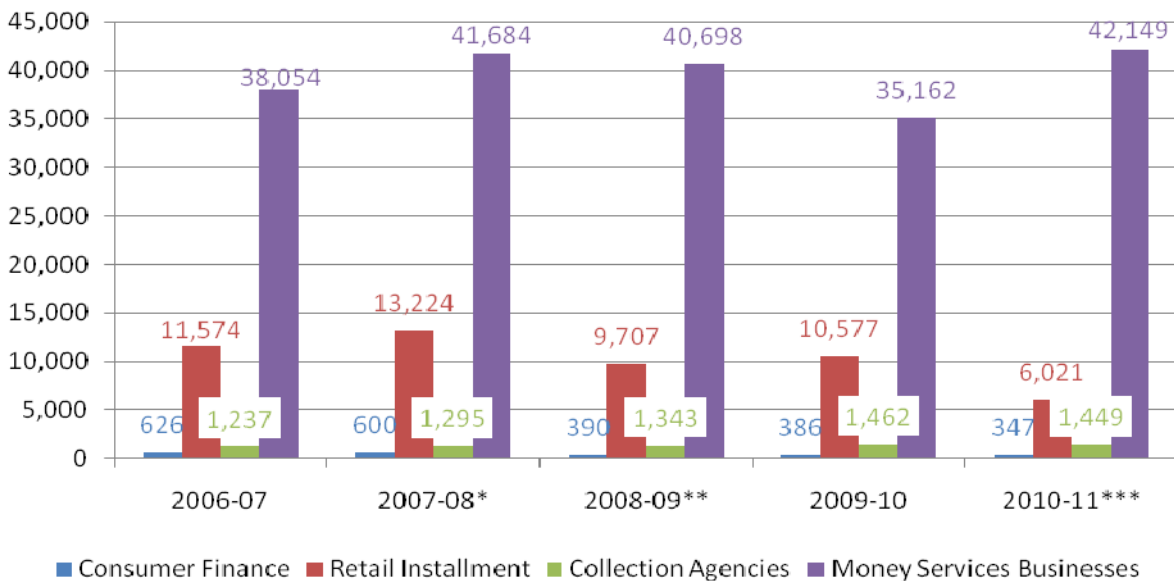
The S.A.F.E. Act has been fully implemented in Florida. Consequently, Finance is continuing to re-license all loan originators, mortgage brokers and lenders, and branch offices as required. From October 1 through December 31, 2010, Finance received over 17,500 applications. The requirements of S.A.F.E., increased costs for mortgage licenses, increased fees for use of NMLS, and economic conditions, have resulted in a decrease of licensees by more than 68,000 during the last three fiscal years in mortgage industry licenses. License applications and corresponding revenues will remain stagnant until the real estate and mortgage industries experience a significant increase in activity.

## Mortgage Lending Licensees (includes mortgage firms, branches and individuals)



The economy has also affected retail and automobile sales financing, resulting in a decrease in the number of licensed retail sellers. In an effort to encourage compliance with the licensing requirements for automobile dealers, Finance provided a six-month amnesty period for licensees who failed to timely renew their licenses and allowed over 1,000 licensees to reactivate without a fine. While this did increase renewal activity, overall the number of licensed dealers had declined by 3,000 during the last three renewal cycles. As a result, Finance has initiated a campaign to enforce the licensing requirements for car dealers that provide financing without a license.

## Active Licensees (Other than Mortgage Lenders)



The Money Services Business (MSB) industry has remained relatively stable over the past three years with only moderate decreases in the total number of active licenses. While the traditional check cashing and funds transmission business models have experienced significant challenges over this time period, the emerging products and services being brought to market by the MSB industry have provided new avenues for growth in a down economy. These emerging products and services include internet transmissions, internet payment systems, digital currency providers, mobile payments, micro payments and stored value cards.

#### Bureau of Finance Regulation

The Bureau of Finance Regulation (Finance Regulation) regulates the non-depository financial service industries under Chapter 494 (Loan Originators and Mortgage Brokers), Chapter 516 (Consumer Finance), Chapter 520 (Retail Installment Sales), Chapter 537 (Title Loans) and Chapter 559 (Consumer and Commercial Collections), striving to protect consumers from unfair, fraudulent and deceptive financial activities. The bureau is authorized to conduct examinations, investigate consumer complaints, and impose administrative sanctions when appropriate. The bureau staff works cooperatively with other regulatory agencies in Florida and throughout the country to effectively regulate companies and individuals, and also conduct consumer and industry education programs.

Finance Regulation's mission is to help safeguard consumers from illegal or improper activities by focusing on activities that are fraudulent, unfair, or deceptive. Finance has experienced a significant increase in consumer complaints during the past five years. During Fiscal Year 2010-11, Finance closed more than 4,200 consumer complaints (including MSB complaints), with a significant increase in consumer complaints related to mortgage loan modifications and other lending activity.

Mortgage lending issues continue to generate the most complaints, although the issues have changed as the industry and economy move through the real estate crisis. The increased number of complaints led to an increase in the number of loan modification examinations and complaint investigations into allegations of advanced fees. This trend is expected to continue.

Consumer and commercial collection issues are the second highest volume of complaints. As financial markets tighten and foreclosures continue to rise, debt collection tactics have become increasingly aggressive. Collection agency complaints were largely outside the bureau's authority to address due to statutory limitations until October 1, 2010. Amendments to the collection laws now provide meaningful enforcement authority over the collection industry, and the bureau is addressing unlawful activity in order to reduce consumer abuses. Finance has placed a priority on addressing unlawful activity and reducing consumer abuses.

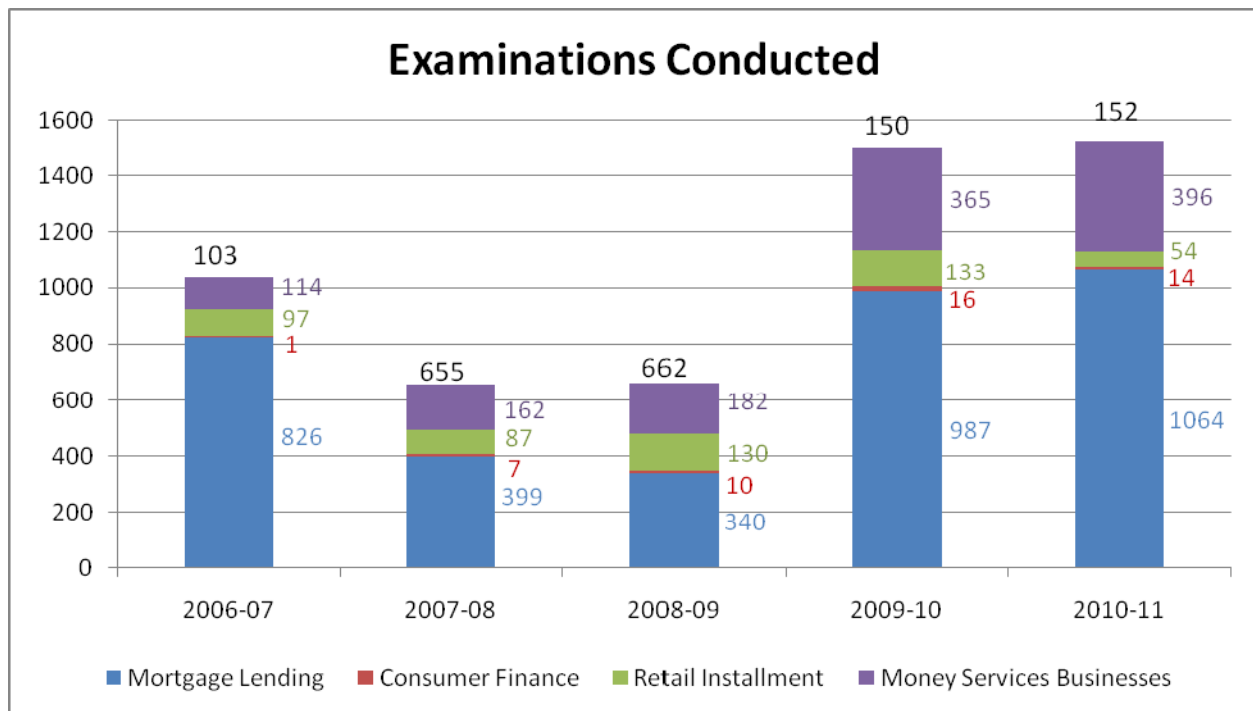
#### Finance Regulation Initiatives

The Division will focus its resources on enforcement matters that have the greatest overall impact in protecting the citizens of Florida.

The volume of complaints investigated by Finance Regulation continues to rise, and has led to the introduction of a Case Priority System for enforcement examinations. Based on the case priority evaluation, the Finance Regulation staff works closely with agency attorneys to focus its resources on enforcement matters that have the greatest overall impact on protecting Floridians. The “priority” may be short term, or last for a year or more. Priority status is accorded to investigations and examinations that display one or more of the following criteria:

- The subject matter is an OFR or current division priority
- Egregiousness of conduct, including the length of time the conduct has occurred and whether recidivism was involved
- The impact or potential impact to Florida citizens (large number of victims, high dollar losses, or vulnerability of victims)
- Involvement of licensees or registrants
- Alleged illegal act is ongoing

Since implementation of Case Priority System, the number of examinations conducted annually by Finance Regulation has risen significantly. Case priority guidelines provide for examinations that are issue specific.



As a result of the Case Priority System, Finance Regulation has taken a more proactive approach which has resulted in a total of 150 administrative actions. Once issues are identified, managers work with agency attorneys to develop guidelines for the examinations. Examinations are then conducted in select regions to validate the process, and upon satisfactory review by management and legal staff, examinations will



begin state-wide or in the appropriate regions. An additional benefit of the Case Priority System is that staff attorneys work with examiners in advance to identify the types and quantity of evidence necessary to prosecute the matter. This results in more cases meeting the burden of proof, and timely resolution by agency attorneys.

Finance Regulation is a member of the Multi-State Mortgage Committee (MMC), formed by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR) under the Nationwide Cooperative Protocol and Agreement for Mortgage Supervision. The MMC serves as a coordinator and facilitator for examination of entities licensed in multiple jurisdictions. Since the inception of the MMC in 2009, Finance Regulation has participated in ten multi-state examinations; one as lead state, and the remainder as a concurrent state.

CSBS/AARMR has also implemented an electronic method to transfer examination data from licensees to regulators. The process will soon become central to the multi-state examination process, and is under review by bureau management.

Finance Regulation maintains staff in eight regional offices and Tallahassee. This ensures that Finance Regulation has a presence in or near the communities it serves, and affords the ability to schedule examinations and investigations quickly and efficiently. Management continues to refine its processes to minimize costs and maximize the effectiveness of remaining resources, to continue to effectively regulate the non-depository lending and collection industries within its purview. During the past fiscal year, Finance Regulation's enforcement actions resulted in 150 final orders, 77 license revocations and more than \$659,000 in fines assessed.

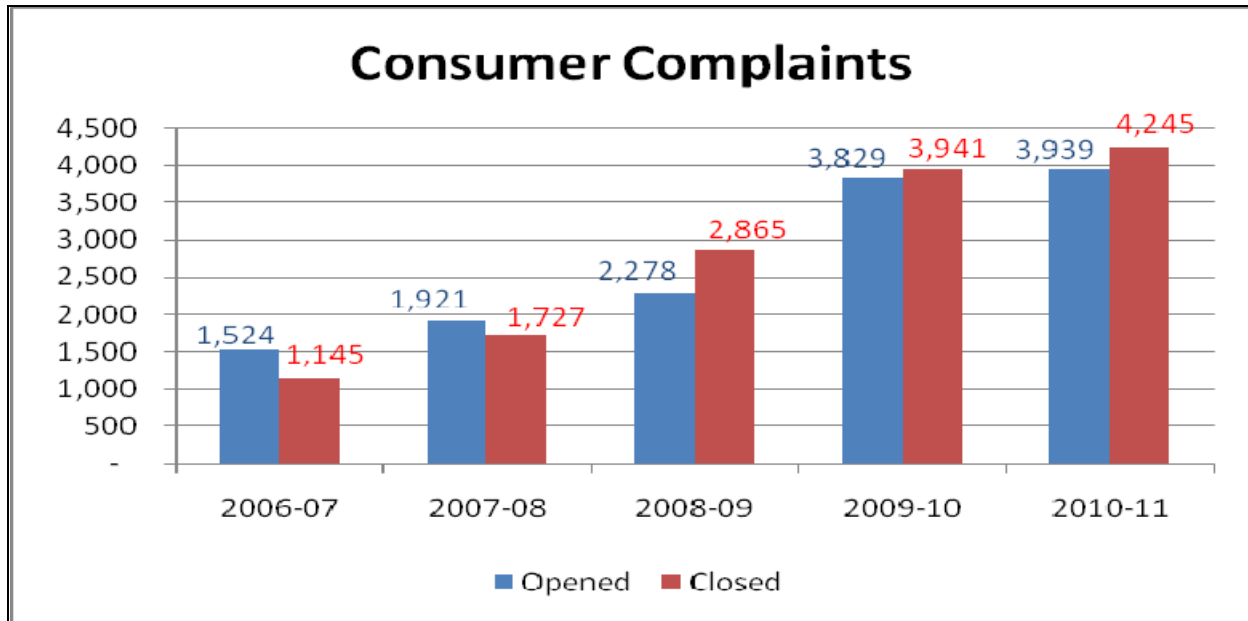
Prior to new regulations effective January 1, 2010, Finance conducted a comprehensive outreach campaign to advise the mortgage lending industry of changes regarding loan modifications. The success of the outreach campaign was evidenced by confirmation that 357 loan modification companies closed prior to on-site arrival of staff. The loan modification examination sweep resulted in over 1,200 examinations being conducted. As of August 2011, not all examinations have been completed; however, the sweep resulted in 153 legal referrals, 127 administrative actions and 16 referrals to the Florida Bar Association. Extensive positive press coverage of OFR's enforcement efforts sent a clear message to the industry that OFR is taking a strong, proactive stand against unlicensed and unlawful activity in loan modifications. With current economic conditions, the weak housing market, and weaknesses in key industries, the Office must initiate prompt corrective actions to monitor and manage these industries to avert or minimize the threats facing the consumers of Florida.

#### Consumer Complaints

Today, the Internet and media sources provide greater access to financial information for consumers, in addition to providing significant potential for fraudulent activities. Consumers file complaints with Finance Regulation through OFR's website [www.flofr.com](http://www.flofr.com) or in writing. Complaints are processed by a core group of six staff members who provide assistance to consumers or referrals to appropriate agencies.

An initial assessment may require complaints which identify priority issues be referred to regional staff to initiate an examination to stop the abusive practices or where suspected violations may be evident.

During Fiscal Year 2010-11, Finance Regulation completed more than 4,200 complaint investigations. Of the mortgage-related complaint investigations that were completed, 851 dealt with third-party loan modification entities. These numbers are a reflection of the current economic trends with a large number of foreclosures in Florida, as well as large amounts of unpaid debt incurred by consumers.



The current market conditions of tight consumer credit and high unemployment has caused the volume of consumer complaints received to continue to rise for the last three fiscal years. Almost 2,000 of the complaints received were related to mortgage industry. These consumer complaints consist of issues relating to loan modifications being handled by third party companies, loan modifications being handled by the consumer's loan servicer, and general servicing issues such as forced placed insurance and misapplication of mortgage payments. These complaints mirror what is being reported in the news on a weekly basis regarding the foreclosure process on homes by large corporate servicers.

Just as the current market conditions have contributed to adverse outcomes for homeowners, the same market conditions have contributed to borrowers becoming delinquent on the payment of other debts. This has resulted in an increase in the number of debt collection calls made to borrowers and an increase in the number of consumer collection complaints. Complaints about the collection of consumer debts now account for the second largest volume of consumer complaints with 1,047 investigated during the past fiscal year. These consumer complaints consist of issues related to the validation of debt and harassment tactics by the collectors.

## Bureau of Money Transmitter Regulation (MTR)

Under Chapter 560, Florida Statutes, MTR regulates money services businesses (MSBs), which include check cashers, money transmitters, payment instrument issuers, foreign currency exchangers and deferred presentment providers (payday lenders) by examining these entities for compliance with applicable statutes and rules. OFR staff conducted 343 examinations while 53 examinations were conducted by contract examiners during Fiscal Year 2010-11, with total fines assessed of \$582,000.

Florida Statutes require examinations to be conducted within six months of the initial licensure and at least once every five years for every licensee. The entities classified as MSBs are diverse, ranging from single store check cashing firms to multinational Fortune 500 companies such as Western Union, American Express, Amazon, Google and PayPal. As of June 30, 2011, there were 1,279 licensed entities conducting business at more than 40,000 locations across Florida.

The MSB industry has introduced a number of new financial products and services over the past decade including internet transmissions, internet payment systems, digital currency providers, mobile payments, micro payments, and stored value cards. While the traditional check cashing and funds transmission business models have experienced significant challenges over the past three years, the emerging products have continued to build momentum managing to grow, even in a down economy.

Passage of the Dodd-Frank act will have a substantial impact to the regulation of MSBs. The legislation provides supervisory authority to the newly created Consumer Financial Protection Bureau (CFPB). This new agency will be the first federal agency to have direct supervisory authority over the MSB industry. While the effects on state regulation will not be known for some time, it is clear that there will be federal regulators involved in this area of regulation going forward. Deferred Presentment (a/k/a payday lending) appears to be an initial focus of the new agency and its rulemaking efforts.

### MTR Regulatory Initiatives

As part of an ongoing effort to leverage available internal resources, OFR is conducting examinations of large national and regional money transmitters with other state regulatory agencies as part of the MSB Multi-State Joint Examination Initiative. Effective July 1, 2011, a statutory change was enacted allowing OFR to protect sensitive regulatory information received from cooperating federal and state regulators. The examination of these entities is a complex and resource intensive undertaking. It is estimated the leveraging of multiple states to complete this work will reduce the costs of these examinations by as much as 75%.

OFR has formed a working group with members of the Department of Financial Services (DFS) Division of Insurance Fraud (DIF) to explore potential improvements in the area of MTR and Workers Compensation insurance to combat worker's compensation fraud. The working group is in the early stages of preparing recommendations for senior management at both agencies for legislative consideration.

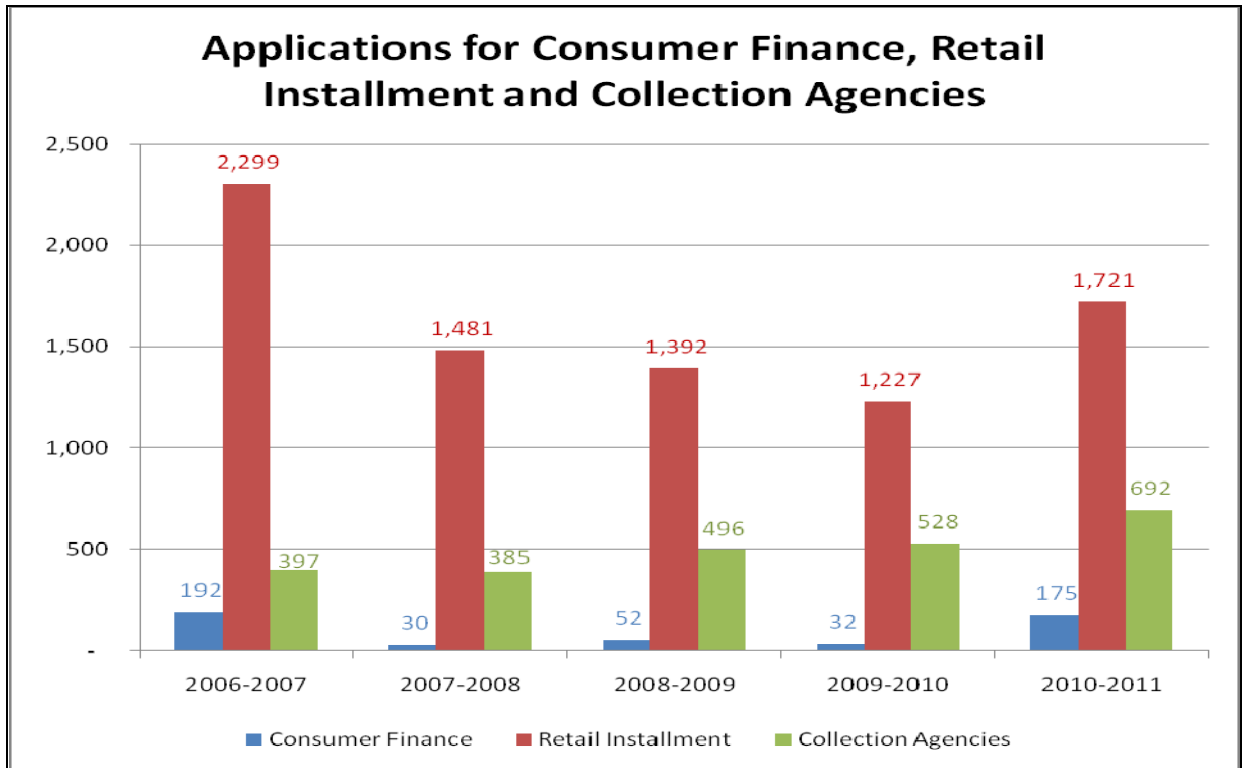
Joint industry outreach presentations with the Internal Revenue Service (IRS) designed to provide information to licensees to improve industry compliance are slated to begin in September, 2011 in Miami. Other dates and locations are yet to be determined.

### Bureau of Regulatory Review - Finance

The Bureau of Regulatory Review - Finance (BRR) processes all license, compliance and renewal filings for 19 different license types and ensures that only individuals and businesses that meet the standards for licensure are allowed to conduct business in Florida. BRR processed over 35,500 applications for licensure during Fiscal Year 2010-11, approved 18,903 new licenses, issued 309 administrative actions, denied 5,273 and revoked 78 licenses.

BRR is required to review and process all license applications in accordance with the Administrative Procedures Act, Chapter 120, Florida Statutes (APA). The APA mandates that BRR review all license applications within 30 days of receipt and notify the applicant of any deficiencies in the application. Once an applicant satisfies all statutory requirements to obtain a license, a final determination to approve or deny the application must be made within 90 days. During Fiscal Year 2010-11, BRR processed 100% of license applications in compliance with the APA.

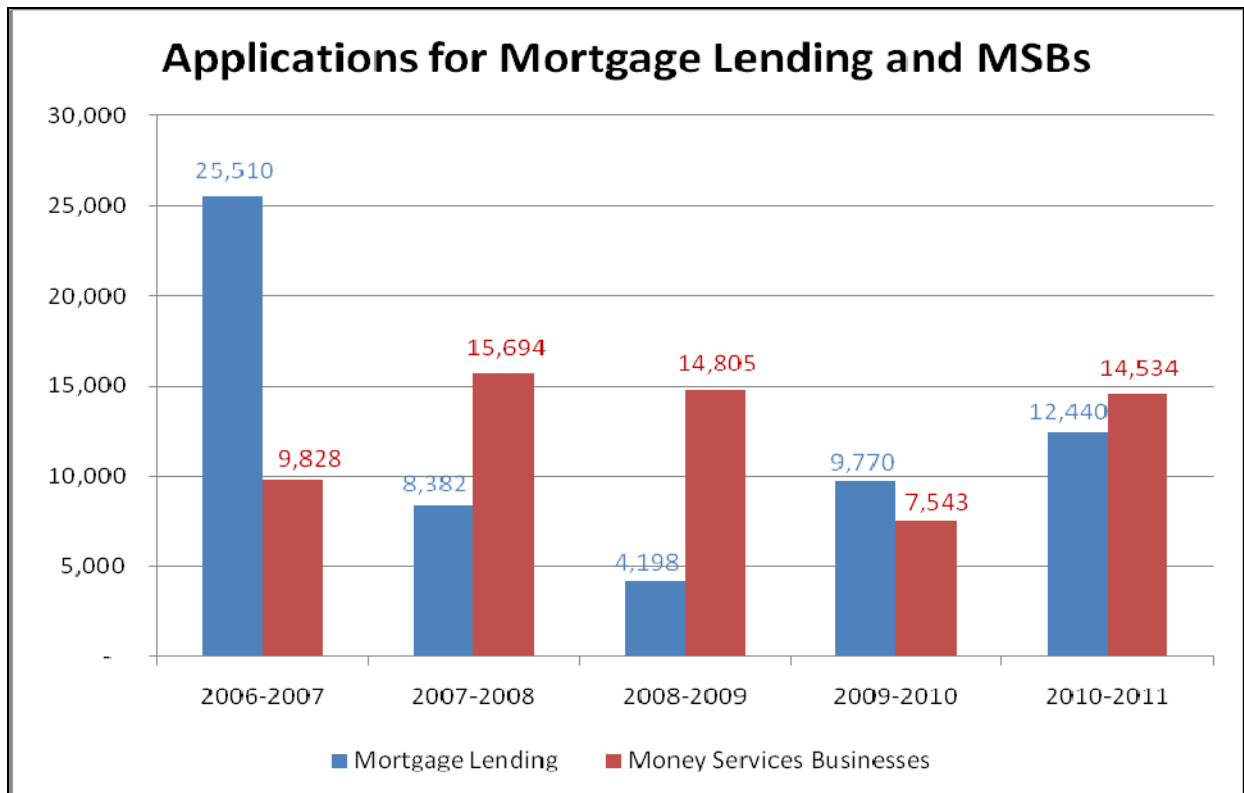
There was a 50% decline in the number of motor vehicle installment sellers that renewed their license as of December 31, 2010. Licensed motor vehicle installment sellers have maximum interest rate limits and consumer disclosure requirements that they must comply with. Unlicensed sellers operate with a distinct advantage over licensed sellers by avoiding consumer disclosure requirements and imposing unlawful interest rates or terms. They also avoid licensing procedures designed to protect consumers, as well as related fees.



Each statute requires licensees to submit timely and accurate amendments with regulatory, criminal, civil or financial disclosures so OFR can ensure licensees continue to meet minimum standards for licensure.

Although economic conditions coupled with increased regulatory requirements impacting the mortgage industry caused drastic decreases in the number of license applications, the effort required to process and review applications has increased.

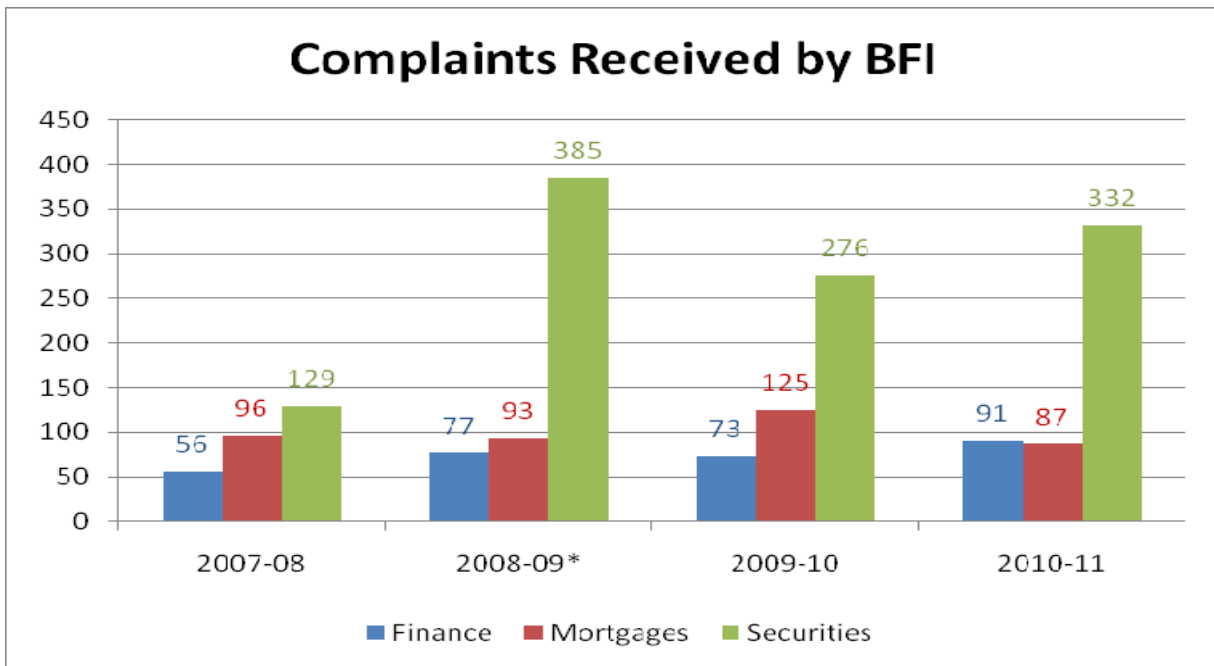
BRR began participating in the Nationwide Mortgage Licensing System (NMLS) on October 1, 2010. All mortgage license applications, amendments and renewal filings must be filed through NMLS and processed in the Regulatory Enforcement and Licensing (REAL) System by OFR. The NMLS is used nationally by all states and facilitates information sharing with other regulators.



Beginning in 2011, mortgage industry licensees will be required to file renewal requests annually through NMLS. BRR will be required to review criminal background and credit report information for individual loan originators and control persons of companies once a year. Failure by the licensee to continue meet minimum standards for licensure will result in the denial of the renewal request.

### Bureau of Financial Investigations

Economic conditions and increased consumer financial fraud awareness have led to substantial year-over-year increases in the number of complaints worked by the Bureau of Financial Investigations (BFI). Most investigations originate from consumer complaints, referrals from other agencies including law enforcement and prosecutors, and participation in law enforcement task forces. BFI has historically worked closely with staff from the Divisions of Securities, Finance and Financial Institutions, as well as federal and state regulatory agencies. In the future, however, efforts will be limited to those conducted by other divisions of the Office.



\* 2008-09 includes approximately 200 complaints against a single entity.

#### Mortgage Fraud

While BFI continues to work a significant number of mortgage fraud cases, the pace at which new cases are being opened has slowed substantially. The bureau believes that this is primarily due to fewer mortgage loans being originated and increased lender diligence in the lending process. Nonetheless, current caseload and new allegations of mortgage fraud will continue to require investigative resources.

#### Securities Fraud

Waning investor confidence and low interest rates continue to cause increased investing in non-traditional investment opportunities that are often fraudulent. Allegations of fraud involving unregistered securities continue to rise and new Ponzi schemes are being uncovered.

The bureau is concerned by the number of unregistered “boiler rooms” operating primarily in South Florida. Boiler rooms selling precious metals and other fraudulent investments are easy to set up and equally easy to move once identified. As these fraudulent schemes often victimize out-of-state or international investors, local prosecutors are less inclined to accept these cases. Based upon recent changes in federal law (Dodd-Frank commodities provisions), increased federal attention and initiatives to assist in defraying some prosecution costs incurred by state attorneys’ offices, the BFI believes some progress is now being made to rein in this activity.

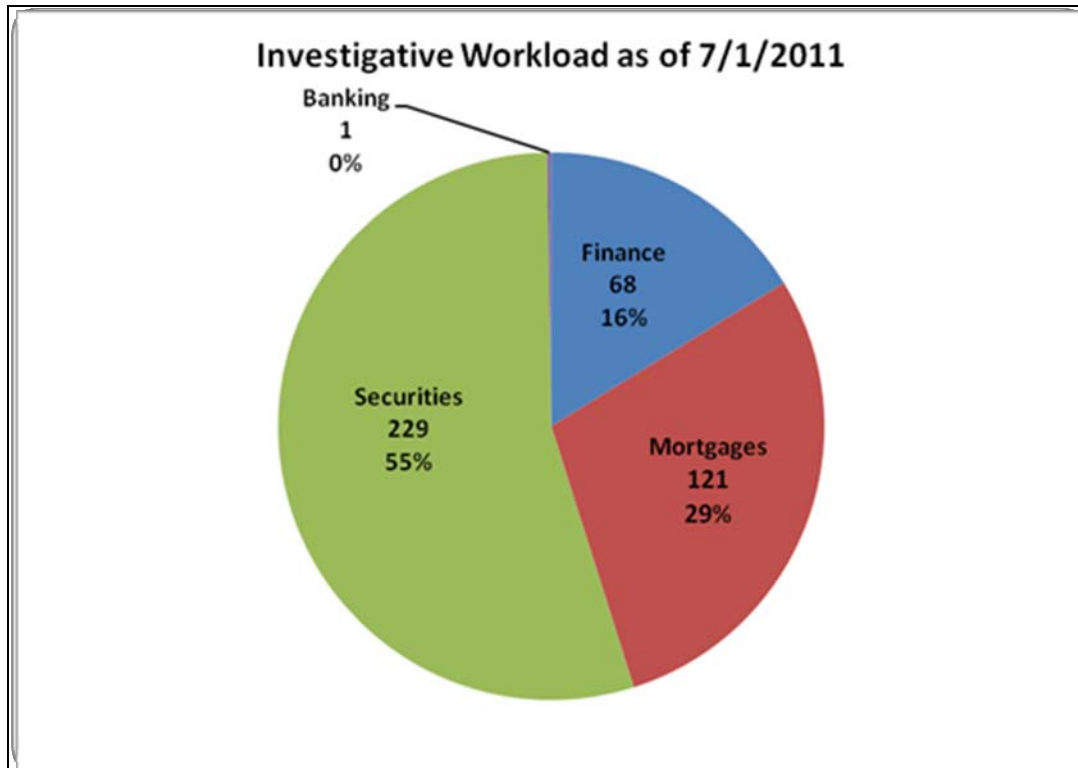
#### Loan Brokers

High unemployment and tightened credit markets continue to create an environment where opportunities for loan broker and advance fee frauds flourish. These cases are challenging for the bureau as the lender is typically not located in Florida and the

complainant's funds are often wired outside the United States. Although many incoming consumer complaints are non-actionable, the bureau has 22 open investigations in this area as of August 2011.

Caseload

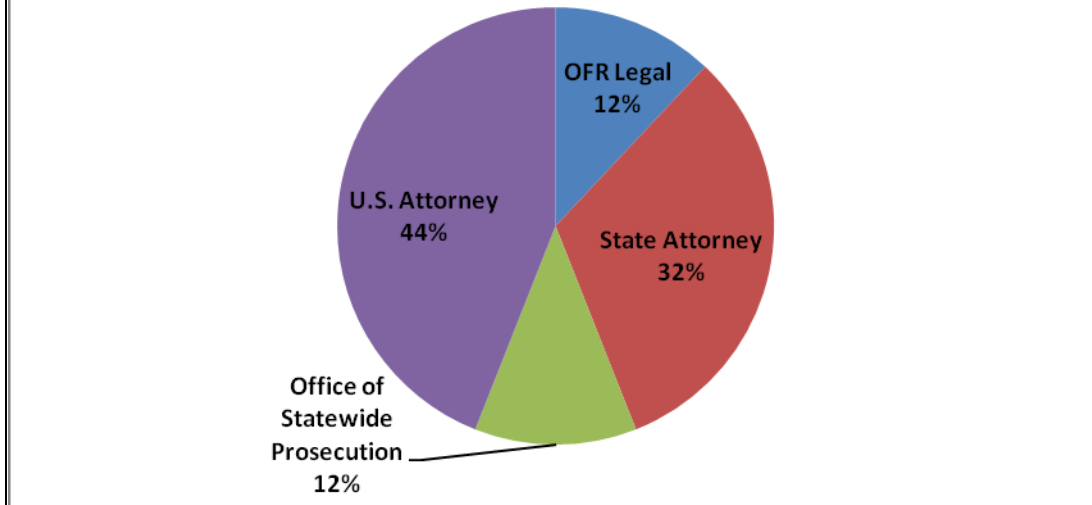
As of July 2011, BFI had 419 open cases. These investigations involve approximately 15,756 consumers and more than \$1 billion dollars. The average investigator's caseload is about nine cases.



When an investigation substantiates a violation(s), the case is presented for criminal prosecution and/or to the OFR attorneys for administrative or civil enforcement. Historically, approximately 80% of investigations accepted for enforcement result in criminal, civil and/or administrative action.



**153 Cases Accepted for Enforcement Action as of  
7/1/2011**



During Fiscal Year 2010-11, BFI closed 137 cases, including 50 investigations where enforcement action was taken. These cases resulted in 10 administrative actions, five civil actions and 44 criminal actions. As a result of investigative work performed by the Bureau, 68 criminal defendants were sentenced to a total of 256 years imprisonment and 466 years of probation.

Consumer Collection Agency Initiative

In May and June 2011, BFI focused on consumer collection agencies to determine registration compliance. This initiative involved preliminary assessment of 262 entities and resulted in the opening of 20 investigations. As of August 2011, OFR Legal has accepted five of these investigations for enforcement action.

Non-Renewal Mortgage License Initiative

Responding to the large decrease in mortgage companies renewing their licenses in 2011, BFI coordinated with the Division of Finance to develop a methodology to sample those mortgage businesses that did not renew their license. The concern was that some of these companies might be continuing to engage in mortgage activity without the proper license. In July 2011, BFI completed its review of 75 non-renewal mortgage companies, finding no evidence of unlicensed mortgage activity.

Task Force Participation

To leverage resources, BFI is currently participating in seven mortgage fraud task forces established by the United States Attorneys' Offices in the Middle and Southern Districts of Florida. These mortgage fraud task forces, established in reaction to Florida's real estate crisis will merit few if any of OFR resources in the future, and BFI will turn its attention to enforcing Florida's laws in coordination with the Office.

### Challenges

BFI has embraced an OFR initiative to better analyze and prioritize its workload. Minimal investigative resources are now committed to issues of lower importance, or where a meaningful enforcement action is unlikely. Those low priority matters are now closed early in the investigative process. This allows the BFI to better focus its resources on investigations of greater impact and importance, reducing the caseload significantly.

**LRPP Exhibit II - Performance Measures and Standards**

**Department: Department of Financial Services**

Department No.: 43

<b>Program: Financial Services Commission - Office of Financial Regulation</b>		Code: 4384			
<b>Service/Budget Entity: Safety and Soundness of State Banking System</b>		Code: 43900530			
<b>Approved Performance Measure for FY 2011-12</b>	<b>Approved Prior Year Standard FY 2010-11</b>	<b>Prior Year Actual FY 2010-11</b>	<b>Approved Standard for FY 2011-12</b>	<b>Requested Standard for FY 2012-13</b>	
<i><b>Primary Service Outcome -</b></i> Percentage of new Florida financial institutions that seek state charters	67%	N/A <sup>1</sup>	67%	67%	
Percentage of all applications, except new charter applications, deemed statutorily complete that are processed within 60 days, and within 90 days	67%/100%	89%/100%	67%/100%	67%/100%	
Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better	85%	94%	85%	85%	
Percentage of surveys returned that rate the Division's examination program as satisfactory or above	75%	80%	75%	75%	
<sup>1</sup> No routine de novo applications were filed during the time period.					
<b>Service/Budget Entity: Financial Investigations</b>		Code: 43900540			
<b>Approved Performance Measure for FY 2011-12</b>	<b>Approved Prior Year Standard FY 20-2011</b>	<b>Prior Year Actual FY 2010-11</b>	<b>Approved Standard for FY 2011-12</b>	<b>Requested Standard for FY 2012-13</b>	
<i><b>Primary Service Outcome -</b></i> Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement that result in action being taken	80%	81%	80%	80%	
Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening	60%	66%	60%	60%	

<b>Service/Budget Entity: Executive Direction</b>	Code: 43900550			
<b>Approved Performance Measure for FY 2011-12</b>	<b>Approved Prior Year Standard FY 2010-11</b>	<b>Prior Year Actual FY 2010-11</b>	<b>Approved Standard for FY 2011-12</b>	<b>Requested Standard for FY 2012-13</b>
<i>Primary Service Outcome</i> - Program administrative costs (excluding Office of Legal Services) as a percentage of total program costs	less than 3%	3.3% <sup>2</sup>	less than 3%	less than 3%
Program administration costs (including Office of Legal Services) as a percentage of total program costs	less than 12%	8.2%	less than 12%	less than 10%
Program administration positions (including Office of Legal Services) as a percentage of total program positions	less than 12%	7.7%	less than 12%	less than 10%
Program administrative positions (excluding Office of Legal Services) as a percentage of total program positions	less than 3%	2.4%	less than 3%	less than 3%
<sup>2</sup> Expenses increased due to increased travel to regional offices to meet with staff and recruit senior management.				
<b>Service/Budget Entity: Finance Regulation</b>	Code: 43900560			
<b>Approved Performance Measure for FY 2010-11</b>	<b>Approved Prior Year Standard FY 2010-11</b>	<b>Prior Year Actual FY 2010-11</b>	<b>Approved Standard for FY 2011-12</b>	<b>Requested Standard for FY 2012-13</b>
<b>Finance Examinations</b>				
Average number of days to refer a priority examination to Legal Services	43	136	43	43
Average number of days to conclude a priority examination	65	90	65	65
Total number of consumer complaints that are opened by OFR staff	3500	3939	3500	3500
<b>Money Service Businesses Regulation</b>				
Percentage of statutorily required examinations conducted	100%	226%	100%	100%
Percentage of check casher/foreign currency exchangers receiving an examination report within 60 days after the conclusion of their onsite examination	75%	89%	75%	75%
Percentage of money transmitters/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination	90%	90%	90%	90%

<b>Finance Licensing</b>				
<b>Primary Service Outcome -</b> Percentage of license applications processed within Administrative Procedure Act requirements	100%	100%	100%	100%
<b>Service/Budget Entity: Securities Regulation</b>	Code: 43900570			
<b>Approved Performance Measure for FY 2011-12</b>	<b>Approved Prior Year Standard FY 2010-11</b>	<b>Prior Year Actual FY 2010-11</b>	<b>Approved Standard for FY 2011-12</b>	<b>Requested Standard for FY 2012-13</b>
<b>Securities Examinations</b>				
<b>Primary Service Outcome -</b> Number of examinations, investigations and enforcement cases resulting in imposition of substantial sanctions	40	32 <sup>3</sup>	50	40
Number of active major enforcement cases	35	38	40	40
Number of complex securities examinations completed	55	70	65	55
<b>Securities Licensing</b>				
<b>Primary Service Outcome -</b> Percentage of license applications processed within Administrative Procedure Act requirements	100%	100%	100%	100%

<sup>3</sup>The focus of the examination program was changed during Fiscal Year 2010-11 to target larger, more significant cases. Time to complete major enforcement cases varies greatly. While smaller matters may be resolved in six months or less, for particularly large cases, the time may be measured in years rather than months. This was a transitional year and the division anticipates it will meet this standard in Fiscal Year 2011-12.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Office of Financial Regulation  
**Program:** Financial Services Commission  
**Service/Budget Entity:** 43900530-Safety and Soundness of the State Banking System  
**Measure:** Percentage of new Florida financial institutions that seek state charters

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
67%	N/A	N/A	N/A

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:**

**External Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Resources Unavailable                               | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change                            | <input checked="" type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |  |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |  |

**Explanation:** During the economic recession, new charter applications, also known as de novo applications, have come to a halt. The division did not receive any de novo applications during Fiscal Year 2010-11 and no new (non-shelf charter) de novo applications were filed with the national bank regulator. De novo application activity is not expected to resume until an economic recovery is underway.

**Management Efforts to Address Differences/Problems** (check all that apply):

- |                                    |   |
|------------------------------------|---|
| <input type="checkbox"/> Training  | <input type="checkbox"/> Technology       |
| <input type="checkbox"/> Personnel | <input type="checkbox"/> Other (Identify) |

**Recommendations:** The division recommends keeping this measure in place, since the absence of new charter applications is a temporary condition.

*Office of Policy and Budget – July 2011*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Department of Financial Services**  
**Program: Financial Services Commission – Office of Financial Regulation**  
**Service/Budget Entity: 43900540 Bureau of Financial Investigations**  
**Measure: Number of Financial Investigations Closed**

**Action:**

- |   |  |
|---|--|
| <input type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure           | <input type="checkbox"/> Revision of Measure |
| <input checked="" type="checkbox"/> Performance Assessment of <u>Output</u> Measure | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                    |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
300	137	-163	54%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity    |
| <input checked="" type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training |
| <input checked="" type="checkbox"/> Previous Estimate Incorrect | <input type="checkbox"/> Other (Identify)  |

**Explanation:** In Fiscal Year 2010-11, the Office of Financial Regulation established guidance on prioritizing workload. This guidance emphasizes focusing investigative resources on more egregious on-going violations and those posing the highest risk to Florida citizens. The bureau, in compliance with this priority case guidance, has spent significant effort to better focus investigative resources on priority investigations.

Of the 400 investigations open as of August 2011, prosecutors have already accepted 38% (153). Investigators continue to provide investigative support to the prosecutor or OFR attorney handling the case until the matter is legally resolved. This support typically includes gathering and analyzing additional evidence, testifying at trials or hearings, organizing evidence for use in a trial or hearing, contacting and coordinating witnesses and other pre-trial or post-trial activities. This dedicated investigative support is vital.

By focusing on priority investigative work, the bureau has achieved significant results. Of the 137 investigations closed during Fiscal Year 2010-11, 50 (or 36%) resulted in enforcement action. These cases resulted in:

- 8 administrative actions
- 3 civil actions
- 42 criminal actions
- 76 defendants being sentenced to a total of 247 years imprisonment and 454 years probation

**External Factors** (check all that apply):

- |  |   |
|--|---|
| <input type="checkbox"/> Resources Unavailable | <input type="checkbox"/> Technological Problems |
|--|---|



- |  |   |
|--|---|
| <input type="checkbox"/> Legal/Legislative Change                            | <input type="checkbox"/> Natural Disaster |
| <input type="checkbox"/> Target Population Change                            | <input type="checkbox"/> Other (Identify) |
| <input type="checkbox"/> This Program/Service Cannot Fix the Problem         |   |
| <input type="checkbox"/> Current Laws Are Working Against the Agency Mission |   |

**Explanation:**

**Management Efforts to Address Differences/Problems** (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Training  | <input checked="" type="checkbox"/> Technology       |
| <input checked="" type="checkbox"/> Personnel | <input checked="" type="checkbox"/> Other (Identify) |

**Recommendations:** The bureau continues to apply the OFR case priority guidance, which will result in larger, more meaningful priority investigations being opened and the closing of other types of cases in a more expeditious manner.

Management has made extensive use of the REAL System to improve business processes.

The OFR management has recently developed more efficient enforcement and fines processes which will be implemented by the bureau.

- Continue focusing on priority cases. It is estimated that next fiscal year the number of case closures will be similar. If this trend continues, the bureau will consider requesting a reduction in the standard.
- Continue business process improvement initiatives.

*Office of Policy and Budget – July 2011*

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department: Office of Financial Regulation**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900560 - Finance Regulation**

**Measure: Average number of days to refer a priority examination to Legal Services**

**Action:**

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Performance Assessment of <u>Outcome</u> Measure | <input type="checkbox"/> Revision of Measure |
| <input type="checkbox"/> Performance Assessment of <u>Output</u> Measure             | <input type="checkbox"/> Deletion of Measure |
| <input type="checkbox"/> Adjustment of GAA Performance Standards                     |  |

Approved Standard	Actual Performance Results	Difference (Over/Under)	Percentage Difference
43	136	+93	216%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- |  |  |
|--|--|
| <input type="checkbox"/> Personnel Factors           | <input type="checkbox"/> Staff Capacity              |
| <input type="checkbox"/> Competing Priorities        | <input type="checkbox"/> Level of Training           |
| <input type="checkbox"/> Previous Estimate Incorrect | <input checked="" type="checkbox"/> Other (Identify) |

**Explanation:** Based on law changes effective January 1, 2010 to Chapter 494, Florida Statutes, the Office determined that companies and individuals offering loan modifications for a fee to consumers would become the highest priority for the enforcement examination staff. In the fall of 2010, the examiners began to encounter companies and individuals offering loan modifications who were more sophisticated in their schemes to charge illegal upfront fees to the consumers such as combining their services with an attorney in order to claim an apparent exemption to the licensing requirements and regulations of Chapter 494, Florida Statutes. These companies were more prone to restrict access to their records, thus causing the increased need to use investigative subpoenas to obtain records. Enforcing compliance with the Office’s subpoenas required additional time by staff with the aid of the Office’s legal staff to resolve and reach a successful conclusion to the cases. Over 928 examinations were opened during a six month period where legal actions were taken against 95 entities for unlicensed activity. In addition, 99 cases relating to advanced fees were opened with eight legal actions and one was referred to the Florida Bar Association.

**External Factors** (check all that apply):

- |   |  |
|---|--|
| <input type="checkbox"/> Resources Unavailable    | <input type="checkbox"/> Technological Problems      |
| <input type="checkbox"/> Legal/Legislative Change | <input type="checkbox"/> Natural Disaster            |
| <input type="checkbox"/> Target Population Change | <input checked="" type="checkbox"/> Other (Identify) |

- This Program/Service Cannot Fix the Problem
- Current Laws Are Working Against the Agency Mission

**Explanation:** In the fall of 2010, the companies and individuals offering loan modification to consumers for an upfront fee started to combine their business with established law firms and attempt to claim an exemption from licensure and enforcement actions. These actions caused the staff to issue more subpoenas to the individuals and lawyers in order to gain access to their records. The complexity of what was the lawyer's records versus what was in the loan modification company's records were blurred and required more resources and time from OFR's examination and legal staff.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training
- Technology
- Personnel
- Other (Identify)

**Recommendations:** The agency partnered with the Florida Bar Association to halt the practice of taking up front fees with the promise that mortgages would be modified without any meaningful services being provided to Florida consumers.

**LRPP Exhibit III: PERFORMANCE MEASURE ASSESSMENT**

**Department:** Department of Financial Services  
**Program:** Financial Services Commission – Office of Financial Regulation  
**Service/Budget Entity:** 43900570 – Securities Regulation  
**Measure:** Number of examinations, investigations and enforcement cases resulting in imposition of substantial sanctions

**Action:**

- Performance Assessment of Outcome Measure       Revision of Measure
- Performance Assessment of Output Measure       Deletion of Measure
- Adjustment of GAA Performance Standards

	Approved Standard		Actual Performance Results		Difference (Over/Under)		Percentage Difference
	40		32		-8		-25%

**Factors Accounting for the Difference:**

**Internal Factors** (check all that apply):

- Personnel Factors       Staff Capacity
- Competing Priorities       Level of Training
- Previous Estimate Incorrect       Other (Identify)

**Explanation:** The division focuses its efforts on enforcement cases which target firms and individuals which pose the greatest threat to investors, as opposed to simply generating number of cases. These matters are larger, more complex and resource intensive.

**External Factors** (check all that apply):

- Resources Unavailable       Technological Problems
- Legal/Legislative Change       Natural Disaster
- Target Population Change       Other (Identify)
- This Program/Service Cannot Fix the Problem
- Current Laws Are Working Against the Agency Mission

**Explanation:** The complexity and variety of products sold by the industry have increased dramatically over the last few years, increasing the time required to investigate and bring enforcement actions.

**Management Efforts to Address Differences/Problems** (check all that apply):

- Training       Technology
- Personnel       Other (Identify)

**Recommendations:** The division has created an enforcement group to concentrate on problematic firms and individuals, and intensified its training programs in an effort to obtain more expertise in new products. The Division has very recently transferred some of its resources to create more legal positions, allowing the division to bring more cases.

*Office of Policy and Budget - July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900530 Safety & Soundness of State Banking System

**Measure:** Percentage of new Florida financial institutions that seek state charters

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Organizers of new financial institutions have the option of being chartered and regulated by the state or federal government. Many factors influence the decision to seek a state or national/federal charter, including the cost of regulation, accessibility of regulators, authorized powers, competitive opportunities, and economic conditions. The value of the state charter can be measured, to an extent, by the percentage of organizers that seek a state charter in lieu of a national charter. The Federal Deposit Insurance Corporation (FDIC) maintains a database of all active and inactive FDIC insured financial institutions (both state and national/federal charters) including domestic banks.

**Validity:** The dual banking system affords financial institutions the option of being chartered and regulated by the state or federal government. For state regulation to have value, it must demonstrate that such regulation is a viable alternative for individuals seeking to organize new financial institutions in Florida. The proportion of organizers seeking state charters rather than national charters is a valid indicator of the value of the state charter. Given unprecedented levels of market concentration and out-of-state control of deposit market share in Florida, new market entry is essential to maintain competitiveness and mitigate potential oligarchic behavior. The measure demonstrates the relative value of the dual banking system in Florida and supports OFR's mission to provide a high quality, cost efficient state regulatory system.

**Reliability:** OFR and the FDIC maintain databases that include information concerning each new bank opened. The databases are updated on a continuous basis. Back-up documentation is maintained by OFR to ensure the data is verifiable. Efforts have been made to assure data is promptly and correctly entered into the Database of General Information (DOGI) system.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900530 Safety & Soundness of State Banking System

**Measure:** Percentage of all applications, except new charter applications, deemed statutorily complete that are processed within 60 days, and within 90 days.

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Under Florida's Administrative Procedures Act (APA) statutory time frames, OFR has 90 days to issue final agency action on most domestic applications, other than new charter applications. The time frame begins when an application is deemed by OFR to be complete with respect to statutory requirements and ends when a final decision is rendered on the application.

The data for this measure is maintained in OFR's Database of General Information (DOGI) and back-up documentation is maintained to validate the information. Only applications for which a decision was rendered during the relevant time frames will be used in the calculation. The measure will be calculated by determining all applications that were acted on (decision) during the relevant time period. The measure will be calculated as follows:

- a. Determine number of days required to process each application (Date of Notice of Intent - Date application deemed complete)
- b.  $\% = (\text{Number of applications processed within standard timeframes}) / (\text{Total number of applications processed})$

OFR has established a standard for domestic application processing (60 days) that is less than the statutory minimum for these types of applications.

**Validity:** The measure is a valid indicator of the amount of time required to process applications and to determine whether OFR has met its statutory requirements. Timely processing of applications also reduces unnecessary regulatory burden on applicants. The measure is an appropriate indicator of how long it takes to issue a final agency action for an application and supports OFR's mission to carry out Florida's banking laws efficiently and effectively.

**Reliability:** All dates and other information needed to calculate these measures are maintained in DOGI. OFR maintains back-up documents to validate entries in the

database. Efforts have been made to assure data is promptly and correctly entered into DOGI.

*Office of Policy and Budget – July 2010*



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900530 Safety & Soundness of State Banking System

**Measure:** Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Data is received from state financial institutions. The Division of Financial Institutions developed an examination survey that is sent to all state financial institutions annually. The survey solicits a variety of comments on the safety and soundness examination process, examination team, and examination report. The survey also elicits a response from financial institutions regarding the contribution of the State examination process in promoting safe and sound institutions.

The measure will be calculated as follows:

- a. Determine the total number of responses to section 4, question 4 of the survey
- b. Sort all responses in ascending order
- c. Determine the number of responses that rated OFR as “2” or better (1= highest, 5 = lowest)
- d. % = (Number of responses that rated OFR as “2” or better) / (Total number of responses)

**Validity:** The survey results provide OFR with an objective evaluation of the quality of the product it provides (financial institution regulation) by the customers. This type of measure is broadly used throughout the business industry as a form of quality control.

The measure provides OFR with direct feedback from its customers, the state financial institutions, and is used to evaluate the product provided. Survey results provide OFR with a perspective from the “outside” which can be used to improve the processes.

**Reliability:** All survey information needed to calculate this measure is maintained in Excel spreadsheets. OFR maintains back-up documents to validate entries in the spreadsheets. Efforts have been made to assure data is promptly and correctly entered into an Excel spreadsheet and tabulated.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900530 Safety & Soundness of State Banking System

**Measure:** Percentage of surveys returned that rate the Division's examination program as satisfactory or above

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Data is submitted by state financial institutions. OFR has developed an examination questionnaire that is sent to all state financial institutions annually. The questionnaire solicits comments on the safety and soundness examination process, examination team, and examination report. The survey also elicits a response to the exhaustiveness and efficiency of state examinations compared with those conducted by federal regulators. This output will be calculated by averaging all responses to sections 1, 2, and 3 of the questionnaire. These sections relate to the examination process, team and report.

**Validity:** The survey results provide OFR with an objective evaluation of the quality of the product it provides (financial institution regulation) by the customers. This type of measure is broadly used throughout the business industry as a form of quality control. The measure provides OFR with direct feedback from its customers, the state financial institutions, and is used to evaluate the product provided. Survey results provide OFR with a perspective from the “outside” which can be used to improve the processes.

**Reliability:** All survey information needed to calculate this measure is maintained in Excel spreadsheets. OFR maintains back-up documents to validate entries in the spreadsheets. Efforts have been made to assure data is promptly and correctly entered into an Excel spreadsheet and tabulated.

**LRPP EXHIBIT IV: Performance Measure Validity and Reliability**

**Department: Department of Financial Services**

**Program: Financial Services Commission/Office of Financial Regulation**

**Service/Budget Entity: 43900540 Financial Investigations**

**Measure: Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement that result in action being taken**

**Action (check one):**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:**

The Bureau of Financial Investigations (Bureau) tracks all investigative case activity in the Office of Financial Regulation's (Office's) Regulatory Enforcement and Licensing (REAL) System.

When violations of law and/or administrative rules have been documented by evidence, the Bureau seeks legal assistance in taking enforcement action. Administrative cases are presented to OFR Legal Counsel. Criminal cases are frequently presented to the State Attorney's Office, the Office of Statewide Prosecution, and the United States Attorney's Office. Below are the REAL activity codes used to track cases accepted for prosecution:

- Case Accepted by AG
- Case Accepted by Legal
- Case Accepted by SAO
- Case Accepted by USAO
- Case Accepted by OSWP

When an Enforcement Action is taken, the investigator assigned will record the action in REAL. Below is the REAL disposition codes used to track enforcement actions:

- Administrative Action Taken
- Civil Action
- Civil and Administrative Action
- Criminal Action
- Criminal and Civil Action
- Criminal, Civil & Administrative Action
- Criminal and Administrative Action
- Criminal Action - Fugitive

An Investigation is closed when the investigator assigned, and the reviewing authority, deem all matters complete. The investigation is not closed until the final disposition of the administrative, civil or criminal case. REAL is updated and reviewed for completeness. With proper documentation made to the file, the matter is closed.

**Calculation of Outcome Measure:** The percentage of investigative cases accepted for prosecution that result in enforcement action will be determined by dividing 1) the total number of closed cases that result in enforcement action, by 2) the number of closed investigative cases that were accepted for prosecution during the review period.

**Data Source:** The data source is the REAL Enforcement Investigative Module. Access to these modules is restricted primarily to the Bureau of Financial Investigations. Investigators are required to enter data into this database by the Bureau Operational Memorandum on Investigative Standards. There are specific fields in REAL to adequately capture Performance Based Budgeting data.

**Validity:** The acceptance of an investigation for prosecution measures the Bureau's ability to conduct quality financial investigations which identify and sufficiently document fraudulent activity under OFR jurisdiction and the Bureau's support to the prosecution.

This outcome measures the Bureau's ability to efficiently conduct quality financial investigations that are accepted by prosecutors for enforcement action and the Bureau's commitment to assist the prosecutors obtain a successful action.

**Reliability:** Data inconsistencies can occur from input errors. To enhance database accuracy and integrity, Bureau Quality Assurance Guidelines have been established for investigators and managers. Additionally, managers conduct a complete review of active and recently closed investigations on a quarterly and annual basis to validate REAL data and ensure compliance with operational memoranda and established procedures.

Ultimately, the decision to file administrative, civil or criminal action is outside the control of the Bureau and is impacted by the priorities and resources of the prosecutor. Many enforcement actions resulting from investigations conducted by the Bureau are complex and resource intensive. When presenting investigations for potential prosecution, the Bureau is committed to provide continued investigative resources or litigation support as needed.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission/Office of Financial Regulation

**Service/Budget Entity:** 43900540 Financial Investigations

**Measure:** Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The Bureau of Financial Investigations (Bureau) tracks all investigative case activity in the Office of Financial Regulation's (Office's) Regulatory Enforcement and Licensing (REAL) System.

An investigation is the gathering of pertinent evidence to identify noncompliance or prove/disprove allegations and violations of the law and regulations within the jurisdiction of the Office of Financial Regulation.

The following codes are used to identify investigative cases:

- Licensed Banking Entity
- Licensed Finance
- Registered Securities
- Unlicensed Finance
- Unlicensed Bank Entity
- Unregistered Securities

**Investigation Start Date** – An investigation is commenced when there is information/evidence of possible violations of Florida Statutes or Rules. When it is determined that an investigation is warranted, the case is entered into REAL and assigned to an investigator. At this point, a case priority is assigned. Factors used in making the priority determination include:

- The egregiousness of conduct, including the length of time conduct occurred and whether recidivists were involved.
- Whether the impact or potential impact to Florida Citizens is significant (e.g. due to the large number of victims, high dollar losses, or vulnerability of victims).
- Whether the persons involved in the conduct are licensees or registrants.
- Whether the alleged illegal conduct is on-going
- Whether the subject matter is an OFR/division priority

The codes established in REAL to track case priority are 1, 2 or 3 (1 being the highest). An investigation will be deemed a "Priority Case" if the code is a 1 or 2. When violations of law and/or administrative rules have been documented with evidence, the Bureau seeks legal assistance in taking enforcement action. Administrative cases are presented to OFR Legal Counsel. Criminal cases are frequently presented to the State Attorney's Offices, the Office of Statewide Prosecution, and the United States Attorney's Office. Once an investigative case is accepted for enforcement, bureau investigators provide full investigative support as needed. Below are the REAL activity codes used to track cases accepted for prosecution:

- Case Accepted by AG
- Case Accepted by Legal
- Case Accepted by SAO
- Case Accepted by USAO
- Case Accepted by OSWP

The Bureau uses the REAL codes 1) Entered Date and 2) Activity Date to determine the number of months from case opening to case acceptance for prosecution.

**Calculation of Outcome Measure:** The percentage of priority investigations accepted by prosecutor or OFR Legal Counsel for enforcement action within 12 months of case opening will be calculated by: 1) the number of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement within 12 months, divided by 2) the total number of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement during the review period.

**Data Source:** The data source is the REAL Enforcement Investigative Module. Access to these modules is restricted primarily to the Bureau of Financial Investigations. Investigators are required to enter data into these databases by the Bureau Operational Memorandum on Investigative Standards. There are specific fields in REAL to adequately capture Performance Based Budgeting data.

**Validity:** The acceptance of an investigation for prosecution measures the Bureau's ability to conduct quality investigations which identifies and sufficiently documents fraudulent activity under OFR jurisdiction. Once an investigative case is accepted for enforcement, investigators provide full investigative support as needed, to facilitate a successful prosecution and enforcement result.

This outcome measures the Bureau's ability to conduct quality financial investigations, and have the investigation accepted for enforcement in a timely manner.

**Reliability:** Data inconsistencies can occur from input errors. To enhance database accuracy and integrity, Bureau Quality Assurance Guidelines have been established for investigators and managers. Additionally, managers conduct a complete review of active and recently closed investigations on a quarterly and annual basis to validate REAL data and ensure compliance with operational memoranda and established procedures.

*Office of Policy and Budget – July, 2010*



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation

**Measure:** Average number of days to refer a priority examination to Legal Services

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The data for this measure is maintained in OFR's REAL (Regulatory, Enforcement, and Licensing) System. This measure will assess the average number of days elapsed from the date the priority examination case was opened to the date the priority examination is referred to Legal Services for an administrative action. First, the examinations that are considered priority will be identified which were referred for the relevant period. Second, the "disposition date" of the examination will be used as the date for the referral of the examination to Legal Services. Third, the date "opened" will be used as the date the examination is started. The difference (disposition date minus opened) is the processing or examination number of days until it was referred. The number of examinations and the number of days will then be averaged to determine the measure.

**Validity:** This measure will address OFR's efficiency in timely handling a priority examination from start of the examination process to the referral for administrative action. A priority examination is based on an issue that is identified by the Agency as a priority. The Office has determined that it will focus its resources on enforcement matters that will have the greatest overall impact in protecting Florida's citizens. An example of an OFR priority is companies performing loan modifications without a current license which is required to conduct business. These unlicensed companies are frequently requiring upfront fees from homeowners in distressed properties with promises of reduced payments, lower interest rates, or reductions in the mortgage loan balances. These companies frequently make either token or no efforts to fulfill their promises to the consumers, thus causing additional harm to consumers who are already in dire straits. A timely administrative action can result in a cease and desist order issued to the company, administrative fines, refund of upfront fees or the handing over of files to a licensed entity.

**Reliability:** All dates and other information required to determine this measure is maintained in the REAL system. This system data is backed up on a pre-determined basis so that this data will be available in event of system failure. Efforts are made to assure data is promptly and correctly entered into REAL.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900560 Finance Regulation**

**Measure: Average number of days to conclude a priority examination**

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The data for this measure is maintained in OFR's REAL (Regulatory, Enforcement, and Licensing) system. This measure will assess the average number of days elapsed from the date the priority examination case was opened to the date the priority examination was closed. First, the examinations that are considered priority will be identified which are closed in the relevant period. Second, the "date closed" of the examination will be used as the date for the conclusion of the examination when no additional staff resources will be expended on the case. Third, the date "opened" will be used as the date the examination is started. The difference (date closed minus opened) is the processing or examination number of days. The number of examinations and the number of days will then be averaged to determine the measure.

**Validity:** This measure will address OFR's efficiency in timely handling a priority examination from start of the examination process to the conclusion. A priority examination is based on an issue that is identified by the Agency as a priority. The Office has determined that it will focus its resources on enforcement matters that will have the greatest overall impact in protecting Florida's citizens. An example of an OFR priority is companies performing loan modifications without a current required license. These unlicensed companies are frequently requiring upfront fees from homeowners in distressed properties with promises of reduced payments, interest rates, or reductions in the mortgage loan balances. These companies frequently make either token or no efforts to fulfill their promises to the consumers, thus causing additional harm to consumers who are already in dire straits.

**Reliability:** All dates and other information required to determine this measure is maintained in the REAL system. The system data is backed up on a pre-determined basis so that this data will be available in event of system failure. Efforts are made to assure date is promptly and correctly entered into REAL.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation

**Measure:** Total number of consumer complaints that are opened by OFR staff

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** The data for this measure is maintained in OFR's REAL (Regulatory, Enforcement, and Licensing) system. OFR will identify all consumer complaints entered into REAL which have been received for the fiscal year. The dates will be drawn from the date field labeled "Received."

**Validity:** The Office strives to protect consumers from financial fraud. Complaints can be the first notice to the Office that financial fraud has been committed or is on-going. Complaints will serve as potential indicators of existing or new schemes that may be developing in the financial markets.

**Reliability:** All dates and other information required to determine this measure is maintained in the REAL system. This system is backed up on a pre-determined basis so that this data will be available in event of system failure. Efforts are made to assure date is promptly and correctly entered into REAL.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900560 Finance Regulation – Money Transmitter Regulation**

**Measure: Percentage of statutorily required examinations conducted**

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** This measure is directly related to achieving the statutory mandate to examine all licensees at least once every five (5) years. The percentage will be calculated as the number of examinations conducted during the fiscal year compared to the number of examinations required to be conducted each year in order to remain compliant with the statutorily mandated five (5) year examination cycle.

For purposes of this measure the term conducted shall mean that the Office has initiated its onsite review of the licensee. The inclusion of any examination will be determined based on its documentation in the REAL system. Each examination record in the system will be measured by the start date of the “field work” activity. The start date will be the date the examiner commences the onsite portion of the examination. This should generally match the date contained on the entrance letter unless the file is documented in a work note moving the starting date for the examination. The numerator for this measure shall be the number of examinations conducted during the fiscal year. The denominator will be the number of examinations required to be conducted in order to remain in compliance with the statutorily mandated examination cycle. This number will be calculated using the number of active licenses, by license type, on July 1<sup>st</sup> of each year and dividing this number by five (5). The number will then be calculated by decreasing the result incrementally by 10% annually for the five (5) year period for Part III licenses, and 4% for Part II licenses.

**Validity:** This measure will directly track to the program’s ability to meet its new statutory obligation. The Office will be able to assess productivity and program resources needs each year and respond accordingly to changes in industry trends and conditions. The industry regulated by Chapter 560, Florida Statutes has had historically high turnover with upwards of 10-15% of the licensees not renewing the licenses on an annual basis. Given the high turnover however the overall number of

licensees has continued to increase based on even higher number of license applications. This measure will assist the Office in managing the ever changing environment by allowing the Office to measure progress towards meeting the statutory requirements.

**Reliability:** Data will be captured and reported quarterly using the REAL system. Each examiner is responsible for documenting the date that field work commenced by entering an activity “field work”. Each quarter a report of the activity “field work” will be pulled and totaled based on the start date of the “field work”.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation – Money Transmitter Regulation

**Measure:** Percentage of check casher/foreign currency exchangers receiving an examination report within 60 days after the conclusion of their onsite examination.

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Each examination of a check casher or foreign currency exchanger licensee will be completed in a timely manner. This measure will determine the number of days between the last day of field work on the examination and the date the final examination report issued. The dates used will be the closed date of the “Field Work” activity and the closed date of the “Report Submitted/Issued” activity. This measure will only include examinations that are coded as routine. Examinations conducted “for cause” which may result in protracted legal or criminal proceedings will not be included in this measure. For purposes of this measure the determination of whether an examination is “routine” or “for cause” may not be made until field work has commenced.

**Validity:** This measure will determine the efficiency of the examination process in completing all work assigned in a timely manner. Providing the licensees with timely feedback will contribute to the long term compliance rates of the industry as a whole. The sooner the licensee receives the examination findings the sooner the licensee can implement the necessary policy and procedural changes to put the entity back into compliance.

**Reliability:** Data will be captured and reported both quarterly and at year-end. The number will be computed based on the data captured by the Case Activity report in the REAL System. The report will be generated for the activity “Report Submitted/Issued” for the appropriate time period. The data will be limited to check casher or foreign currency exchanger companies where the examination is conducted as a routine examination.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation – Money Transmitter Regulation

**Measure:** Percentage of money transmitter/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination.

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** Each examination of a money transmitter or payment instrument issuer licensee will be completed in a timely manner. This measure will determine the number of days between the last day of field work on the examination and the date the final examination report issued. The date will be the closed date of the “Field Work” activity and the closed date of the “Report Submitted/Issued” activity. This measure will only include examinations that are coded as routine. Examinations conducted “for cause” which may result in protracted legal or criminal proceedings will not be included in this measure. For purposes of this measure the determination of whether an examination is “routine” or “for cause” may not be made until field work has commenced.

**Validity:** This measure will determine the efficiency of the examination process in completing all work assigned in a timely manner. Providing the licensees with timely feedback will contribute to the long term compliance rates of the industry as a whole. The sooner the licensee receives the examination findings, the sooner the licensee can implement the necessary policy and procedural changes to put the entity back into compliance.

**Reliability:** Data will be captured and reported quarterly and at year-end. The number will be computed based on the data captured by the Case Activity report in the REAL System. The report will be generated for the activity “Report Submitted/Issued” for the appropriate time period. The data will be limited to money transmitter or payment instrument issuer examinations where the examination is conducted as a routine examination.

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900560 Finance Regulation – Regulatory Review

**Measure:** Percentage of license applications processed within Administrative Procedures Act requirements

**Action:**

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** This measure reflects the percentage of applications where the Office processed applications for licensure within the timeframes required by the Administrative Procedures Act (APA, Section 120.60, Florida Statutes. The APA requires state agencies that process applications for licensure to notify applicants of any deficiencies in the application within 30 days of receipt of the application. If the agency has complied with this requirement and the applicant does not complete the application within the time frame prescribed in the deficiency letter, the agency may technically deny the application for failure to complete the application. In the event the agency does not issue a deficiency letter within the 30 days, the agency cannot technically deny the application and must consider the application complete upon receipt. Furthermore, the APA requires that the agency approve or deny any application within 90 days of completion of the application. The percentage will be computed by dividing the total number of applications processed within the APA guidelines during the year by the total number of applications processed during the year.

**Validity:** This measure helps to ensure the timely processing of all applications and compliance with state law. This furthers the agency's mission to support the industries regulated and consumers by providing a timely service to these entities and individuals.

**Reliability:** Data will be captured and reported quarterly. The Division tracks applications in the REAL System.



## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900570 Securities Regulation

**Measure:** The number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** This measure will report the number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions.

A substantial sanction for a dealer is some combination of: 1) a fine or civil penalty of \$50,000 or more; 2) restitution to investors of \$50,000 or more; 3) Revocation, bar, denial or suspension of registration/license; or 4) civil or criminal remedies.

A substantial sanction for an investment adviser is: 1) a fine or civil penalty of \$25,000 or more; 2) restitution to investors of \$50,000 or more; 3) revocation, bar, denial or suspension of registration/license; or 4) civil or criminal remedies.

A substantial sanction for an individual is: 1) a fine or civil penalty of \$20,000 or more; 2) restitution to investors of \$20,000 or more; 3) revocation, bar, denial or suspension of registration/license; or 4) civil or criminal remedies.

**Validity:** The division has determined that it will focus its resources on enforcement matters that will have the greatest overall impact in protecting Florida's citizens. Therefore, the division is choosing to focus on cases that will result in substantial sanctions or substantial recovery of investor funds. This prioritization will enable the division to better utilize the time and talents of designated staff to accomplish the agency's mission of carrying out the securities laws of the state effectively and to provide regulation of business that promotes the sound growth and development of Florida's economy.

**Reliability:** Information will be retrieved from the agency's Registration Enforcement and Licensing (REAL) system using the Standard Query Language (SQL) Server Reporting Services (Report Manager). The agency will utilize the Report Manager to extract the data for each quarter and fiscal year end. These reports will be updated each quarter to reflect any entries made into REAL for prior periods. At the end of the fiscal year, all affected areas of the agency will make final entries to REAL. REAL is the primary source for the capturing, computing and reporting of the performance measures.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department:** Department of Financial Services

**Program:** Financial Services Commission – Office of Financial Regulation

**Service/Budget Entity:** 43900570 Securities Regulation

**Measure:** The number of active major enforcement cases

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

**Data Sources and Methodology:** This measure will report on the number of active, major enforcement cases. Major cases must contain one or more of the following: a) the egregiousness of conduct or impact to Florida residents was significant. Examples of significant egregious conduct might include cases with more than 25 victims; losses greater than \$50,000; conduct that continued for longer than 3 months or conduct that hurt particularly vulnerable victims; b) the alleged illegal conduct involved recidivists; or c) the alleged illegal conduct was systemic and/or on-going. Systemic conduct could be manifested by such things as unlawful conduct throughout a firm or an industry-wide practice.

Major cases are designated in REAL with a Priority Code of “1”.

**Validity:** The division has determined that it will focus its resources on cases that will have the greatest overall impact in protecting Florida’s citizens. Therefore the Division will pursue cases involving egregious conduct that impacts significant numbers of investors, vulnerable investors, targets recidivists, or addresses a systemic or ongoing sales practice abuse. The focus on working active major cases will help to insure that the division routinely completes examinations and investigations that result in substantial sanctions or return of funds to victims.

**Reliability:** Information will be retrieved from the agency’s Registration Enforcement and Licensing (REAL) system using the Standard Query Language (SQL) Server Reporting Services (Report Manager). The agency will utilize the Report Manager to extract the data for each quarter and fiscal year end. These reports will be updated each quarter to reflect any entries made into REAL for prior periods. At the end of the fiscal year, all affected areas of the agency will make final entries to REAL. REAL is the primary source for the capturing, computing and reporting of the performance measures.

*Office of Policy and Budget – July 2010*

## LRPP EXHIBIT IV: Performance Measure Validity and Reliability

**Department: Department of Financial Services**

**Program: Financial Services Commission – Office of Financial Regulation**

**Service/Budget Entity: 43900570 – Securities Regulation**

**Measure: The number of complex securities examinations completed**

**Action** (check one):

- Requesting revision to approved performance measure.
- Change in data sources or measurement methodologies.
- Requesting new measure.
- Backup for performance measure.

### **Data Sources and Methodology:**

This number will report the number of complex examinations completed. Complex examinations involve potential violations of the securities laws and regulations relating to supervision, fraud, sales practices or sales of unregistered, non-exempt securities.

Sales practices for dealers include, but are not limited to, selling away, unapproved outside business activity, unauthorized trading, improper advertising, excessive trading, and unsuitable recommendations.

Sales practices for investment advisers include, but are not limited to, improper performance reporting, excessive fee deductions, custody violations, unsuitable recommendations, and improper advertising.

Complex examinations are risk-based and enforcement examinations in which at least 60 hours have been logged and involve the following issue codes in the agency's REAL system: 1035 – 1035 Exchange, AML – Anti Money Laundering, BRKP – Breakpoints, CCMP – Customer Complaints, CPUB – Communications with the Public, CONF – Conflicts of Interest, CUST – Investment Advisory Custody, EXTR – Excessive Trading, FMAN – Fraud Manipulation, FMAP – Fraud Misappropriation, FMAR – Fraud Markups, FMRP – Fraud Misrepresentation, FOMS – Fraud Omission, IARS – IA/IA Agent Risk Score, OBA – Outside Business Activity, RBEX – Risk Based Targeting Exam, SAWY – Selling Away, SUIT - Suitability, SUPR - Supervision, SWTC – Improper Switching, UNAT – Unauthorized Trades, USEC – Unregistered Security.

**Validity:** Complex examinations and investigations typically involve fraud or sales practice abuses. The division believes resources should be focused on these types of cases.

**Reliability:** Information will be retrieved from the agency's Registration Enforcement and Licensing (REAL) system using the Standard Query Language (SQL) Server Reporting Services (Report Manager). The agency will utilize the Report Manager to extract the data for each quarter and fiscal year end. These reports will be updated each quarter to reflect any entries made into REAL for prior periods. At the end of the fiscal year, all affected areas of the agency will make final entries to REAL. REAL is the primary source for the capturing, computing and reporting of the performance measures.

*Office of Policy and Budget – July 2010*

**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900530 Safety and Soundness**

Measure Number	Approved Performance Measures for FY 2011-12		Associated Activities Title
1	Percentage of new Florida financial institutions that seek state charters		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness
2	Percentage of all applications, except new charter applications, deemed statutorily complete that are processed within 60 days, and within 90 days		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness
3	Percentage of state financial institutions completing surveys that rate the contribution of the State examination process to promoting safe and sound institutions as 2 or better		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness
4	Percentage of surveys returned that rate the Division's examination program as satisfactory or above		Examine and enforce laws regarding banks, trusts and credit unions to ensure safety and soundness

*Office of Policy and Budget – July 2010*

**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900540 Financial Investigations**

Measure Number	Approved Performance Measures for FY 2011-12		Associated Activities Title
1	Percentage of investigations accepted by prosecutors or OFR Legal Counsel for enforcement that result in action being taken		Conduct financial investigations into allegations of fraudulent activity
2	Percentage of priority investigations accepted by prosecutors or OFR Legal Counsel for enforcement action within 12 months of case opening		Conduct financial investigations into allegations of fraudulent activity

**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900560 Finance Regulation**

Measure Number	Approved Performance Measures for FY 2011-12	Associated Activities Title
1	Average number of days to refer a priority examination to Legal Services	Regulate enforcement activities of non-depository Firms, Branches and Individuals to ensure Regulatory Compliance
2	Average number of days to conclude a priority examination	Regulate enforcement activities of non-depository Firms, Branches and Individuals to ensure Regulatory Compliance
3	Total number of consumer complaints opened by OFR staff	Regulate enforcement activities of non-depository Firms, Branches and Individuals to ensure Regulatory Compliance
4	Percentage of statutorily required examinations conducted	Regulate money services businesses including money transmitter, check cashing, foreign currency exchange, payment instrument issuers, and deferred presentment firms, branches and individual locations
5	Percentage of check casher/foreign currency exchangers receiving an examination report within 60 days after the conclusion of their onsite examination	Regulate money services businesses including check casher and foreign currency exchange firms, branches and individual locations
6	Percentage of money transmitters/payment instrument issuers receiving an examination report within 90 days after the conclusion of their onsite examination	Regulate money services businesses including payment instrument issuer and money transmitter firms, branches and individual locations
7	Percentage of license applications processed within Administrative Procedure Act requirements	Regulate Non-depository Firms, Branches and Individuals to ensure Regulatory Compliance



**LRPP Exhibit V: Identification of Associated Activity Contributing to  
Performance Measures  
43900570 Securities Regulation**

Measure Number	Approved Performance Measures for FY 2011-12		Associated Activities Title
1	The number of examinations, investigations and enforcement cases resulting in the imposition of substantial sanctions		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance
2	The number of active, major enforcement cases		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance
3	The number of complex securities examinations completed.		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance
4	Percentage of license applications processed within Administrative Procedure Act requirements		Regulate Securities Firms, Branches and Individuals, and review appropriateness of securities offerings to ensure regulatory compliance

## LRPP Exhibit VI: Unit Cost

The LRPP Instructions require that Exhibit VI be submitted at the department level so OFR's unit cost data is rolled up into the Department of Financial Services' Exhibit VI. Listed below is the data for OFR measures that are rolled up into the DFS measures.

Examine And Regulate Financial Services Companies To Ensure Regulatory Compliance. * <b>Examinations of non-depository financial service companies to determine compliance with regulations.</b>	1,108	10,841.11	12,011,954
Evaluate And Process Applications For Licensure As A Financial Services Entity. * <b>Applications processed or evaluated for licensure or registration as a non-depository financial services entity.</b>	28,163	118.11	3,326,259
Examine And Enforce Laws Regarding Banks, Trusts, And Credit Unions To Ensure Safety And Soundness. * <b>Number of domestic financial institutions examined to ensure safety and soundness.</b>	252	49,143.86	12,384,253
Examine And Enforce Laws Regarding International Financial Institutions To Ensure Safety And Soundness. * <b>Number of international financial institutions examined to ensure safety and soundness.</b>	35	24,124.57	844,360
Conduct Financial Investigations Into Allegations Of Fraudulent Activity. * <b>Number of financial investigations into allegations of fraudulent activity.</b>	137	42,181.72	5,778,896
Examine And Regulate Money Services Businesses To Ensure Regulatory Compliance * <b>Examinations of money services businesses conducted to determine compliance with regulations.</b>	517	5,419.51	2,801,886
Examine And Regulate Securities Firms, Branches To Ensure Regulatory Compliance. * <b>Conducted examinations and investigations, handle complaints related to securities firms, branch offices, and their employees.</b>	136	45,640.55	6,207,115
Evaluate And Process Applications For Registration As A Securities Firm, Branch, And/or Individual. * <b>Substantively review and act upon securities applications for registration of firms, branch offices associated person and securities offerings.</b>	61,079	45.27	2,764,922

The complete exhibit, including all of DFS and the audit report, may be found on the following pages.

FINANCIAL SERVICES, DEPARTMENT OF		FISCAL YEAR 2010-11			
SECTION I: BUDGET		OPERATING		FIXED CAPITAL OUTLAY	
TOTAL ALL FUNDS GENERAL APPROPRIATIONS ACT				301,802,111	
ADJUSTMENTS TO GENERAL APPROPRIATIONS ACT (Supplementals, Vetoes, Budget Amendments, etc.)				29,175,282	
FINAL BUDGET FOR AGENCY				330,977,393	
SECTION II: ACTIVITIES * MEASURES		Number of Units	(1) Unit Cost	(2) Expenditures (Allocated)	(3) FCO
Executive Direction, Administrative Support and Information Technology (2)					0
Provide Analysis On Securities Held For Deposit And Qualified Public Depositories * Number of analyses performed on the financial condition of qualified public depositories and custodians, and securities held for regulatory collateral deposit.		8,815	43.99	387,748	
Process Transactions, Account Changes And Audit Functions * Number of account actions taken on regulatory collateral deposit accounts.		55,793	18.53	1,033,988	
Provide Cash Management Services * Number of cash management consultation services.		30	34,167.83	1,025,035	
Receive Funds, Process Payment Of Warrants And Provide Account And Reconciliation Services * Number of financial management/accounting transactions processed and reports produced.		10,950,820	0.15	1,688,294	
Administer The State Supplemental Deferred Compensation Plan * Number of participant account actions processed by the state deferred compensation office.		1,549,153	1.10	1,696,431	
Accounting And Reporting Of State Funds * State Accounts Managed In The Florida Accounting Information Resource System.		37,193	117.30	4,362,762	
Migrate Current Accounts Payable Procedures To Electronic Commerce * Payments issued electronically to settle claims against the state.		18,861,043	0.06	1,165,848	
Conduct Pre-audits Of Selected Accounts Payable * Agency payment requests are pre-audited and posted in a timely manner such that payments are issued in less than the 10 day statutory time limit.		727,986	4.59	3,340,857	
Conduct Post-audits Of Major State Programs * Number of contract/grant reviews and post-audits of contract/grant disbursements completed to determine compliance with statutory and contractual requirements.		10	160,272.50	1,602,725	
Process State Employees Payroll * Payroll payments issued.		3,419,049	0.68	2,335,983	
Conduct Post-audits Of Payroll * Post-audits completed of state agencies payroll payments to determine compliance with statutes and Federal rules and regulations.		21	8,239.57	173,031	
Conduct Fiscal Integrity Investigations * Fiscal integrity investigations completed to investigate allegations or suspicions of fraud, waste or abuse.		33	25,605.45	844,980	
Collect Unclaimed Property * Accounts reported by holders of unclaimed property.		2,079,297	1.23	2,555,622	
Process And Payment Of Unclaimed Property * Payments processed for claims of unclaimed property.		286,258	8.98	2,569,984	
License The Fire Protection Industry * Number of entity requests for licenses, permits and certificates processed within statutorily mandated time frames.		9,005	59.31	534,096	
Perform Fire Safety Inspections * Number of inspections of fire code compliance completed.		16,337	259.58	4,240,779	
Review Construction Plans For Fire Code Compliance * Number of construction plans reviewed.		758	750.30	568,730	
Perform Boiler Inspections * Number of boiler inspections completed by department inspectors.		2,535	232.46	589,290	
Investigate Fires Accidental, Arson And Other * Total number of closed fire investigations involving economic or physical loss.		3,942	3,422.24	13,490,483	
Provide State, Local And Business Professional Training And Education * Number of classroom contact hours provided by the Florida State Fire College.		207,293	20.02	4,149,266	
Provide State, Local And Business Professional Standards, Testing And Statutory Compliance * Number of examinations administered.		6,386	320.82	2,048,728	
Provide Forensic Laboratory Services * Number of evidence items and photographic images processed		12,794	95.38	1,220,232	
Fire Incident Reporting * Number of total incidents reported to the Florida Fire Incident Reporting System.		2,859,578	0.17	488,228	
Provide Adjusting Services On State Workers' Compensation Claims * Number of workers' compensation claims worked.		22,815	1,100.49	25,107,589	
Provide Adjusting Services On State Liability Claims * Number of liability claims worked.		5,055	2,198.78	11,114,826	
Process Property Claims On State Owned Buildings (structure And Contents) * Number of state property loss/damage claims worked.		146	13,216.48	1,929,606	
Provide Risk Services Training And Consultation * Risk services training and consultation as measured by the number of training units (1 unit = 8 hours) provided and consultation contacts made.		359	4,926.17	1,768,495	
Rehabilitate And/Or Liquidate Financially Impaired Insurance Companies * Number of insurance companies in receivership during the year.		52	16,442.87	855,029	
Review Applications For Licensure (qualifications) * Number of applications for licensure processed.		106,354	32.82	3,490,058	
Administer Examinations And Issue Licenses * Number of examinations administered and licenses authorized.		69,711	51.58	3,595,984	
Administer The Appointment Process From Employers And Insurers * Number of appointment actions processed.		1,606,086	0.51	812,521	
Administration Of Education Requirements (pre Licensing And Continuing Education) * Number of applicants and licensees required to comply with education requirements.		190,842	2.26	431,083	
Investigate Agents And Agencies * Number of agent and agency investigations completed.		3,545	1,880.78	6,667,361	
Investigate Insurance Fraud (general) * Number of insurance fraud investigations completed (not including workers' compensation).		9,133	1,742.91	15,918,036	
Investigate Workers' Compensation Insurance Fraud * Number of workers' compensation insurance fraud investigations completed (not including general fraud investigations).		1,541	3,036.84	4,679,771	
Respond To Consumer Request For Assistance * Number of consumer requests and informational inquiries handled.		57,875	77.70	4,496,972	
Provide Consumer Education Activities * Number of consumer educational materials created and distributed.		291,381	2.55	742,676	
Answer Consumer Telephone Calls * Number of telephone calls answered through the consumer helpline.		233,961	20.57	4,811,884	
Monitor And Audit Workers' Compensation Insurers To Ensure Benefit Payments * Number of claims reviewed annually.		102,592	46.35	4,754,941	
Verify That Employers Comply With Workers' Compensation Laws * Number of employer investigations conducted.		34,252	417.24	14,291,454	
Facilitate The Informal Resolution Of Disputes With Injured Workers, Employers And Insurance Carriers * Number of injured workers that obtained one or more benefits due to intervention by the Employee Assistance Office.		1,530	3,386.92	5,181,985	
Provide Reimbursement For Workers' Compensation Claims Paid By Insurance Carriers On Employees Hired With Preexisting Conditions * Number of reimbursement requests (SDF-2) audited.		4,042	323.42	1,307,258	
Collection Of Assessments From Workers' Compensation Insurance Providers * Amount of assessment dollars collected.		90,662,959	0.01	749,092	
Occupation Injury And Illness Survey * Number of injuries and illnesses and incidence rates of injuries/illnesses.		8,552	63.29	541,253	
Data Collection, Dissemination, And Archival * Number of records successfully entered into the division's databases.		5,249,685	0.83	4,350,668	
Reimbursement Disputes * Number of petitions for reimbursement dispute resolution resolved annually		3,586	438.17	1,571,261	
Approve And License Entities To Conduct Insurance Business. * Number of applications processed.		100	9,068.88	906,888	
Conduct And Direct Market Conduct Examinations. * Number of examinations and investigations completed for licensed companies and unlicensed entities		994	3,182.85	3,163,748	
Conduct Financial Reviews And Examinations. * Number of financial reviews and examinations completed.		9,268	1,801.82	16,699,247	
Review And Approve Rate And Form Filings. * Number of rate and forms review completed.		14,946	529.52	7,914,188	
Examine And Regulate Financial Services Companies To Ensure Regulatory Compliance. * Examinations of non-depository financial service companies to determine compliance with regulations.		1,108	10,841.11	12,011,954	
Evaluate And Process Applications For Licensure As A Financial Services Entity. * Applications processed or evaluated for licensure or registration as a non-depository financial services entity.		28,163	118.11	3,326,259	
Examine And Enforce Laws Regarding Banks, Trusts, And Credit Unions To Ensure Safety And Soundness. * Number of domestic financial institutions examined to ensure safety and soundness.		252	49,143.86	12,384,253	
Examine And Enforce Laws Regarding International Financial Institutions To Ensure Safety And Soundness. * Number of international financial institutions examined to ensure safety and soundness.		35	24,124.57	844,360	
Conduct Financial Investigations Into Allegations Of Fraudulent Activity. * Number of financial investigations into allegations of fraudulent activity.		137	42,181.72	5,778,896	
Examine And Regulate Money Services Businesses To Ensure Regulatory Compliance * Examinations of money services businesses conducted to determine compliance with regulations.		517	5,419.51	2,801,886	
Examine And Regulate Securities Firms, Branches To Ensure Regulatory Compliance. * Conducted examinations and investigations, handle complaints related to securities firms, branch offices, and their employees.		136	45,640.55	6,207,115	
Evaluate And Process Applications For Registration As A Securities Firm, Branch, And/Or Individual. * Substantively review and act upon securities applications for registration of firms, brance offices associated person and securities offerings.		61,079	45.27	2,764,922	
TOTAL				246,086,649	
SECTION III: RECONCILIATION TO BUDGET					
PASS THROUGHS					
TRANSFER - STATE AGENCIES					
AID TO LOCAL GOVERNMENTS					
PAYMENT OF PENSIONS, BENEFITS AND CLAIMS					
OTHER				37,504,281	
REVERSIONS				47,386,515	
TOTAL BUDGET FOR AGENCY (Total Activities + Pass Throughs + Reversions) - Should equal Section I above. (4)				330,977,425	

## SCHEDULE XI/EXHIBIT VI: AGENCY-LEVEL UNIT COST SUMMARY

- Some activity unit costs may be overstated due to the allocation of double budgeted items.
- Expenditures associated with Executive Direction, Administrative Support and Information Technology have been allocated based on FTE. Other allocation methodologies could result in significantly different unit costs per activity.
- Information for FCO depicts amounts for current year appropriations only. Additional information and systems are needed to develop meaningful FCO unit costs.
- Final Budget for Agency and Total Budget for Agency may not equal due to rounding.

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ACTIVITY ISSUE CODES SELECTED:

TRANSFER-STATE AGENCIES ACTIVITY ISSUE CODES SELECTED:

1-8:

AID TO LOCAL GOVERNMENTS ACTIVITY ISSUE CODES SELECTED:

1-8:

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THE FOLLOWING STATEWIDE ACTIVITIES (ACT0010 THROUGH ACT0490) HAVE AN OUTPUT STANDARD (RECORD TYPE 5)  
AND SHOULD NOT:

\*\*\* NO ACTIVITIES FOUND \*\*\*

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THE FCO ACTIVITY (ACT0210) CONTAINS EXPENDITURES IN AN OPERATING CATEGORY AND SHOULD NOT:  
(NOTE: THIS ACTIVITY IS ROLLED INTO EXECUTIVE DIRECTION, ADMINISTRATIVE SUPPORT AND INFORMATION  
TECHNOLOGY)

\*\*\* NO OPERATING CATEGORIES FOUND \*\*\*

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THE FOLLOWING ACTIVITIES DO NOT HAVE AN OUTPUT STANDARD (RECORD TYPE 5) AND ARE REPORTED AS 'OTHER' IN  
SECTION III: (NOTE: 'OTHER' ACTIVITIES ARE NOT 'TRANSFER-STATE AGENCY' ACTIVITIES OR 'AID TO LOCAL  
GOVERNMENTS' ACTIVITIES. ALL ACTIVITIES WITH AN OUTPUT STANDARD (RECORD TYPE 5) SHOULD BE REPORTED  
IN SECTION II.)

BE	PC	CODE	TITLE	EXPENDITURES	FCO
43010200	1602000000	ACT1020	HOLOCAUST VICTIMS ASSISTANCE	304,499	
43010400	1602000000	ACT1040	INSURANCE CONSUMER ADVOCATE	777,860	
43010500	1603000000	ACT1050	INFORMATION TECHNOLOGY - FLAIR	11,781,651	
43100300	1601000000	ACT1310	INVESTMENT OF PUBLIC FUNDS	600,196	
43200100	1601000000	ACT2010	PASS THROUGH FROM PRISON INDUSTRY	645,032	
43200100	1601000000	ACT2020	CAPITAL COLLATERAL REGISTRY	1,349,894	
43200100	1601000000	ACT2180	FLAIR AND CMS REPLACEMENT PROJECT	1,513,281	
43200100	1601000000	ACT2190	ARTICLE V - CLERK OF THE COURTS	773,971	
43400100	1601000000	ACT4150	PURCHASE OF EXCESS INSURANCE	11,715,231	
43500500	1204000000	ACT5470	EXAMINE AND REGULATE LICENSEES	1,571,460	
43600100	1102020000	ACT6010	TRANSFER TO 1ST DISTRICT COURT OF	1,994,090	
43500700	1202000000	ACT9060	AFDC/WAGES/EMPLOYEE FRAUD	379,974	
43500700	1202000000	ACT9070	PUBLIC ASSISTANCE FRAUD	898,536	
43500700	1202000000	ACT9080	MEDICAID FRAUD INVESTIGATIONS	383,703	
43900110	1204000000	ACT9150	HURRICANE RATE/RISK MODEL	588,409	
43200100	1601000000	ACT9200	AMERICAN RECOVERY AND REINVESTMENT	281,638	

43200100	1601000000	ACT9230	WRONGFUL INCARCERATION COMPENSATION	1,754,795
43500400	1205000000	ACT9250	DEEPWATER HORIZON OIL SPILL	2,452
43010100	1602000000	ACT9910	TRANSITION ASSISTANCE	187,589

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TOTALS FROM SECTION I AND SECTIONS II + III:

DEPARTMENT: 43	EXPENDITURES	FCO
FINAL BUDGET FOR AGENCY (SECTION I):	330,977,393	
TOTAL BUDGET FOR AGENCY (SECTION III):	330,977,425	
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DIFFERENCE:	32-	
(MAY NOT EQUAL DUE TO ROUNDING)	=====	=====

## **Glossary of Terms and Acronyms**

AARMR – American Association of Residential Mortgage Regulators – a non-profit association of state regulators of mortgage lenders and mortgage brokers. This organization, in conjunction with the Conference of State Bank Supervisors (CSBS), owns and manages the Nationwide Mortgage Licensing System (NMLS)

AARP – American Association of Retired Persons – a non-governmental organization

Activity – a set of transactions within a budget entity that translates inputs into outputs using resources in response to a business requirement. Sequences of activities in logical combinations form services. Unit cost information is determined using the outputs of activities

AFM – Area Financial Manager

AML – Anti-money laundering

APA – Administrative Procedures Act, Chapter 120, Florida Statutes

Baseline data – indicators of a state agency’s current performance level, pursuant to guidelines established by the Executive Office of the Governor in consultation with legislative appropriations and appropriate substantive committees

BFI – Bureau of Financial Investigations, a criminal justice agency housed within the Office of Financial Regulation

BR – Board Resolution of a financial institution

BRR – Bureau of Regulatory Review-Finance

BSA – Bank Secrecy Act of 1970 – requires financial institutions to keep records of cash purchases of negotiable instruments and file reports of such cash purchases of more than \$10,000 daily to detect and prevent money laundering

Budget entity – a unit or function at the lowest level to which funds are specifically appropriated in the appropriations act. “Budget entity” and “service” have the same meaning

C&D – Cease and Desist Order – formal enforcement order issued after notice and opportunity for hearing, requiring a person to terminate unlawful practices

CFE – Certified Fraud Examiner – designation given by the Association of Certified Fraud Examiners which denotes proven expertise in fraud prevention, detection and deterrence

CFPB – Consumer Financial Protection Bureau established under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 – a federal agency which will hold primary responsibility for enforcing federal laws and regulating consumer protection in the United States

CFTC – Commodities Futures Trading Commission – independent agency of the United States government that regulates futures and option markets

Check casher – a person who receives compensation for exchanging currency for payment instruments

CFO – Chief Financial Officer

CL – Commitment Letter

CRD – Central Registration Depository – computerized database that provides information on securities dealers, sales representatives, and supervisory personnel. This national database is compiled from application forms, exchange-developed tests, reported enforcement actions, and related information. The Financial Industry Regulatory Authority (FINRA) owns the CRD system and its facilities, operating them on behalf of state and federal regulators and other users

CSBS – Conference of State Bank Supervisors – national organization of state banking regulators. This organization, in conjunction with the American Association of Residential Mortgage Regulators (AARMR), owns and manages the Nationwide Mortgage Licensing System (NMLS)

Consumer finance company – company that loans to consumers in an amount less than \$25,000 with maximum interest rates between 18% and 30% per annum

Correspondent mortgage lender – company permitted to broker and make mortgage loans, and service loans for others for a limited time period. They are authorized to originate mortgage loans and close loans in their name, and may broker mortgage loans to other lenders

Consumer collection agency – company that collects or attempts to collect consumer debts, which are owed or due to another person. They may also collect third party commercial debts as long as less than one-half of the collection revenue is from the collection of commercial claims

Commercial collection agency – company that collects or solicits collections on commercial claims owed or due to another person

De novo bank – a newly chartered bank

DFI – Division of Financial Institutions within the Office of Financial Regulation

DFS – Department of Financial Services – provides administrative and information systems support to the Office of Financial Regulation

Dodd-Frank Act – Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

DOGI – Division of Financial Institutions' Database of General Information

DOR – Document of Resolution

DPP – Deferred Presentment Provider – an entity that engages in deferred presentment transactions (commonly referred to as payday loans) and is registered under Part II or Part III of the Money Transmitter Code and has filed a declaration of intent with the Office

EOG – Executive Office of the Governor

Estimated Expenditures – includes the amount estimated to be expended during the current fiscal year. These amounts will be computer generated based on the current year appropriations adjusted for vetoes and special appropriations bills

FAC – Florida Administrative Code

Fannie Mae – Federal Nation Mortgage Association – a government sponsored enterprise founded in 1938 (publicly traded company since 1968) to expand the secondary mortgage market

FDIC – Federal Deposit Insurance Corporation – independent deposit insurance agency created by Congress in 1933 to maintain stability and public confidence in the nation's banking system

FHFA – Federal Housing Finance Agency – the regulator and conservator of Fannie Mae (Federal Nation Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation) and the regulator of the 12 Federal Home Loan Banks

FINRA – Financial Industry Regulatory Authority, formerly known as the National Association of Securities Dealers (NASD) – a Self Regulatory



Organization (SRO) of broker/dealers. All securities firms, stockbrokers, and registered representatives doing business with the American public must register with FINRA

Freddie Mac – Federal Home Loan Mortgage Corporation – public government sponsored enterprise created in 1970 to expand the secondary market for mortgages

FS – Florida Statutes

FSAIF – Florida Seniors Against Investment Fraud – made possible in part from a grant by the Investment Protection Trust. This is a statewide outreach program, developed by Seniors vs. Crime and the Florida Office of Financial Regulation, created to help Florida's seniors avoid becoming the victims of financial fraud. The program's primary goals are to educate Florida seniors over the age of 50 about investment fraud and to help Florida seniors avoid being victimized

FSC – Financial Services Commission – composed of the Governor, the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture

FSOC – Financial Stability Oversight Council – created under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 to identify and respond to emerging risks throughout the financial system

FTC – Federal Trade Commission – independent agency of the United States government established in 1914 to promote consumer protection and eliminate and prevent harmful anti-competitive business practices

FTE – Full Time Equivalent

FY – Fiscal Year

GAA – General Appropriations Act

GAO – Government Accountability Office – the audit, evaluation and investigative arm of the US Congress

GDP – Gross Domestic Product – all goods and services produced or exchanged

GR – General Revenue Fund

HOPE NOW Alliance – an alliance of housing counselors, mortgage servicers, investors, and other mortgage market participants to maximize outreach to efforts to at-risk homeowners and help them stay in their homes

HUD – Federal Department of Housing and Urban Development

IA – Investment adviser – individual or firm who, for compensation, engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing or selling securities

IARD – Investment Adviser Registration Depository – computerized database which provides information on investment adviser firms, investment adviser representatives, and supervisory personnel. This national database is owned by the FINRA and its facilities are operated on behalf of state and federal regulators and other users

IG – Inspector General

Indicator – a single quantitative or qualitative statement that reports information about the nature of a condition, entity or activity. This term is used commonly as a synonym for the word “measure”

Information technology resources – includes data processing-related hardware, software, services, telecommunications, supplies, personnel, facility resources, maintenance, and training

Input – see Performance measure

Investment advisers – individuals who give advice about securities including stocks, bonds, mutual funds, and annuities. They may use a variety of titles including investment manager, investment counsel, asset manager, wealth manager, and portfolio manager. They provide ongoing management of investments based on the client’s objectives, typically with the client giving discretionary authority to make decisions without having to get prior approval for each transaction. Generally, an investment adviser’s compensation is considered to be a “fee”

IPT – Investor Protection Trust – a nonprofit organization devoted to investor education. Its primary mission is to provide independent, objective information needed by consumers to make informed investment decisions and serves as an independent source of non-commercial investor education materials

IT – Information Technology

LBC – Legislative Budget Commission – a standing joint committee of the Legislature. The Commission was created to: review and approve/disapprove agency requests to amend original approved budgets;

review agency spending plans; and take other actions related to the fiscal matters of the state, as authorized in statute. It is composed of 14 members appointed by the President of the Senate and by the Speaker of the House of Representatives to two-year terms, running from the organization of one Legislature to the organization of the next Legislature

LBR – Legislative Budget Request – a request to the Legislature, filed pursuant to section 216.023, Florida Statutes, or supplemental detailed requests filed with the Legislature, for the amounts of money an agency or branch of government believes will be needed to perform the functions that it is authorized, or which it is requesting authorization by law, to perform

Loan modification – a permanent change in one or more of the mortgagor's loan terms

Loan originator – an individual who, directly or indirectly, solicits or offers to solicit a mortgage loan, accepts or offers to accept an application for a mortgage loan, negotiates or offers to negotiate the terms or conditions of a new or existing mortgage loan on behalf of a borrower or lender, processes a mortgage loan application, or negotiates or offers to negotiate the sale of an existing mortgage loan to a non-institutional investor for compensation or gain

Loan servicing – the collection for an investor of periodic payments of principal, interest, taxes and insurance in accordance with the terms of a note or mortgage

LUA – Letter of Understanding and Agreement

LRPP – Long-Range Program Plan – a plan developed on an annual basis by each state agency that is policy-based, priority-driven, accountable, and developed through careful examination and justification of all programs and their associated costs. Each plan is developed by examining the needs of agency customers and clients and proposing programs and associated costs to address those needs based on state priorities as established by law, the agency mission, and legislative authorization. The plan provides the framework and context for preparing the legislative budget request and includes performance indicators for evaluating the impact of programs and agency performance

Money transmitter – a person who sends funds, either by wire, facsimile, electronic transfer, courier or other means

Mortgage broker – a person conducting loan originator activities through one or more licensed loan originators employed by the mortgage broker or as independent contractors to the mortgage broker

Mortgage brokerage business – a company that arranges mortgage loans for a borrower, accepts loan applications, and negotiates terms and conditions of a mortgage loan on behalf of a lender on real estate located in Florida. A mortgage broker business may only use licensed mortgage brokers to solicit or negotiate loans on its behalf

Mortgage lender – a company that brokers, makes, and services loans for others on Florida real estate. They function similarly to a correspondent mortgage lender, however, they may sell loans to non-institutional investors and service loans indefinitely for consumers

MOU – Memorandum of Understanding

MSB – money services business – any person located or doing business in the State who acts as a payment instrument seller, foreign currency exchanger, check casher or money transmitter

Narrative – justification for each service and activity is required at the program component detail level. Explanation, in many instances, will be required to provide a full understanding of how the dollar requirements were computed

NASAA – North American Securities Administrators Association – the organization of US state and Canadian provincial and territorial securities regulators

NASCUS – National Association of Credit Union Supervisors – an association of professional regulators made up of the 47 state governmental agencies that charter, regulate and examine state-chartered credit unions

NASD – National Association of Securities Dealers – now known as the Financial Industry Regulatory Association (FINRA)

NCUA – National Credit Union Association – independent federal agency that regulates, charters and supervises federal credit unions. NCUA operates and manages the National Credit Union Share Insurance Fund

NMLS – Nationwide Mortgage Licensing System – national mortgage licensing system being developed by the Conference of State Bank Supervisors (CSBS) and American Association of Residential Mortgage Regulators (AARMR). Use of the system is required under federal law and is intended to provide uniform license applications and reporting requirements for State licensed loan originators; provide a comprehensive licensing and supervisory database; improve the flow of information to and between regulators; provide increased accountability and tracking of loan originators; enhance consumer protection; and support anti-fraud measures

Non-recurring – expenditure or revenue which is not expected to be needed or available after the current fiscal year

NSMIA – National Securities Market Improvement Act of 1996

OCC – Office of Comptroller of the Currency – charters, regulates and supervises all national banks and federal savings associations, as well as branches and agencies of foreign banks

OCO – Operating Capital Outlay

OIR – Office of Insurance Regulation

OFR – Office of Financial Regulation

OPB – Office of Policy and Budget, Executive Office of the Governor

OPS – Other Personal Services

OTS – Office of Thrift Supervision – now part of the Office of Comptroller of the Currency

Outcome – see Performance measure

Output – see Performance measure

Outsourcing – describes situations where the state retains responsibility for the service, but contracts outside of state government for its delivery. Outsourcing includes everything from contracting for minor administration tasks to contracting for major portions of activities or services which support the agency mission

Payment instrument seller – a company qualified to do business in this state that sells or issues checks, drafts, warrants, money orders, traveler's checks, electronic instruments, other instruments, payment of money of monetary value whether or not negotiable

Payday lenders – common name for companies registered as Deferred Presentment Providers under Part IV of Chapter 560, Florida Statutes

Performance measure – a quantitative or qualitative indicator used to assess state agency performance

- Input means the quantities of resources used to produce goods or services and the demand for those goods and services
- Outcome means an indicator of the actual impact or public benefit of a service
- Output means the actual service or product delivered by a state agency

Policy area – is a grouping of related activities to meet the needs of customers or clients which reflects major statewide priorities. Policy areas summarize data at a statewide level by using the first two digits of the ten-digit LAS/PBS program component code. Data collection will sum across state agencies when using this statewide code

Privatization – occurs when the state relinquishes its responsibility or maintains some partnership type of role in the delivery of an activity or service

Program – a set of activities undertaken in accordance with a plan of action organized to realize identifiable goals based on legislative authorization (a program can consist of single or multiple services). For purposes of budget development, programs are identified in the General Appropriations Act by a title that begins with the word “Program.” In some instances a program consists of several services, and in other cases the program has no services delineated within it; the service is the program in these cases. The LAS/PBS code is used for purposes of both program identification and service identification. “Service” is a “budget entity” for purposes of the LRPP

Program component – an aggregation of generally related objectives which, because of their special character, related workload and interrelated output, can logically be considered an entity for purposes of organization, management, accounting, reporting, and budgeting

REAL System – Regulatory Enforcement and Licensing System – a comprehensive system which provides OFR with an integrated financial regulatory management system by combining core processes for fiscal, licensing, investigations, examination, legal and complaint functions – initial funding for the project was granted in Fiscal Year 2006-07 and the System was completed in January 2009 on time and within budget

Reliability – the extent to which the measuring procedure yields the same results on repeated trials and data are complete and sufficiently error free for the intended use

S.A.F.E. Mortgage Licensing Act – Secure and Fair Enforcement in Mortgage Licensing Act of 2008 – major federal housing reform legislation (Public Law 110-289) designed to prevent foreclosures, stabilize the declining housing market, and reform the government-sponsored enterprises Fannie Mae and Freddie Mac

SBA – State Board of Administration – manages the pension funds for current and retired Florida employees, as well as school districts and state and local government entities. The SBA is governed by the Board of Trustees, made up of the governor, chief financial officer and attorney general

SEC – United States Securities and Exchange Commission – federal agency which holds primary responsibility for enforcing the federal securities laws and regulating the securities industry, the nation's stock and options exchanges, and other electronic securities markets in the United States

Service – see Budget Entity

SRO – self regulatory organization – an organization that exercises some degree of regulatory authority over an industry or profession

Standard – the level of performance of an outcome or output

SWOT – Strengths, Weaknesses, Opportunities and Threats

TCS – Trends and Conditions Statement

TF – Trust Fund

Unit cost – the average total cost of producing a single unit of output – goods and services for a specific agency activity

USA PATRIOT Act – Uniting and Strengthening America by Providing Appropriate Tools Required to Interrupt and Obstruct Terrorism Act

Validity – the appropriateness of the measuring instrument in relation to the purpose for which it is being used

WA – Written Agreement