The seal of the State of Florida is centered in the background, featuring a palm tree and the words "IN GOD WE TRUST".

CHIEF FINANCIAL OFFICER
JEFF ATWATER

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

**OFFICE OF INSPECTOR GENERAL
ANNUAL REPORT**

**FISCAL YEAR
2013-14**

Teresa A. Michael
Inspector General

Promoting accountability, integrity and efficiency in government



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

September 30, 2014


The Honorable Jeff Atwater
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Atwater:

In accordance with Section 20.055, Florida Statutes, I am submitting the Office of Inspector General's *Annual Report*. This report summarizes the office's activities during Fiscal Year 2013-14.

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

Respectfully submitted,


Teresa Michael
Inspector General

TM
Enclosure

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Message from the Inspector General

In fiscal year 2014, the Office of Inspector General (OIG) continued its efforts to rebuild the office, adding six new staff members, restructuring the organization and implementing improved systems. January marked the departure of beloved Inspector General Tom Kirwin who left the Department to become the General Counsel for the Florida Department of Law Enforcement. Upon Tom's departure, in addition to my position as the Director of Investigations, I served as Interim Inspector General until April 2014, when I was appointed as Inspector General on a permanent basis. Mike Shoaf, who has over 14 years of experience in the OIG and law enforcement community, was subsequently promoted to Director of Investigations.

Fiscal year 2014 marked a busy year for the Internal Audit Section, which was severely understaffed throughout the year. Despite this, in addition to its routine duties, Internal Audit continued to improve OIG systems by updating procedures, policies, and audit tools. The OIG's follow-up process related to external audits was strengthened in an effort to ensure that corrective action is timely implemented and to reduce the incidence of repeat audit findings. To better equip Department staff in managing risks and increase awareness, Internal Audit provided guidance to Department staff by authoring articles related to fraud detection, risk assessment, and a strategy for managing fraud risks. Internal Audit also continued laying a foundation to assist the Department in managing enterprise risk by creating an inventory of the business processes and important information related to those processes, such as the key risks and related internal controls. This inventory not only improves the precision of the annual enterprise-wide risk assessment thereby focusing audit efforts, but also provides the foundation for creation of an enterprise-wide risk management program.

In March 2014, the OIG was fortunate to recruit an investigator with an extensive background in computer forensics and began work to create a computer forensics lab. In May 2014, the OIG completed this project and now has a state of the art computer forensics lab, which can recover deleted files, reconstruct user activities, and analyze event sequences, among other things. With these new capabilities, the OIG now provides forensic examinations of both computers and portable digital devices to internal and external law enforcement personnel, in addition to its comprehensive administrative investigations. In continuing our efforts to build and foster relationships with our industry partners and DFS stakeholders, the OIG has provided computer forensic training to assist other agencies in developing computer forensics capabilities.

To increase staff capabilities and improve business continuity, the OIG is cross-training staff with the goal of maximizing efficiency and effectiveness of the office. In doing so, we will be able to capitalize on the vast experience of staff which will assist the Department in deterring fraud, waste and abuse.

Consistent with our strategic plan, I have tasked each section within the OIG to identify innovative ways in which we can add value and further assist the Department in maintaining the highest standards of professionalism and ethical behavior. We look forward to further serving our Department stakeholders and the citizens of Florida.



Teresa Michael, Inspector General

INTRODUCTION

BACKGROUND



Section 20.055, Florida Statutes, establishes the Office of Inspector General to provide a central point for coordination of, and responsibility for, activities that promote accountability, integrity, and efficiency within the Department. The section defines the duties and responsibilities of agency inspectors general, and requires inspectors general to submit an annual report to their respective agency heads by September 30 each year. The purpose of this report is to provide the Chief Financial Officer and other interested parties with a summary of the activities of the Office during the preceding fiscal year.

MISSION

The mission of the Office of Inspector General is to advance positive change in performance, accountability, efficiency, integrity, and transparency of programs and operations. This is accomplished through facilitation of agency planning and business process improvement, and through independent, objective, and reliable inquiries, investigations, and audits.

RESPONSIBILITIES

Section 20.055, Florida Statutes, directs the Inspector General to accomplish the following duties and responsibilities:

- Provide direction for, supervise, and coordinate audits, investigations, and management reviews relating to the agency's programs and operations.
- Conduct, supervise, or coordinate other activities carried out or financed by the agency for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, agency programs and operations.
- Keep the agency head informed concerning fraud, abuses, and deficiencies relating to programs and operations administered or financed by the agency; recommend corrective action concerning fraud, abuses, and deficiencies; and report on the progress made in implementing corrective action.
- Review the actions taken by the state agency to improve program performance and meet program standards, and make recommendations for improvement, if necessary.

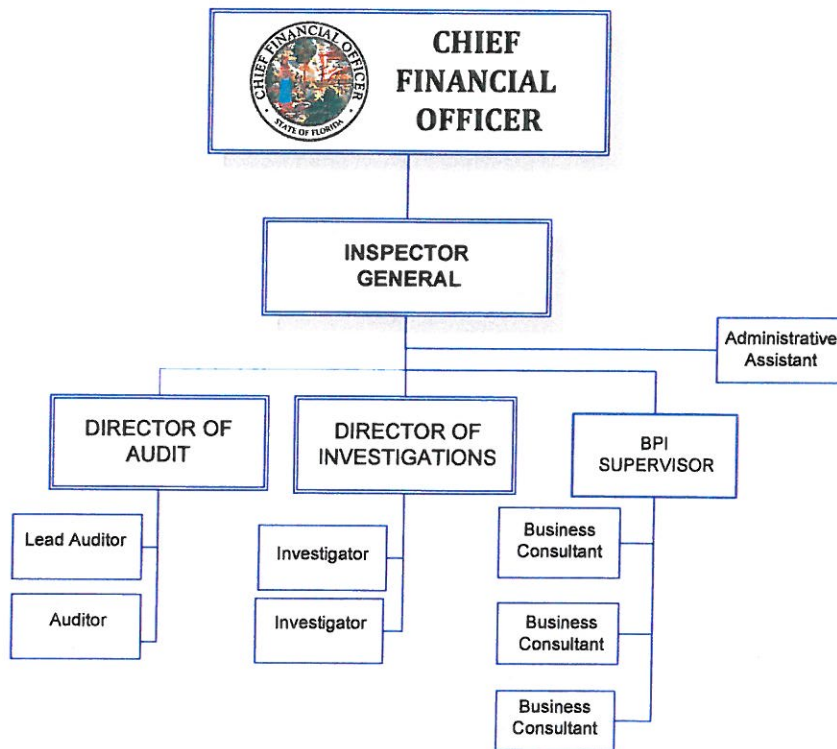
- Advise in the development of performance measures, standards, and procedures for the evaluation of agency programs; assess the reliability and validity of the information provided by the agency on performance measures and standards, and make recommendations for improvement, if necessary.
- Ensure effective coordination and cooperation between the Office of the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Maintain an appropriate balance between audit, investigative, and other accountability activities.
- Comply with the *General Principles and Standards for Offices of Inspectors General* as published and revised by the Association of Inspectors General.

ORGANIZATIONAL PROFILE

ORGANIZATION

The Inspector General is appointed by, and reports to, the Chief Financial Officer. The Inspector General directs the activities of staff within three sections: Internal Audit, Investigations and Business Process Improvement (BPI). Until recently, Internal Audit included the BPI section; however, to ensure proper alignment with current best practices, the section now reports directly to the Inspector General.

ORGANIZATIONAL CHART



STAFF QUALIFICATIONS AND PROFESSIONAL AFFILIATIONS

Office staff brings diverse educational backgrounds and expertise to the Department. Advanced degrees and certifications held by OIG staff during the reporting period included:

- Juris Doctor (1)
- Doctorate Degree in Music Composition (1)
- Master in Social Work (1)
- Master in Public Administration (1)
- Master of Accounting (1)
- Certified Public Accountant (3)
- Certified Public Manager (1)
- Certified Fraud Examiner (2)
- Certified Inspector General Investigator (4)
- Certified Law Enforcement Officer (2)
- Project Management Professional (1)
- Criminal Justice Standards Training Certified Field Training Officer (1)
- Criminal Justice Standards Training Commission Certified General Instructor (1)
- Criminal Justice Standards Training Commission Certified Firearms Instructor (1)
- Criminal Justice Standards Training Commission Certified Driving Instructor (1)

Office staff belongs to a variety of professional associations to maintain professional competence, establish and advance professional networks, and participate in professional community activities. The following are professional association affiliations:

- Association of Inspectors General (AIG)
- Association of Certified Fraud Examiners (ACFE)
- Florida Bar Association
- Association of Government Accountants (AGA)
- Florida Internal Affairs Investigator Association
- Institute of Internal Auditors (IIA)

CONTINUING PROFESSIONAL EDUCATION & STAFF DEVELOPMENT

The *General Principles and Standards for Offices of Inspector General* as published by the Association of Inspectors General specifies that each staff person who performs investigations, audits, inspections, evaluations, or reviews shall receive at least 40 hours of continuing professional education every two years that directly enhances the person's professional proficiency.

As required by statute, the OIG performs internal audits in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by The Institute for Internal Auditors, Inc. or government auditing standards, as appropriate. These standards require internal audit staff to maintain professional proficiency through continuing professional education and training. Pursuant to these standards, each internal

auditor must receive at least 80 hours of continuing professional education every two years.

The Office of Inspector General staff accomplished continuing professional education and staff development requirements through attendance at locally sponsored conferences, webinars, and audio conferences.

OIG FUNCTIONS AND ACTIVITIES



INTERNAL AUDIT SECTION

The Internal Audit Section performs independent and objective assurance and consulting engagements that provide information on the adequacy and effectiveness of the Department's internal controls and on the economy, efficiency and effectiveness of departmental programs, activities, and functions. Internal Audit also provides management advisory services to assist management with issues that do not require extensive audit or consulting services. Internal Audit provides management advisory services through various alternative methods such as counsel, advice, facilitation, inspection, reviews, and training.

Internal Audit performs assurance and consulting engagements in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by The Institute of Internal Auditors, Inc.

Types of Engagements

- **Financial audits** provide reasonable assurance about the reliability of financial information and involve a review of procedures used to record, classify, and report financial information. These audits often include a determination of compliance with applicable legal and regulatory requirements.
- **Compliance engagements** evaluate whether a program or process is operating in compliance with applicable laws, rules, and regulations or contractual provisions. Compliance auditing is generally a component of financial, information systems, and performance audits.
- **Information systems audits** evaluate the organization's internal controls over its management, administration, and operation of electronic systems and applications.
- **Performance audits** analyze the economy, efficiency, and effectiveness of departmental programs, functions, or activities. Performance audits generally include an evaluation of the adequacy and effectiveness of controls established to help ensure the achievement of goals and objectives. Performance engagements generally include elements of financial, compliance, and/or information systems audits.

- **Consulting engagements** are carried out at management's request. The nature and scope of such engagements are agreed upon with the client and are generally intended to help improve the Department's governance, risk management, and control processes.

Engagements and management advisory services provided by the Internal Audit Section in Fiscal Year 2013-14 are summarized in Exhibit A.

Risk Based Audit Planning

The Internal Audit Section completes an annual enterprise-wide risk assessment of Department programs and activities to assist in developing an *Annual and Long-Term Audit Work Plan (Work Plan)*. In 2014, the OIG surveyed 188 business processes within the Department to assess the extent of risk associated with a range of operational factors, such as the use of confidential information, reliance on information technology, maintenance of appropriate levels of segregation of duties, operations at highest risk for fraudulent activity, etc. The risk assessment also included input from each division or office director and from executive management. The *Work Plan*, which is approved by the Chief Financial Officer, identifies planned internal audits and consulting engagements for the period July 1, 2014, through June 30, 2016.

During the course of the fiscal year, Internal Audit also carries out on-going risk assessment activities to identify and assess areas of emergent risk. The Inspector General revises the approved *Work Plan* as necessary to address exigent circumstances.

Coordination with External Entities

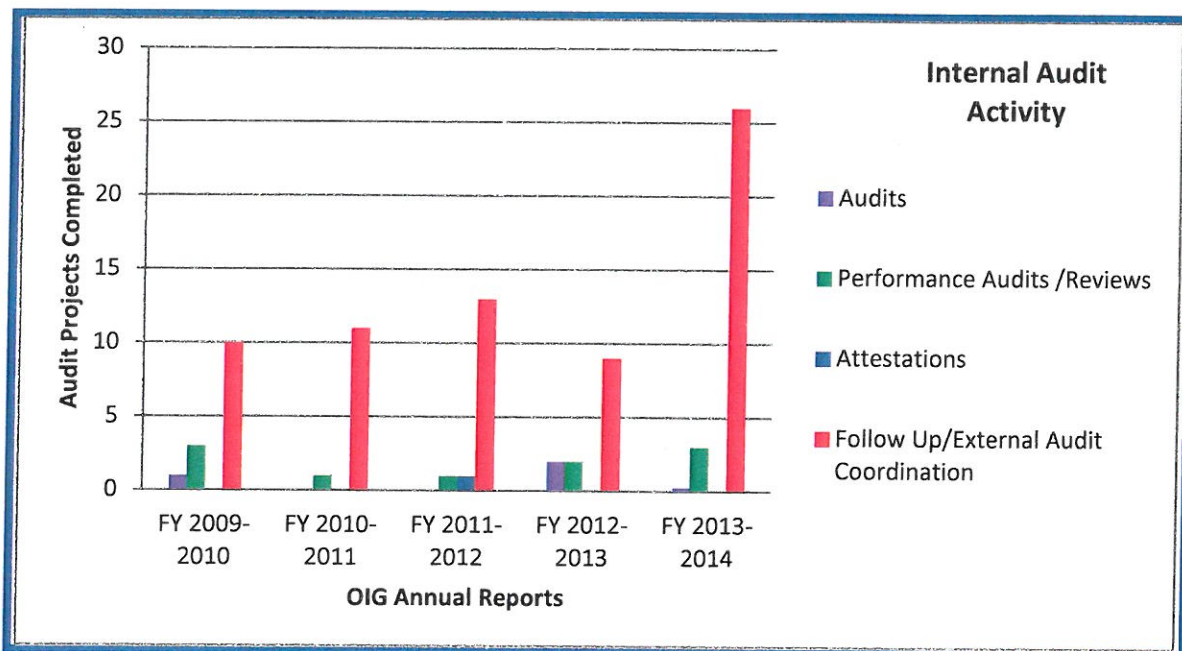
In addition to the Internal Audit Section, Department programs and operations are subject to audit by various external entities, such as the Office of the Auditor General (Auditor General), the Office of Program Policy Analysis and Government Accountability (OPPAGA), and various federal and regulatory entities. Internal Audit is responsible for coordinating with these external reviewers.

In Fiscal Year 2013-14, Internal Audit coordinated the Department's response to findings and recommendations made in seven (7) reports published by the Auditor General (see Exhibit B). Additionally, the Section coordinated audit activities for five (5) other Auditor General audits that were ongoing as of June 30, 2014 (see Exhibit B).

Follow-Up Responses

Section 20.055, Florida Statutes, requires the Inspector General to monitor implementation of corrective action the Department takes in response to findings and recommendations in reports published by the Auditor General and OPPAGA. Pursuant to this statute, the Internal Audit Section prepares a written response to the Chief Financial Officer and Joint Legislative Auditing Committee on the status of corrective action within six months of the report's publication (see Exhibit C). In accordance with internal auditing standards, the Section also reports to the Chief Financial Officer on the status of corrective action taken in response to findings and recommendations made in internal audits. The Internal Audit Section continues to monitor implementation status for all external and internal reports at six-month intervals until the planned action is complete or executive management assumes the risk of not implementing the corrective action.

The following chart depicts assurance activities completed from Fiscal Year (FY) 2009 to present:



Outstanding Corrective Actions from Prior Annual Reports

As of June 30, 2014, the following significant corrective actions remained outstanding from prior annual reports.

Project No. IA 13-203 – Performance Audit: Audit of Internal Controls over Personal Data Exchanged Under Department of Highway Safety and Motor Vehicles (DHSMV) Memorandum of Understanding (MOU) and Audit Follow-up of IA 12-205

The overall objective of this audit was to evaluate whether the internal controls over the personal data exchanged under DHSMV MOU HSMV-0380-12 were adequate and operating effectively to protect the personal data from unauthorized access, distribution, use, modification or disclosure. In addition, the audit included follow-up on the audit findings included in Report IA 12-205 to determine whether corrective action had been taken.

- **Finding:** Four Driver and Vehicle Express (DAVE) user entities retained personal data from the DAVE database for non-law enforcement purposes, without written authorization from DHSMV. Additionally, contracting policies were not sufficient to ensure a proper evaluation of legal authority for data exchange agreements.

Recommendation: The Department should coordinate with the Division of Legal Services to seek written authorization and/or an amendment to the MOU, as necessary, and enhance contracting policies and procedures to define responsibilities and procedures for determining legal authority for data exchange agreements.

- **Finding:** Security incident procedures were not sufficient to meet the unique reporting needs of the MOU and misuse incidents were not always timely and properly reported to the responsible parties.

Recommendation: The Department should enhance its policies and procedures to ensure that pertinent access information is collected and maintained for all users of the DAVE and DAVID (Driver and Vehicle Information Database) databases.

BUSINESS PROCESS IMPROVEMENT UNIT



In Fiscal Year 2013-14, Business Process Improvement (BPI) completed its review of the Division of Workers' Compensation (DWC) through a consulting engagement with the Bureau of Financial Accountability.

Project No. IA 12-201 - Consulting Engagement: *Business Process Improvement/Enterprise Risk Management Initiative*

The overall objective of this multi-year, multi-phase consulting engagement is to create tools to assist the Chief Financial Officer and executive management in making decisions concerning the Department's strategic direction. Specific engagement objectives are to develop a decision support system that will:

- Provide senior management with relevant and meaningful information to effectively implement the Chief Financial Officer's strategic vision for the Department; and
- Provide division management with relevant and meaningful information to better align business processes with the Department's strategic objectives, improve operational effectiveness and efficiency, and reduce risk.

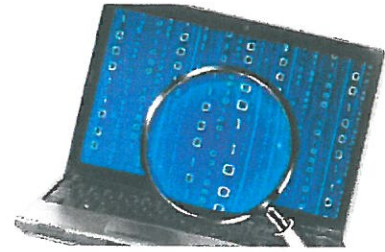
To achieve these objectives, the BPI consultants continue to engage Department leaders in the development of processes that will more quickly provide leadership with tools needed to achieve the objectives of the CFO's strategic plan initiative. The engagement includes the following steps:

1. Evaluate each division's core business processes to determine whether the core processes are aligned with the Department's strategic goals and objectives and identify any business processes that are not essential to achieving the Department's mission.
2. Map the business processes within each division to provide a visual representation of current operations.
3. Identify opportunities and key performance measures to align business processes that will improve service delivery and achieve greater effectiveness and efficiency through process improvement or reengineering.

4. Assess the control environment and level of residual risk of each business process and identify opportunities to reduce risk through process improvement or reengineering.

During the review of the Bureau of Financial Accountability, BPI consultants held 13 meetings with Division personnel, created 12 business process maps, and performed risk analyses for each of the five (5) sections within the bureau.

INVESTIGATIONS SECTION

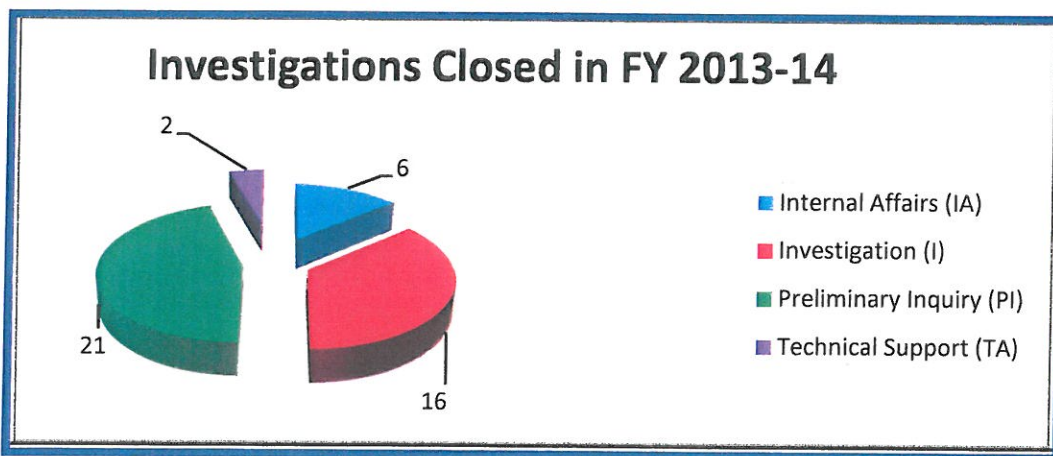


The Office of Inspector General, Investigations Section is in place as a result of Section 20.055(6) Florida Statutes, which states, “In carrying out the investigative duties and responsibilities specified in this section, each inspector general shall initiate, conduct, supervise and coordinate investigation designed to detect, deter, prevent and eradicate fraud, waste, mismanagement, misconduct, and other abuses in state government.”

During the course of an investigation, deficiencies in policies and procedures or business processes that contributed to the issues of the investigation may be identified. By reporting these issues to management, the Department has the opportunity to address the deficiency and thereby reduce the likelihood of future occurrences of fraud, waste, mismanagement, misconduct or other abuses. Investigations Section findings are reported to the Chief Financial Officer, Deputy Chief Financial Officers, Chief of Staff, Bureau of Human Resource Management, Division Directors, and the Office of the General Counsel. Recommendations for improved processes, policies, or procedures are made when warranted by the findings.

The OIG is dedicated to completing all investigations in a timely manner. Some cases, whether by law, collective bargaining agreements or Department policies, are given precedence over others. As a result, a case may be opened in one fiscal year and closed in another.

The following chart depicts investigations closed during FY 2013-14. A summary of some of these investigations can be found in Exhibit D.

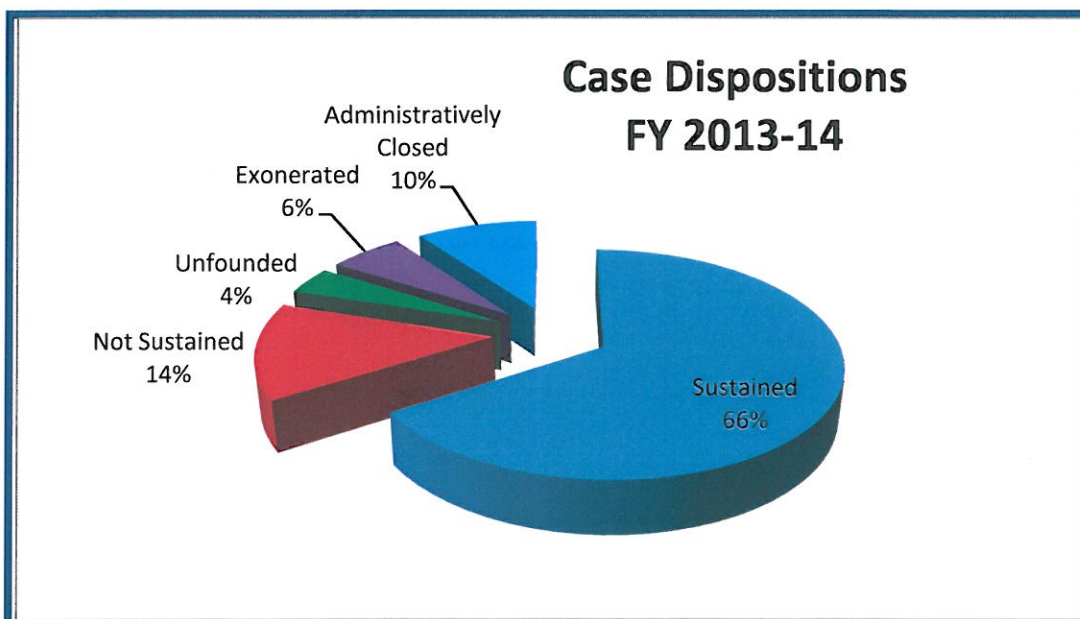


Case Dispositions used in Fiscal Year 2013-14

Upon conclusion of a case/complaint, the matter is closed utilizing one of the following categories:

- **Administratively Closed** – The allegation was not within the Department’s jurisdiction and was referred to another agency; or the subject is no longer a DFS employee and/or would not cooperate with the investigation and, as a result, there was insufficient evidence to make a final determination.
- **Exonerated** – The alleged conduct occurred, but the conduct was lawful, proper, and determined not to be a violation of law, rule, or policy.
- **Not Sustained/Inconclusive** – There was insufficient evidence to prove or disprove the allegation.
- **No Jurisdiction** – The alleged conduct does not fall within the purview of the OIG and may be referred to another agency/division.
- **Referred to Management** – Management related issues or minor (alleged) misconduct by staff. These cases are referred to Division managers, so the Division can best manage their day-to-day operations and staff.
- **Sustained** – The allegation was supported by proper and sufficient evidence.
- **Unfounded** – The complaint was not based on facts, or the reported incident did not occur.

The following chart depicts case dispositions for major investigations closed during FY 2013-14. A summary of some of these investigations can be found in Exhibit D.



Classifications of Cases Conducted in Fiscal Year 2013-14

All allegations received by the OIG are reviewed and categorized according to procedure and any applicable statutes and labor agreements, as follows:

INVESTIGATIONS

Internal Affairs (IA)/ Investigation (I) – Internal Affairs (IA) cases are investigations into sworn law enforcement officers. These investigations require the OIG to comply with the Law Enforcement Officers’ Bill of Rights and with the Police Benevolent Association Union Contract. By law, these cases are confidential in nature until the investigative report is published or disciplinary action occurs, whichever is first. Investigation (I) cases are investigations into non-sworn/civilian personnel and firefighters.

Preliminary Inquiry (PI) – Cases are opened when the OIG receives complaints with insufficient facts to warrant a full investigation. In these cases, some fact gathering is conducted and a determination is made whether to proceed with an investigation (facts indicate a substantive violation may have occurred) or to end the inquiry (facts indicate a substantive violation did not occur). In some instances, another type of case may be opened when the inquiry is ended without a substantive investigation being pursued (e.g., a management referral).

Computer Forensic Examinations (TA) – Cases are opened when the OIG receives a request for computer forensics assistance from other State agencies or Divisions within DFS. These complaints involve the use of a state of the art equipment and computer forensics software to determine whether or not evidence exist which would assist in determining whether the subject has violated any laws, rules or policies.

The following chart depicts findings/dispositions of allegations within cases closed during FY 2013-14.

Case Classification	Opened FY 2013-14	Closed FY 2013-14	Sustained Allegations	Not Sustained Allegations	Unfounded Allegations	Exonerated Allegations	Adm Closed	No Jurisdiction
IA	8	6	4	2	2	0	1	N/A
I	16	16	27	5	0	3	4	N/A
PI	21	21	0	0	6	0	14	1
TA	4	2	2	0	0	0	0	N/A

See Exhibit D for details

Whistle-Blower (WB) – Cases made by state employees, former state employees or applicants for a position with the State (as well as employees of independent contractors contracting with a state agency) which meet the criteria established in Section 112.3187-112.31895, Florida Statutes. Every case opened by the OIG is evaluated for this status.

REFERRALS

Agency Referral (AR) – Cases are opened when the OIG receives a complaint, which is not within the jurisdiction of the office. Referrals are normally directed to management within a division or to another OIG who has appropriate jurisdiction. The OIG strives to place the citizen or complainant into appropriate contact with the entity that can best assist them with their issues and concerns.

Management Referral (MR) – Cases are opened when the OIG receives complaints, typically management related issues, or minor misconduct by staff. These cases are referred to division managers so the division can best manage their day-to-day operations and staff. The OIG monitors these cases and requires follow-up to ensure that the complainant’s issues and concerns are appropriately and timely addressed.

SUPPORT TO MANAGEMENT

Management Support (MS) - Cases are opened when DFS management or the Bureau of Human Resources Management (HRM) contact the OIG and request assistance with an issue. These types of cases can have additional subcategories of Equal Employment Opportunity and Whistle-Blower Retaliation.

Equal Employment Opportunities (EEO) – The OIG, per Administrative Policy and Procedure (AP&P) 5-24, is the designated entity to assist HRM by conducting investigative activities concerning cases, which allege unlawful discrimination and sexual harassment.

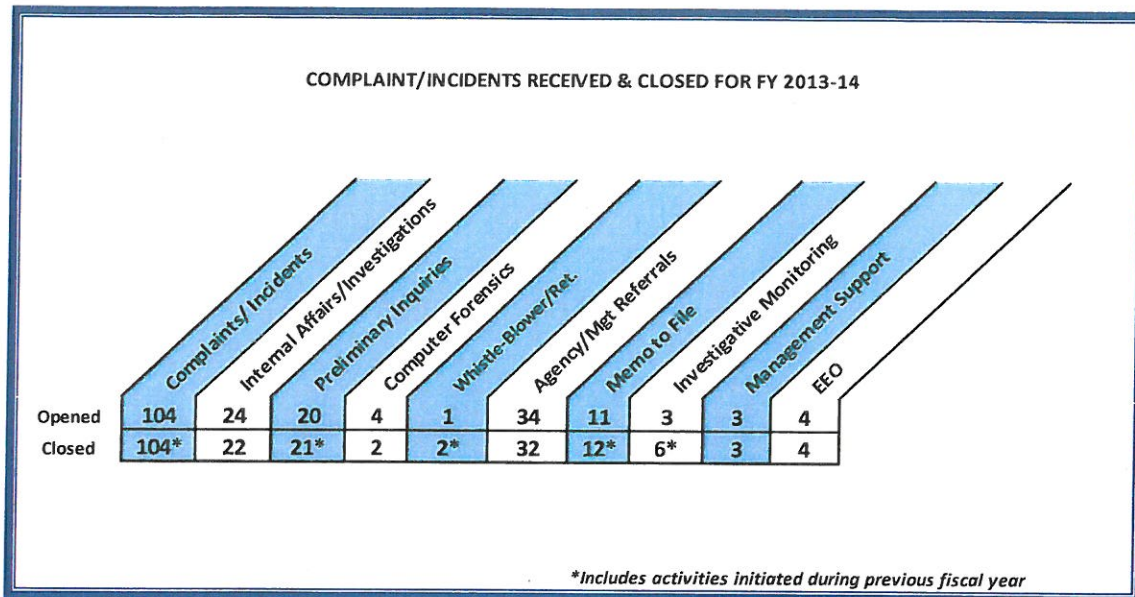
Whistle-Blower Retaliation (WBR) – The OIG, per AP&P 5-24, is the designated entity to assist HRM concerning cases, which allege unlawful discrimination.

INFORMATIONAL

Information Case (INFO) – Information or Memo to File cases arise when the OIG receives information, which does not rise to an investigative level, but documentation should exist to record an event or complaint. In these cases, additional information may have been needed but was unavailable or the complainant decided to withdraw their complaint.

Investigative Monitoring (IM) – Case involves issues monitored by the OIG to receive and report the outcome to management. For example, the OIG may monitor an employee’s case in the criminal court system after an arrest.

The following chart depicts complaints received and closed during FY 2013-14.



OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES

- **Get Lean Hotline:** The OIG's Internal Audit Section coordinates the Department's response to suggestions to improve the efficiency and effectiveness of Departmental operations offered by citizens via the Hotline.
- **New Employee Orientation:** The OIG managers provide an overview of the OIG's office to all new employees and advise employees of the standards of conduct and internal controls, highlighting their duties and responsibilities.
- **Academy of Management Excellence:** As part of the Department's required basic supervisory training program, the Inspector General provides instruction concerning the ethical considerations of supervision.
- **Computer Security Incident Response Team:** The Inspector General is a core member of the Department's Computer Security Incident Response Team.
- **Criminal Justice Information System Compliance Working Group:** The Inspector General is a core member of the working group.
- **Program Reviews:** Combine the knowledge and skills of the OIG's offices of Investigations, Audit, and Business Process Improvement to provide collaborative assessments of DFS programs.
- **Law Enforcement Training:** The Investigations Section facilitated firearms training for the Division of Insurance Fraud firearms instructors.
- **DFS Insider/IG Corner:** The OIG is a Contributing Writer to the DFS newsletter and regularly submits articles on topics such as: ethics, risk management, business process improvement, and fraud.
- **Computer Forensics Presentations/Trainings:** The OIG provided presentations and trainings to DFS partners on the availability and capabilities of the OIG Computer Forensics Laboratory.

EXHIBIT A

Internal Audit Projects

Project No. IA 14-301 - Management Review: Division of Insurance Fraud (DIF) Administration of Anti-Fraud and Special Investigative Unit (SIU) Plans Submitted by Insurers

The overall objective of this engagement was to determine whether DIF's activities related to the receipt and review of insurers' anti-fraud and SIU plans were in accordance with applicable laws, rules and regulations and whether internal controls related to DIF's anti-fraud and SIU plan processes were adequate, efficient and contributed to the overall mission of the division.

- **Finding:** While Section 626.9891, Florida Statutes, and Rule 69D-2, Florida Administrative Code, require insurers to implement and maintain methods and a process to identify, detect and report suspected insurance fraud, these laws are not sufficient to ensure that insurers establish and maintain effective anti-fraud programs and do not set forth sufficient criteria to establish what constitutes an acceptable antifraud or SIU plan.
Recommendation: The DIF should evaluate its activities related to the administration of the anti-fraud and SIU processes to determine the efficiency and effectiveness of its efforts related to insurers' anti-fraud programs. The DIF should seek to amend existing legislation to eliminate duplication amongst the various agencies involved in the processes, eliminate perfunctory requirements, and increase the effectiveness of anti-fraud and enforcement efforts.
- **Finding:** The Insurance Fraud Plan Report (IFPR) system, which serves as an automated repository for the anti-fraud and SIU plans, has lost its main functionality (permitting insurers the ability to manage and automatically file their anti-fraud and SIU plans with DIF) and no longer meets the DIF's needs in administering anti-fraud/SIU processes. In addition, system limitations impaired DIF's ability to effectively administer anti-fraud/SIU processes.
Recommendation: The DIF should continue its efforts to update, upgrade or replace the IFPR system to improve its functionality.
- **Finding:** Internal controls over anti-fraud/SIU processes were not sufficient to ensure DIF's compliance with its duties under Section 626.9891, Florida Statutes, and Rule 69D-2, Florida Administrative Code. For example, DIF did not maintain written policies and procedures related to its administration of anti-fraud/SIU processes. In addition, DIF did not always maintain sufficient documentation to evidence that plans were timely and properly received and reviewed.

Recommendation: The DIF should strengthen internal controls over its administration of anti-fraud and SIU processes by developing comprehensive written policies and procedures over those processes. In addition, DIF should develop review guidelines and a checklist to document the specific criteria used to determine the adequacy of the plans.

Project No. IA 14-208 – Quality Assurance Internal Assessment of Internal Audit Activity

The purpose of this engagement was to conduct a comprehensive Internal Assessment of the activities of the Internal Audit Activity of the OIG to determine whether the Internal Audit Activity is complying with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, as well as the *Principles and Standards for Offices of Inspector General*. An Internal Assessment is required by the *Standards* and includes evaluation of all aspects of the Internal Audit Activity including, but not limited to, organizational structure, resource management, planning, risk assessment, quality assurance and improvement, communications and engagement performance. The results of the Internal Assessment revealed that the Internal Audit Activity conformed to the *Standards*, the *Definition of Internal Auditing* and the *Code of Ethics*.

Project No. IA 14-301 – Consulting Engagement: Division of Risk Management (DRM), Contract Monitoring Processes and Procedures

The overall objective of this engagement was to assess DRM’s monitoring processes and procedures related to DRM’s contracts with its third party administrators and, to a limited degree, contracts with other vendors. Specific objectives were to:

- Assess DRM’s contract-related monitoring policies, procedures and methodologies and provide recommendations to enhance the same.
- Review contract monitoring plans, tools, schedules, reports, and other related documentation and provide recommendations for improvement. Specific consideration will be given to methods to achieve an adequate level of monitoring coverage of DRM’s contracted service providers.
- Review internal controls related to oversight of DRM’s contracted service providers and provide recommendations, where applicable, to improve the efficiency and effectiveness of the controls.
- Review DRM’s procedures for evaluation of contracted service providers’ Statement on Standards for Attestation Engagements (SSAE) No. 16 reports and provide recommendations for improvement and/or guidance in developing tools to facilitate an effective review of the SSAE No. 16 reports.

As of June 30, 2014, Internal Audit was finalizing fieldwork for the engagement. Engagement deliverables will be provided to DRM during fiscal year 2014-15.

Project No. IA 14-210 – Management Review: Validity and Reliability Assessment of Long-Range Program Plan (LRPP) Performance Measures

The overall objective of this engagement was to determine the validity and reliability of the Department's LRPP performance measures and standards and make recommendations for improvement prior to submission of the measures and standards to the Executive Office of the Governor, consistent with Section 20.055(2)(b), Florida Statutes. Pursuant to Section 216.013, Florida Statutes, state agencies are required to prepare a LRPP to achieve state goals using an interagency planning process. The LRPP is policy-based, priority-driven, accountable, and is to be developed through careful examination and justification of agency programs.

EXHIBIT B

External Audit Coordination

In Fiscal Year 2013-14, Internal Audit coordinated the Department's response to the external audits listed below.

- Auditor General Report No. 2014-020 *DFS Division of Risk Management State Employee Workers' Compensation*, published October 10, 2013
- Auditor General Report No. 2014-033 *DFS Florida Accounting Information Resource Subsystem (FLAIR)*, published October 31, 2013
- Auditor General Report No. 2014-103 *DFS Division of Public Assistance Fraud*, published February 14, 2014
- Auditor General Report No. 2014-109 *DFS Unclaimed Property Management Information System (UPMIS)*, published February 25, 2014
- Auditor General Report No. 2014-173 *State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards*, published March 31, 2014
- Auditor General Report No. 2014-184 *Payroll and Personnel Processes at Selected State Agencies*, published April 10, 2014
- Auditor General Report No. 2015-002 *Contract and Grant Management Processes at Selected State Agencies*, published July 2, 2014

The following external audits were on-going as of June 30, 2014:

- Auditor General information technology operational audit of FLAIR
- Auditor General information technology operational audit of Division of Treasury's Cash Management System
- Auditor General information technology operational audit of Division of Treasury's Investment Accounting System
- Auditor General audit of State of Florida compliance and internal controls over financial reporting
- Auditor General audit of State of Florida expenditures for federal awards

EXHIBIT C

Follow-Up Responses

In Fiscal Year 2013-14, Internal Audit prepared follow-up responses regarding the status of implementation of corrective action for the following audits:

- **Project No. IA 12-410** Eighteen-Month Follow-up Response to Auditor General Report No. 2012-071: *DFS STARS Information Technology Operational Audit*, published July 5, 2013
- **Project No. IA 12-312** Six-Month Follow-up Response to Auditor General Report No. 2013-078: *Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR)*, published July 12, 2013
- **Project No. IA 12-314 and 12-316** Six-Month Follow-up Response to Auditor General Report No. 2013-161: *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published September 27, 2013
- **Project No. IA 14-600** Six-Month Follow-up Response to DFS Office of Inspector General Report No. 13-203 *Audit of Internal Controls Over Personal Data Exchanged Under DHSMV Memorandum of Understanding and Audit Follow-up of IA 12-205*, published December 6, 2013
- **Project No. IA 12-410** Twenty-Four-Month Follow-up Response to Auditor General Report No. 2012-071: *DFS STARS Information Technology Operational Audit*, published March 18, 2014
- **Project No. IA 12-314 and 12-316** Twelve-Month Follow-up Response to Auditor General Report No. 2013-161: *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published March 28, 2014
- **Project No. IA 13-305** Six-Month Follow-up Response to Auditor General Report No. 2014-020: *DFS Division of Risk Management State Employee Workers' Compensation*, published April 7, 2014
- **Project No. IA 13-309** Six-Month Follow-up Response to Auditor General Report No. 2014-033: *Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR)*, published May 1, 2014
- **Project No. IA 14-600** Twelve-Month Follow-up Response to DFS Office of Inspector General Report No. 13-203 *Audit of Internal Controls Over Personal Data Exchanged Under DHSMV Memorandum of Understanding and Audit Follow-up of IA 12-205*, published June 6, 2014

EXHIBIT D

Internal Affairs Cases

OIG Case 13393 IA – This case was predicated on a complaint that a law enforcement officer with the Division of Insurance Fraud forcibly placed their hands on a citizen and made racial comments during an arrest. This case was **Unfounded**.

OIG Case 13397 IA – This case was predicated on a complaint that a law enforcement officer with the Division of Insurance Fraud removed merchandise from a retail store without paying for it. This case was **Sustained**.

OIG Case 13398 IA – This case was predicated on a complaint that a law enforcement officer with the Division of Insurance Fraud misused their position by seeking privileged information. This case was **Administratively Closed**.

OIG Case 13399 IA – This case was predicated on a complaint that a law enforcement officer with the Division of Insurance Fraud misused a state vehicle, falsified timesheets and vehicle logs and lied to a supervisor. This case was **Sustained**.

OIG Case 13401 IA – This case was predicated on a complaint from a citizen who alleged that a law enforcement officer with the Division of Insurance Fraud coerced a statement from a witness, which resulted in his arrest. This case was **Unfounded**.

OIG Case 14019 IA – This case was predicated on a complaint that a law enforcement officer with the Division of State Fire Marshal aided an instructor in the theft of an emblem from a training center. This case was **Not Sustained**.

Investigations Cases

OIG Case 13356 I – This case was predicated on a complaint from the Department of Children and Families, Public Benefits Unit that a Division of Public Assistance Fraud employee was committing public assistance fraud. The OIG investigation revealed violations did occur and the case was referred to the Florida Department of Law Enforcement (FDLE) for criminal investigation. Employee was arrested and criminally charged by FDLE. This case was **Administratively Closed**.

OIG Case 13387 I – This case was predicated on a complaint from a citizen that members of the State Fire College released records to the public, which should have been confidential and otherwise exempt from public disclosure. This case was **Sustained**.

OIG Case 13390 I – This case was predicated on a complaint that a State Fire College employee has exhibited conduct unbecoming a public employee during a meeting. This portion of the case was **Not Sustained**. (Related to OIG Case 13387 I)

OIG Case 13395 I – This case was predicated on a complaint from a citizen who sought information on an individual who posed as a State Fire College employee. During the course of this investigation, it was discovered that the State Fire College employee misused Department resources and was less than forthcoming to supervisors when questioned about their knowledge of the incident. This case was **Sustained**.

OIG Case 13400 I – This case was predicated on a complaint of misconduct from a citizen who alleged that a Financial Crime Investigator with the Division of Public Assistance Fraud harassed the complainant by standing in front of a vehicle and not allowing it to move and further provoking an incident. This case was **Exonerated**.

OIG Case 13402 I – This case was predicated on a complaint from the Bureau of Human Resource Management concerning alleged misconduct by a Division of Information Systems (DIS) employee who failed to treat coworkers with respect and in a courteous manner. This case was **Sustained**.

OIG Case 13406 I – This case was predicated on a complaint from a DIS employee that was threatened with physical violence by another Department employee. This case was **Administratively Closed**.

OIG Case 13407 I – This case was predicated on a complaint from a DIS employee that was threatened with physical violence by another Department employee. This case was **Administratively Closed**.

OIG Case 13409 I – This case was predicated on additional information, which was provided to the OIG from FDLE concerning OIG Case 13318 (Closed in Fiscal Year 2012-2013). The FDLE advised that a Public Assistance Fraud Investigator misused Department databases and resources to a greater extent than what was previously discovered. Employee failed to be forthcoming in both OIG cases. This case was **Sustained**.

OIG Case 13414 I – This case was predicated on a complaint that a Division of Workers' Compensation employee was utilizing a State issued vehicle for activities associated with his/her secondary/outside State employment. This case was **Sustained**.

OIG Case 13415 I – This case was predicated on a complaint from a citizen who alleged that the Bureau of Unclaimed Property illegally disbursed funds from a trust. Additionally, it was alleged that members of the Department received kickbacks and gratuities for disbursing funds related to trusts in other claims. This case was **Administratively Closed**.

OIG Case 13416 I – This case was predicated on a complaint that an unknown Department employee forged another Department employee's signature on two State of Florida employment applications. The case against the unknown employee was **Exonerated**. Subsequent information revealed that the complainant filed a false sworn affidavit and submitted several falsified State of Florida employment applications. The case against the complainant was **Sustained**. (Case is related to OIG Case 13417 and 14006)

OIG Case 13417 I – This case was predicated upon a complaint that a Department employee utilized their position within the DIS for personal gain in that the employee

accessed a confidential personnel file of another employee. This case was **Exonerated**. (Case is related to OIG Case 13416 and 14006)

OIG Case 14001 I – This case was predicated upon a complaint that a DIS supervisor committed acts of violence in the workplace and conduct unbecoming a public employee by placing their hands on a subordinate employee during a heated exchange following a counseling session. The case against the supervisor was **Not Sustained**. Interviews and evidence in this case revealed that the subordinate employee did commit acts of violence in the workplace and conduct unbecoming a public employee, thus the case was **Sustained**.

OIG Case 14006 I – This case was predicated upon information discovered during OIG Cases 13416 and 13417 which revealed that a DIS employee utilized a Department instant messaging service to discuss co-workers and management in a discourteous, disrespectful and profane manner. This case was **Sustained**.

OIG Case 14027 I – This case was predicated upon a complaint that a Division of Rehabilitation and Liquidation employee paid unauthorized travel expenses for an expert witness. Upon review of the case and the related information, the complaint was **Administratively Closed**.

Computer Forensics Examinations

OIG Case 14031 TA – This case was predicated upon a request for technical assistance from the Department of Highway Safety and Motor Vehicles (DHSMV) OIG. The DHSMV OIG required computer forensics to determine whether or not a trooper accessed a supervisor's People First account to approve timesheets. This case was **Sustained**.

OIG Case 14035 TA – This case was predicated upon a request for technical assistance from the Department of Juvenile Justice (DJJ) OIG. The DJJ OIG required computer forensics to determine whether or not three (3) terms existed on a subject computer. Investigation revealed that the subject's computer contained pornographic images. This case was **Sustained**.

Significant Preliminary Inquires

OIG Case 13377 PI – This case was predicated upon information that two Division of Insurance Agents and Agency Services employees were falsifying information on Department case reports and timesheets. During the investigation, both employees resigned from their positions. This case was **Administratively Closed**.

OIG Case 13394 PI – This case was predicated upon information that a Division of Consumer Services employee failed to investigate a complaint filed against an insurance agent. It was determined that the investigation occurred, but was not appropriately documented. This case was **Administratively Closed**.

OIG Case 13413 PI – This case was predicated upon information that the Division of State Fire Marshal awarded a Firefighter I (FFI) certificate to an individual who did not attend

the required training. A review of the individual's training file revealed that all requirements under the law were met and issuance of the FFI was appropriate and in compliance with the law. This case was **Unfounded**.

OIG Case 14013 PI – This case was predicated upon information that an employee of the Division of Risk Management failed to supply public records in a timely manner. The review revealed that the public records request came into the Department with payment, but was inadvertently overlooked by the individual who processed the check. This case was **Administratively Closed**.

OIG Case 14014 PI (CSIRT) – This case was predicated upon information that a PAF employee was missing a USB thumb drive. The thumb drive was purchased with State funds while PAF was under FDLE and was not encrypted. It was determined that the USB drive did not contain any confidential data. This case was **Administratively Closed**.

Equal Employment Opportunities

OIG Case 13396 EEO – This case was predicated upon a complaint of disability discrimination. The investigation determined that staff were unaware of any disability held by the complainant. Investigative information was forwarded to Bureau of Human Resource Management (HRM), Employee Relations for final determination.

OIG Case 13408 EEO – This case was predicated upon a complaint of gender and national origin discrimination. The investigation determined that discrimination did not occur. Investigative information was forwarded to HRM, Employee Relations for final determination.

OIG Case 14004 EEO – This case was predicated upon a complaint of age discrimination. The investigation determined that discrimination did not occur. Investigative information was forwarded to HRM, Employee Relations for final determination.

OIG Case 14017 EEO – This case was predicated upon a complaint of racial discrimination. The investigation determined that discrimination did not occur. Investigative information was forwarded to HRM, Employee Relations for final determination.