

Office of
**INSPECTOR
GENERAL**
DEPARTMENT of
FINANCIAL SERVICES

**ANNUAL
REPORT**
2016

Message from the Inspector General

On behalf of the Department of Financial Services Office of Inspector General (OIG), I am pleased to present the 2015-16 Annual Report. The purpose of this report is to provide a comprehensive overview of our activities during the 2015-16 fiscal year.

The OIG serves as a valuable resource to assist management by increasing efficiency and effectiveness of their daily operations. Furthermore, the Office is the primary outlet for people to report wrongdoing within the Department.

During the previous fiscal year, the OIG completed 25 audit/consulting projects and 136 investigative activities. I am extremely proud of the audit conducted of the Department's Division of Rehabilitation and Liquidation as well as the office obtaining accreditation from the Commission for Florida Law Enforcement Accreditation.

We will continue to support the Chief Financial Officer's mission and vision for the Department by diligently pursuing fraud, waste, and abuse; while promoting transparency and accountability in the Department's operations.

Sincerely,

A handwritten signature in blue ink that reads "Teresa Michael". The signature is fluid and cursive, with the first name "Teresa" and last name "Michael" clearly distinguishable.

Teresa Michael, Inspector General



ACCOUNTABILITY
INTEGRITY
EXCELLENCE

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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 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.

Overview

The DFS OIG Audit Section, as charged by 20.055, Florida Statutes, and DFS Administrative Policies and Procedures 6-02 and 6-03, is mandated to conduct audits in accordance with the *International Standards for the Professional Practice of Internal Auditing* as published by the Institute of Internal Auditors, Inc. Therefore, the IG or Director of Audit must have, at a minimum, a bachelor's degree in business and hold either a certification as a Certified Internal Auditor or licensure as a Certified Public Accountant. Recent legislative changes strengthened the educational and experience requirements for the IG. The Audit Section is tasked with conducting financial, compliance, electronic data processing, and performance audits of the agency and preparing reports regarding their findings. Furthermore, in carrying out their duties the Audit Section is responsible for reviewing and evaluating internal controls necessary to ensure the fiscal accountability of the agency. Additionally, the Audit Section monitors the implementation of the agency's response to any report on the agency issued by the Auditor General's Office or the Office of Program Policy Analysis and Government Accountability (OPPAGA) and acts as a liaison with external entities conducting audits and/or assessments of the agency's operations. Lastly, the Audit Section is responsible for conducting periodic risk assessments, and based on the results, develops annual and long-term audit plans.

The DFS OIG Investigations Section, as charged by 20.055, F.S., and DFS Administrative Policies and Procedure 6-01, conducts professional, independent, and objective investigations and reviews that ensure "allegations of fraud, waste, mismanagement, misconduct, or other abuse in

violation of law, rule, or policy against agency employees or entities contracting with the Department, are reported to the OIG."

The Investigations Section is tasked with acting as the internal affairs section for the three law enforcement units within the Department - the Bureau of Arson Investigations, Division of Insurance Fraud, and the Office of Fiscal Integrity. Additionally, the Investigations Section acts as the internal affairs unit for the Division of State Fire Marshal, which houses numerous firefighters. To complete investigations of sworn law enforcement officers and firefighters, the Investigations Section has to be conscientious of laws that provide additional protections for the accused, which civilian employees are not entitled. These laws are commonly referred to as the Police Officer Bill of Rights and Firefighter Bill of Rights and are outlined in Chapter 112, Florida Statutes.

The Investigations Section is not solely bound by Chapter 112, F.S., but also by case law that is designed to protect government employees during OIG investigations and interviews. Legal precedence such as the Garrity Rule and Weingarten Rule requires participation in an investigation, but gives the right to have a union representative present and not be forced to make an incriminating statement against themselves, which could later be used against the employee in a criminal proceeding.

In addition to investigations and audits, the OIG conducts program/management reviews and assists management by providing factual reports that outline problems within their sections.

OIG History & Background

The first Inspector General was appointed by George Washington as a result of the Continental Army's lack of preparedness and a failing supply structure. This was made possible by Congress in December 1777.

The 95th Congress of the United States took notice of issues within the Federal government and created the *Inspector General Act of 1978* by establishing Offices of Inspector General within the Departments of Agriculture, Commerce, Housing and Urban Development, the Interior, Labor, and Transportation, and within the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration, to "increase its economy and efficiency."

In 1994, Florida lawmakers passed the Florida version of the Federal *Inspector General Act*, which set forth the modern day mission for State of

Florida Inspectors General to promote economy, efficiency, and effectiveness in state government and detect, deter, and prevent fraud, waste, and abuse by agency members and contractors.

The Department of Financial Services Office of Inspector General achieves this mission through conducting professional and independent investigations, audits, and reviews with the primary goal of enhancing public trust in government. Section 20.055, Florida Statutes, lays out the duties as, in part, "An office of inspector general is established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government." Statute explains that the Inspector General should be involved in or a part of every agency decision, when it concerns the development of performance measures, standards, and procedures for the evaluation of the agency's programs, matters associated to outside audits, and or matters concerning fraud, waste, abuse, and deficiencies of the agency.

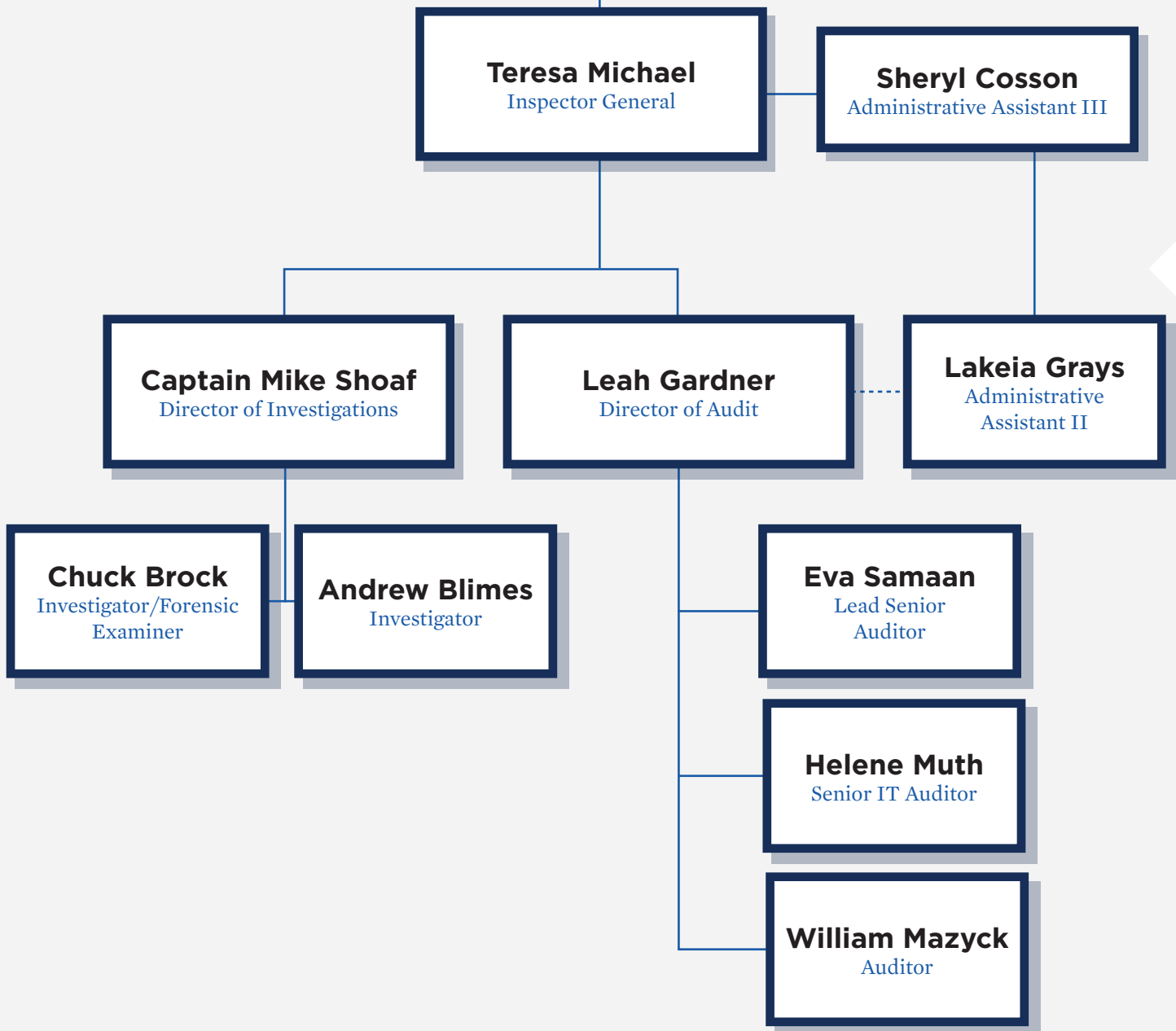
"An office of inspector general is established in each state agency to provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government."



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As a steward of taxpayer dollars, DFS's mission is to safeguard the integrity of the transactions entrusted to DFS and to ensure that every program within DFS delivers value to the citizens of Florida. Through its investigative, audit and consulting services, the OIG provides valuable information which serves to improve the efficiency and effectiveness of internal management processes.

Organizational Chart Office of Inspector General



Staff Biographies

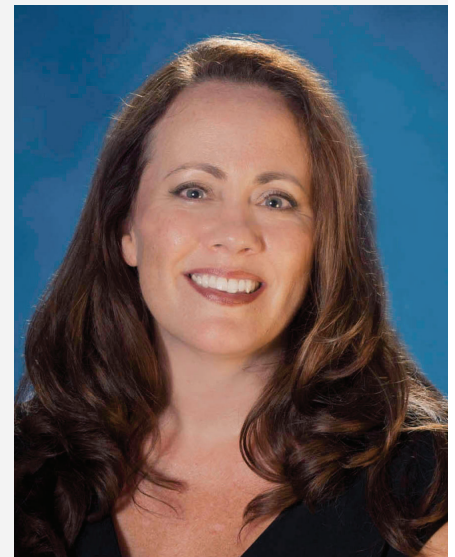
TERESA MICHAEL, INSPECTOR GENERAL

Teresa Michael began her career as a Military Police officer where she was promoted to Sergeant and held the positions of Company Training Officer and a Shift Supervisor. Upon being Honorably Discharged, Ms. Michael obtained her Florida Class C Private Investigator license and was employed as a Workers' Compensation and Casualty surveillance investigator for a private investigation firm in Florida. In 1990, Ms. Michael began her employment with the State of Florida when she was hired by the Florida Department of Corrections (DOC) as a Correctional Probation Officer (CPO) and attended the CPO Academy in Vero Beach, Florida. She held this position for less than one year before being promoted to Correctional Probation Senior Officer. After seven years, Ms. Michael left DOC and began her career in the Inspector General community when she was hired by the Florida Department of Juvenile Justice (DJJ) Office of Inspector General (OIG) and was assigned to the South Florida Region. Ms. Michael held the position of Inspector/Investigator for 15 years when she was promoted to Investigations Coordinator. In 2013, after 17 years in the DJJ OIG, Ms. Michael moved from South Florida to Tallahassee when she assumed the position of Director of Investigations for the Florida Department of Financial Services (DFS) Office of Inspector General. After a brief period, she was appointed as Acting Inspector General for DFS in December of 2013, and was selected as Inspector General in 2014. Ms. Michael earned a Bachelor of Arts from Saint Leo College/University with a major in criminology. She further holds the following certifications: Certified Inspector General, Certified Inspector General Investigator, and Certified Fraud Examiner.



LEAH GARDNER, DIRECTOR OF AUDIT

Leah Gardner joined the DFS OIG's office in June 2012, and is responsible for overseeing internal audit and consulting services for the OIG. Ms. Gardner is a Certified Public Accountant and has over 16 years of combined auditing and accounting experience working in both the public and private sector as well as 13 years of legal experience. Ms. Gardner has worked for Deloitte & Touche, LLP and the Florida Auditor General's office, where she audited publicly traded companies and governmental entities performing financial, operational and compliance audits. Most recently, Ms. Gardner worked at the Florida Department of Health (DOH), where she established a unit responsible for conducting fiscal and compliance reviews of contract providers receiving over \$700 million in financial assistance. During her tenure at DOH, Ms. Gardner was fundamental in strengthening accountability in contracting processes, which resulted in questioned costs of over \$15 million. In addition, Ms. Gardner implemented a robust training program to increase awareness and competencies of contract managers and contract providers, and revamped the processes to administer financial



assistance to ensure the effective and efficient use of state resources. Ms. Gardner graduated summa cum laude from Florida State University (FSU) with a Bachelors of Science degree in accounting and is currently pursuing another bachelor's degree from FSU in management information systems.



CAPTAIN MIKE SHOAF, DIRECTOR OF INVESTIGATIONS

Mike Shoaf began his career in law enforcement at the age of 19. The youngest of his basic recruit class, he got his start as a Reserve Deputy Sheriff for the Leon County Sheriff's Office. Captain Shoaf's time and exposure as a Deputy lead to a position with the Tallahassee Community College Campus Police Department where he created and initiated the Bicycle Patrol Program. Captain Shoaf eventually was presented with the opportunity to work for the Department of Environmental Protection, Division of Law Enforcement. During his six years with DEP, he was promoted from Officer, to Corporal, to Agent. After six years of resource protection and environmental investigations, Captain Shoaf made his segue into the Inspector General Community. Captain Shoaf has been in the IG community for the last nine years working as a sworn IG investigator for the Department of Business and Professional Regulation, Department of Transportation, and Department of Financial Services. In 2014, he was promoted to his current assignment as the Director of Investigations for the Department of Financial Services, Office of Inspector General after his arrival in May 2012. Captain Shoaf currently holds a Bachelor of Arts degree in business administration from Flagler College, is a Certified Fraud Examiner, a Certified Inspector General Investigator, and a Certified Supervisory Manager. During Captain Shoaf's career, he has been a Certified Law Enforcement Firearms, Driving and General Topics Instructor.

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SHERYL COSSON, OFFICE MANAGER

Sheryl Cosson is the senior member of the DFS OIG team and has over 13 years in her current position as Office Manager and Administrative Assistant to the Inspector General. Ms. Cosson began working for the State over 30 years ago and brings a vast amount of experience, which is vital to the OIG's operations. In her position, Ms. Cosson is responsible for all purchasing functions, personnel actions, website design and development, public records requests, information technology issues, and also serves as contract manager for any OIG vendor agreements.

LAKEIA GRAYS, ADMINISTRATIVE ASSISTANT II

Lakeia Grays graduated in 2015 with a Bachelor's of Science in Political Science with a minor in Pre-Law. While attending as an undergrad, she had the privilege of working alongside with Angela Davis, joining National Council of Negro Women, pledging Phi Alpha Delta, volunteering at Rickards High School and graduating Cum Lade all while working at Florida A & M. In March 2016, Lakeia joined the OIG as Administrative Assistant II. Currently Lakeia is attending graduate school full time and online at Grand Canyon University and is working toward a Masters of Social Work and Business Administration.



ANDREW BLIMES, INVESTIGATOR/AUDITOR

Andrew Blimes began his state employment as a Data Entry Operator with the Florida Department of Juvenile Justice (DJJ) in 2005. In 2006, he became a Government Operations Consultant with the DJJ OIG and, in 2008, he was promoted to a Government Analyst position in the Investigations section of the DJJ OIG. In 2012, he left DJJ to become an Internal Auditor with the Florida Supreme Court and was promoted to Senior Internal Auditor in February 2014. In August 2014, he joined the DFS OIG as a Management Review Specialist and assists in conducting investigations and audits. He possesses a bachelor's degree in finance and business administration and a Master of Business Administration degree from Florida State University. He is also a Certified Inspector General Auditor and a Certified Inspector General Investigator.



CHUCK BROCK, INVESTIGATOR/COMPUTER FORENSIC EXAMINER

Chuck Brock is a veteran of the United States Army where he served as a Special Agent with the Criminal Investigation Command. He has over 20 years of experience working for the State of Florida, working as a Child Protective Investigator for the former Department of Health & Rehabilitative Services, and as an Intelligence Analyst and Investigator for several Inspector General offices. Mr. Brock began conducting computer forensic investigations in 2000 and has received specialized training in this field from several agencies including the National White Collar Crime Center and the Federal Bureau of Investigation. Mr. Brock is a member of the Florida Department of Law Enforcement's Computer Incident Response Team, and has assisted numerous federal, state, and local government agencies in obtaining and analyzing electronic evidence for use in criminal and administrative investigations. Mr. Brock helped establish state-of-the-art computer forensic capabilities for the DFS OIG since his arrival in March 2014.





WILLIAM MAZYCK, AUDITOR

William Mazyck joined the DFS OIG in November 2014, and graduated cum laude with a bachelor's degree in accounting. Mr. Mazyck possesses three and one half years of accounting and auditing experience. In addition, Mr. Mazyck previously worked for the Division of Business and Professional Regulation and Tallahassee Community College and, as such, is familiar with State of Florida business processes. Mr. Mazyck is currently pursuing certification as a Certified Public Accountant.



HELENE MUTH, SENIOR AUDITOR

Helene Muth joined the DFS OIG in 2014 and is a Certified Internal Auditor, Certified Information Systems Auditor, and a Certified Government Auditing Professional. She possesses bachelor's degrees in management and social work. In addition, Ms. Muth has professional audit experience totaling over 12 years and spent 20 years in the U.S. Navy. As Ms. Muth has worked over 12 years for the State of Florida in Offices of Inspector General, she is vastly familiar with state government processes and Internal Audit Standards.



EVA SAMAAAN, LEAD SENIOR AUDITOR

Eva Samaan joined the DFS OIG in December 2015. Ms. Samaan is a Certified Internal Auditor (CIA), and possesses a Bachelor's in Accounting and a Master's in Business Administration from Florida State University. Ms. Samaan has served approximately six years on the Board of Governors of the Institute of Internal Auditors (IIA). Her work experience includes approximately 9 years with the State of Florida, where she worked as an Accountant at the Department of Revenue, a Regulatory Analyst at the Florida Public Service Commission and as a Management Review Specialist at the Agency for Healthcare Administration. Ms. Samaan has 15 years of progressive professional audit experience in the public and private sector; two years at the Agency for Healthcare Administration, Office of Inspector General, and 13 years as a Senior Auditor for Capital Health Plan, where she performed operational and compliance audits/reviews and management consulting projects.

Maintaining Operational Excellence

To deliver as fully as possible on its responsibilities, the OIG focuses on building a team that has the collective capacity to perform across various skill sets. These include investigations, auditing, program evaluation, and technical support. In this vein, the OIG has endeavored to cross train staff in both audit and investigations. Additionally, OIG staff are encouraged to seek training opportunities that will enhance and expand the employee's knowledge. Finally, the OIG searches for ways to learn about best practices that might be recommended within the OIG community. This is done by attending Association of Inspector General events as well as other networking opportunities offered by the following organizations to which the OIG is a member: Institute of Internal Audit, Association of Government Auditors, Florida Internal Affairs Investigators Association, National White Collar Crime Center, and ISACA to name a few.

In February 2016, the OIG became accredited through the Commission for Florida Law Enforcement Accreditation (CFA).

To date, OIG staff have obtained the following nationally recognized certifications:

- Certified Fraud Examiner
- Certified Information Systems Auditor
- Certified Inspector General
- Certified Inspector General Auditor
- Certified Inspector General Investigator
- Certified Internal Auditor
- Certified Law Enforcement
- Certified Public Accountant
- Certified Supervisory Manager

During the previous fiscal year, OIG staff attended trainings, which were chosen to enrich and expand the OIG's capabilities. Some of the notable trainings attended were:

- Auditing Cyber Security in an Unsecure World
- Business Resiliency Considerations for IT Professionals
- CFA Manager/Assessor
- Certified Public Manager Program
- Regulatory Ethics
- Title IX Investigations: Best Practices for Investigators
- Network Communications and Security
- Inspector General Investigators
- Internal Affairs Investigations
- Association of Government Accountants, 2016 Government Accounting Conference



*Detect, deter, and prevent fraud,
waste and abuse in State government.*

Commission for Florida Law Enforcement Accreditation



**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

ACCREDITED ON FEBRUARY 24, 2016



Commission for Florida Law Enforcement Accreditation (CFA) Ceremony on February 24, 2016. Pictured above from left to right: CFA Chair and Commissioner Indian River County Sheriff Deryl Loar, Director of Investigations Mike Shoaf, Investigators Andrew Blimes and Chuck Brock, Inspector General Teresa Michael, CFA Commissioner and Deputy Chief Financial Officer Jay Etheridge, and CFA Executive Director Lori Mizell.

Commission for Florida Law Enforcement Accreditation

What is Accreditation?

Accreditation is the certification by an independent reviewing authority that an entity has met specific requirements and prescribed standards. This coveted award symbolizes professionalism, excellence, and competence.

Accreditation History

On October 31, 2007, the Chief Inspector General, along with the Florida Department of Law Enforcement (FDLE) CFA, initiated an accreditation program for the Florida offices of inspector general. The program was the first of its kind in the nation for agency offices of inspector general. The program also facilitates and ensures compliance with the Association of Inspectors General standards and Florida Statutes, as well as collective bargaining agreements.

Benefits of Accreditation

- Enhanced community understanding of the OIG role, as well as its goals and objectives.
- An in-depth review of every aspect of the OIG's organization, management, operations, and administration.
- Standards against which OIG performance can be measured and monitored over time.

The Accreditation Process

- An OIG must apply to the CFA to participate in the accreditation process.
- The OIG is required to demonstrate compliance with all applicable standards.
- Proof of compliance with the standards is

determined by the CFA assessment team, which conducts an on-site review of the OIG's policies, procedures, and practices.

- OIGs are accredited for a three-year period. After the three-year period, they must be re-accredited.

On April 27, 2015, the OIG entered into an agreement with the CFA, which requires full compliance with all CFA standards and an assessment within two years of the date of the executed agreement. The Investigations Section immediately began updating internal policies and procedures to bring about the required compliance. With the help of the Division of Insurance Fraud, and Bureau of Fire and Arson Investigations the OIG was able to schedule the Accreditation assessment on December 3, 2016. On the 3rd, three CFA assessors arrived at DFS OIG and completed an intensive review process and series of interviews which ultimately revealed that the DFS OIG Investigations Section had achieved compliance with all 44 standards that were set forth by the CFA in just over six months. The CFA assessors were highly complementary of OIG Investigative staff. On February 24, 2016, the OIG Investigations Section received their initial Accreditation with a "flawless" review. This status which was achieved in such a short time, is evidence that the OIG Investigations Section has been operating under the best management practices in the prior years.

Much of the above information was derived from the CFA. For further information about accreditation and the accreditation process, please visit the Florida Accreditation website at: www.flaccreditation.org/

OIG Outreach

The OIG fosters strong relationships with Department management and proactively looks for opportunities to better assess and positively impact Department operations. The OIG maintains frequent and ongoing communications with departmental staff and the public and facilitates educational opportunities, while advocating the roles and responsibilities of the OIG. The OIG continually solicits feedback, both formally and informally, in an effort to improve services and, through its involvement in the OIG community, identifies best practices, which may benefit the Department.

As part of the OIG's outreach efforts, each month the OIG published informative articles in the "IG Corner" section of the *DFS Insider*, the Department's newsletter. Topics included social engineering, ethics, fraud awareness, external audit requests, volunteerism, and employee conduct while on and off duty.

During the Department's "New Employee Orientation," the OIG presented trainings to

approximately 377 DFS, Office of Insurance Regulation, and Office of Financial Regulation staff on the following topics: Whistle-blower, ethics, the role of the OIG, internal controls, how to report fraud, waste, and abuse, to name a few. The Inspector General also provided "Ethics and the Role of the OIG" training to newly promoted/hired supervisors during the Department's "Academy of Management Excellence" program. Lastly, at the request of various Department managers, the OIG provided training to staff on the following topics:

- Computer Forensics
- Ethics
- Role of the OIG
- GPS Analytics

In support of these presentations, and as a means of reaching a wider audience of state employees and members of the public, the OIG distributes a variety of informational materials that explain the OIG's role and how to file a complaint related to fraud, waste, and abuse.

OIG Moving Forward

The DFS OIG will continue the detection and prevention of fraud, waste, and abuse within DFS. In addition, the DFS OIG will continue to focus on increasing fraud prevention measures, providing fraud awareness training, and conducting outreach activities. The DFS OIG will enhance and promote the OIG Management Review program, which will enable managers to identify issues and deficiencies before they become problems.

Each section within the DFS OIG has been tasked by the Inspector General to develop goals and a plan to achieve those goals in the upcoming fiscal year. As a result, the following plan has been put into action:

Investigations:

- The DFS OIG will maintain its accreditation from the Commission for Florida Law Enforcement Accreditation and, in doing so, will ensure the consistency and quality of investigations.
- The DFS OIG cannot function effectively without the continuing cooperation and support of Department staff and management. Therefore, the Investigations Section will endeavor to further strengthen relationships and increase trust among Department stakeholders.

- The Investigations Section will continue to inform department managers and employees about the benefits, capabilities, and availability of the DFS OIG computer forensics laboratory.

Audit:

- In response to the Department's increasing reliance on technology, paperless work environments, as well as the magnitude of security breaches affecting organizations, Internal Audit will continue to develop the OIG's IT knowledge and capabilities in a manner to assist the Department in identifying risks, improving controls and protecting the Department's critical data and IT resources.
- Internal Audit will continue to streamline its work processes and audit tools in an effort to decrease audit cycle time.
- Internal Audit will publish a trends and conditions analysis of the audits/reviews conducted of the Department by both internal and external entities with the goal of assisting the Department in its risk management activities and identifying training and other needs.
- Internal audit will undergo an internal quality assurance assessment to ensure full compliance with IIA standards and in preparation for its upcoming triennial independent assessment.

Investigations

COMPLAINT PROCESS:

During the 2015-16 fiscal year, the DFS OIG received 137 complaints. These complaints are logged into an electronic database tracking system, which automatically assigns a numeric complaint number. Within one business day of receipt, each complaint must be evaluated. The initial evaluation results in the DFS OIG taking one of the following actions:

- Initiating an investigation, a management review, or an inquiry
- Requesting additional information or conducting a preliminary inquiry
- Referring the matter to management or another agency, or
- Declining the matter

Many matters evaluated by the DFS OIG are referred to the affected agency or DFS management. Referrals occur when the DFS OIG lacks jurisdiction or, most often, when the allegation relates to employee conduct that does not meet DFS OIG's established criteria, but nonetheless warrants the attention of management.

Management reviews are inquiries into specific programmatic aspects of DFS operations. Reviews may address a wide range of issues, such as the effectiveness or efficiency of a program component or whether the program has good strategies to safeguard the appropriate use of state funds.

Investigations attempt to determine the validity or extent of reported allegations/incidents, the amount of loss, and any weaknesses that may have contributed to the allegations/incidents.

Investigative reports may recommend corrective actions to avoid similar problems in the future.

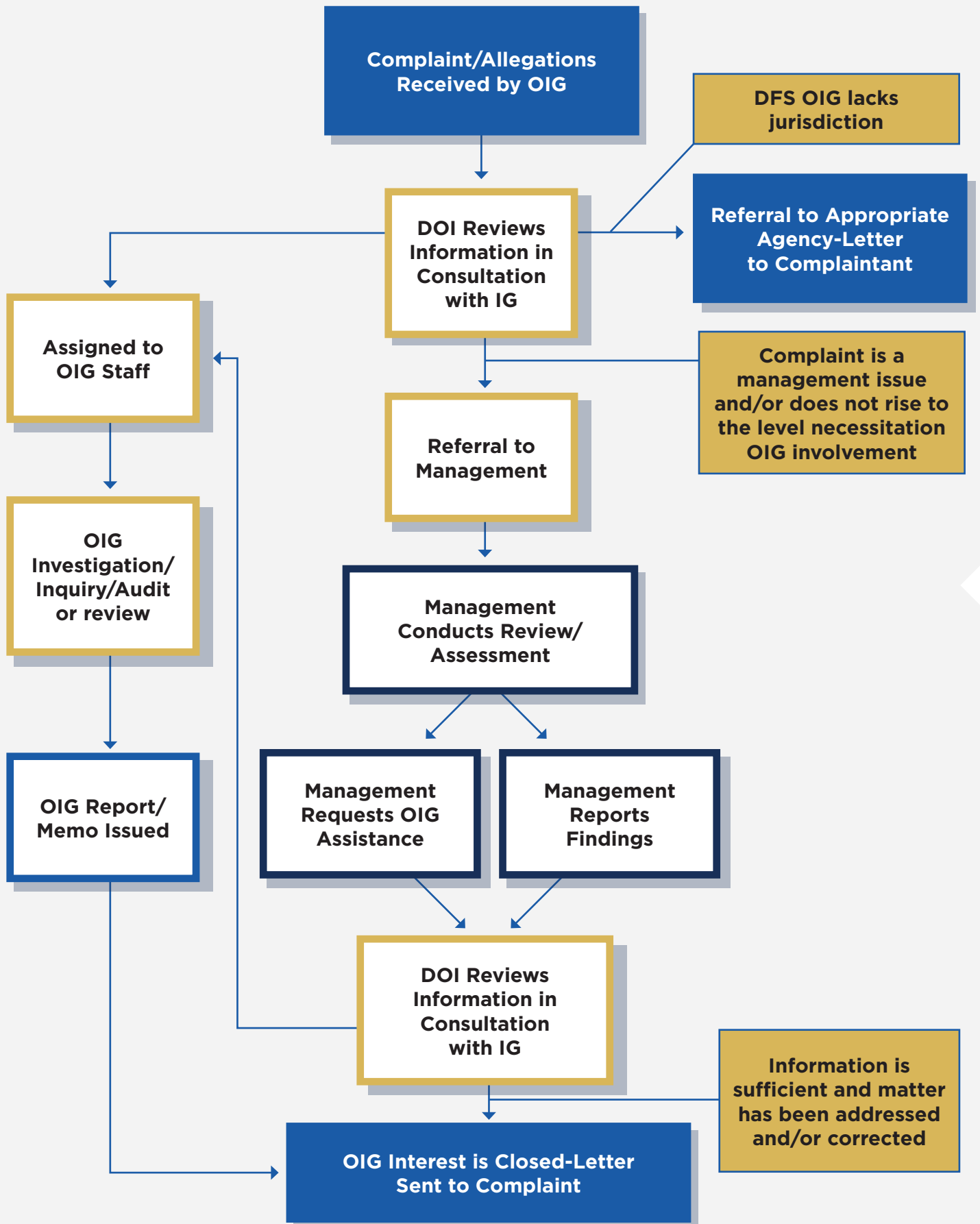
Upon being assigned a complaint number, the Director of Investigations (DOI) reviews the initial information to determine if the complainant qualifies as a Whistle-blower per Florida Statute. The DOI in consultation with the IG classifies the matter for one of the following actions:

- Agency Referral (AR)
- Management Referral (MR)
- Preliminary Inquiry (PI)
- Investigative Monitoring (IM)
- Investigation (I)
- Investigation LE (IA)
- Management Support (MS)
- EEO Case (EEO)
- Memo to File (MF)
- Whistle-blower (WB)
- Information Only (IO)
- CSIRT
- Background (BCK)
- Technical Assist (TA)

The OIG works diligently to conclude activities in a timely manner. Lengthy cases may be necessary in order to complete unusually complex matters, but the DFS OIG makes every effort to complete its work as quickly as possible while ensuring its investigations are fair, objective, and thorough. Delays may also occur during an investigation when a reasonable belief exists that there may be a criminal violation of law. At that point, the OIG is required by Florida Statute to refer the matter to the appropriate law enforcement entity.

When possible, written responses to complainants are made when a matter is closed.

COMPLAINT PROCESS:



CASE HIGHLIGHTS

During the fiscal year, the Investigations Section completed 18 Investigations (I) and Internal Affairs (IA) cases (see Appendix A). The following cases illustrate the nature and impact of the work undertaken by the Investigations Section, which directly saved the taxpayers' money and the Department's time and resources.

OIG Case 15085 I was initiated after receipt of a complaint from a division director who relayed information regarding a road rage incident involving an employee operating a state vehicle.

The OIG investigators conducted interviews and obtained pertinent information regarding the incident. The complainant alleged that a DFS employee followed her in a state vehicle (which was marked with a department badge) to her place of employment and subsequently confronted her about her driving habits. The complainant further advised that the DFS employee was rude and aggressive when interacting with her.

The OIG investigators then interviewed the subject DFS employee and obtained an admission confirming the allegation. The allegation was sustained and the DFS employee was subsequently disciplined.

OIG Case 15095 I was initiated after receipt of a complaint from a division director indicating that a DFS employee had been arrested and failed to report the arrest as required by Department policy. The OIG investigators reviewed records and

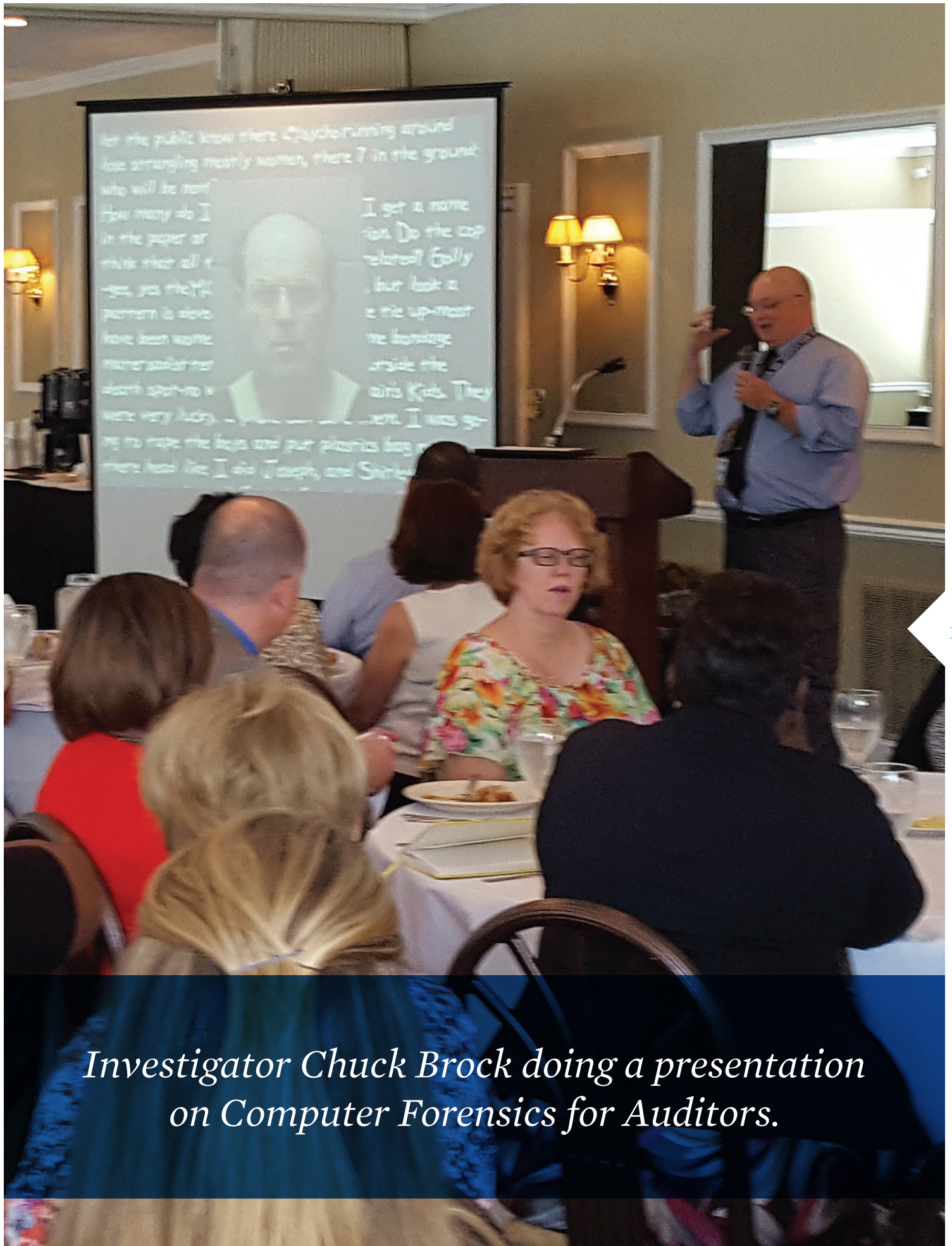
discovered that the subject DFS employee was also named as an officer in a company regulated by DFS. OIG investigators determined that the subject did not report this relationship to DFS, as required by policy.

The OIG investigators examined the subject's computer and discovered that the subject was using state resources to complete work for the private company on state time. Further, the subject misused her position to improperly access and obtain information.

During the subject interview, an admission was obtained by OIG investigators. Numerous violations were sustained that ultimately led to the employee's termination.

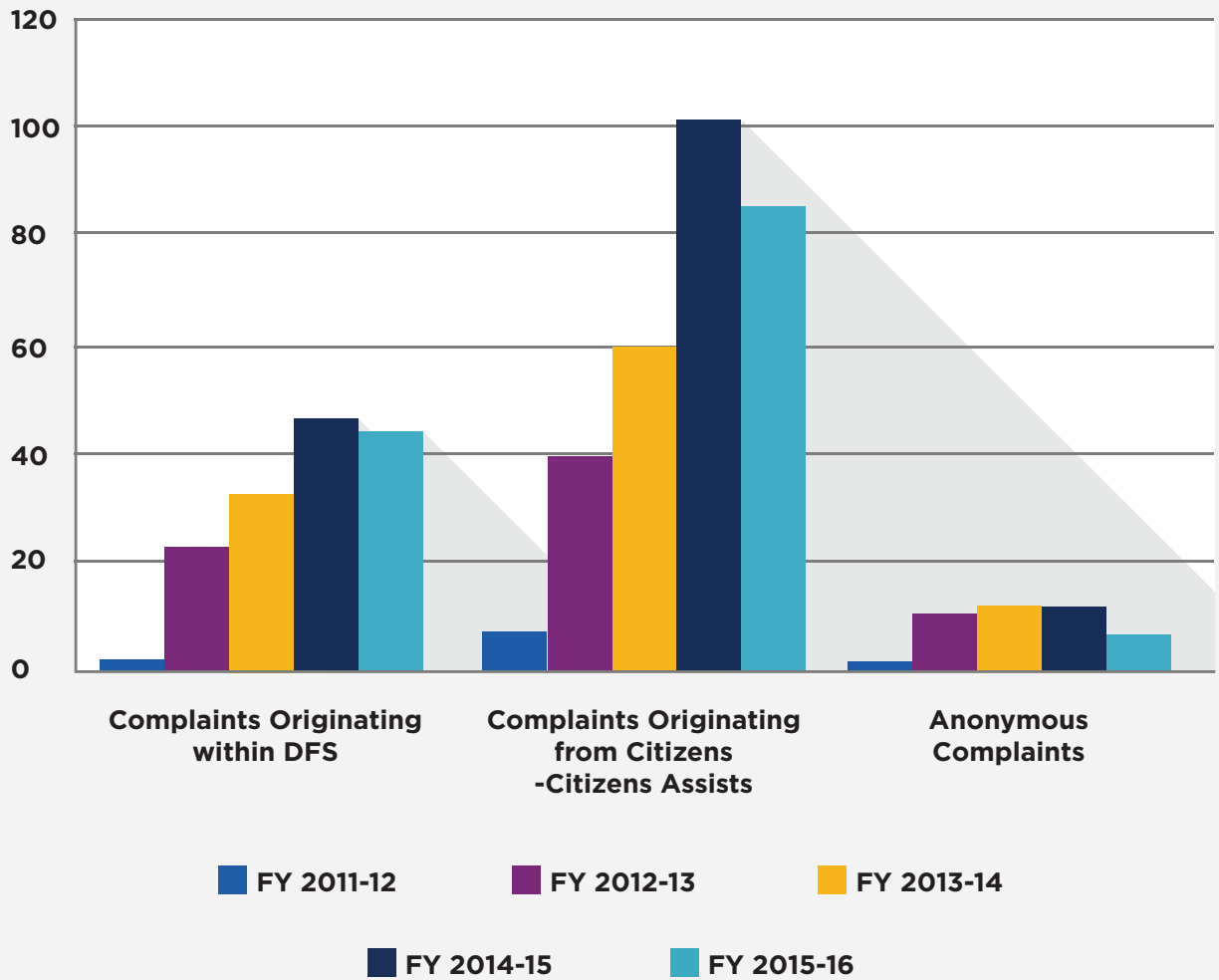
OIG Case 16004 I was initiated after receipt of a complaint from a bureau chief who reported his suspicion that a subordinate employee was writing a book during work hours. The employee had an extensive history of performance-related issues and had been placed on several performance improvement plans.

The OIG investigators forensically examined the subject's computer and determined that the employee used department resources to write and market two books. The examination also revealed that the employee took online classes during work hours without proper authorization. During her interview, the subject appeared unconcerned regarding the allegations and evidence. The complaint was sustained and the employee was subsequently terminated.

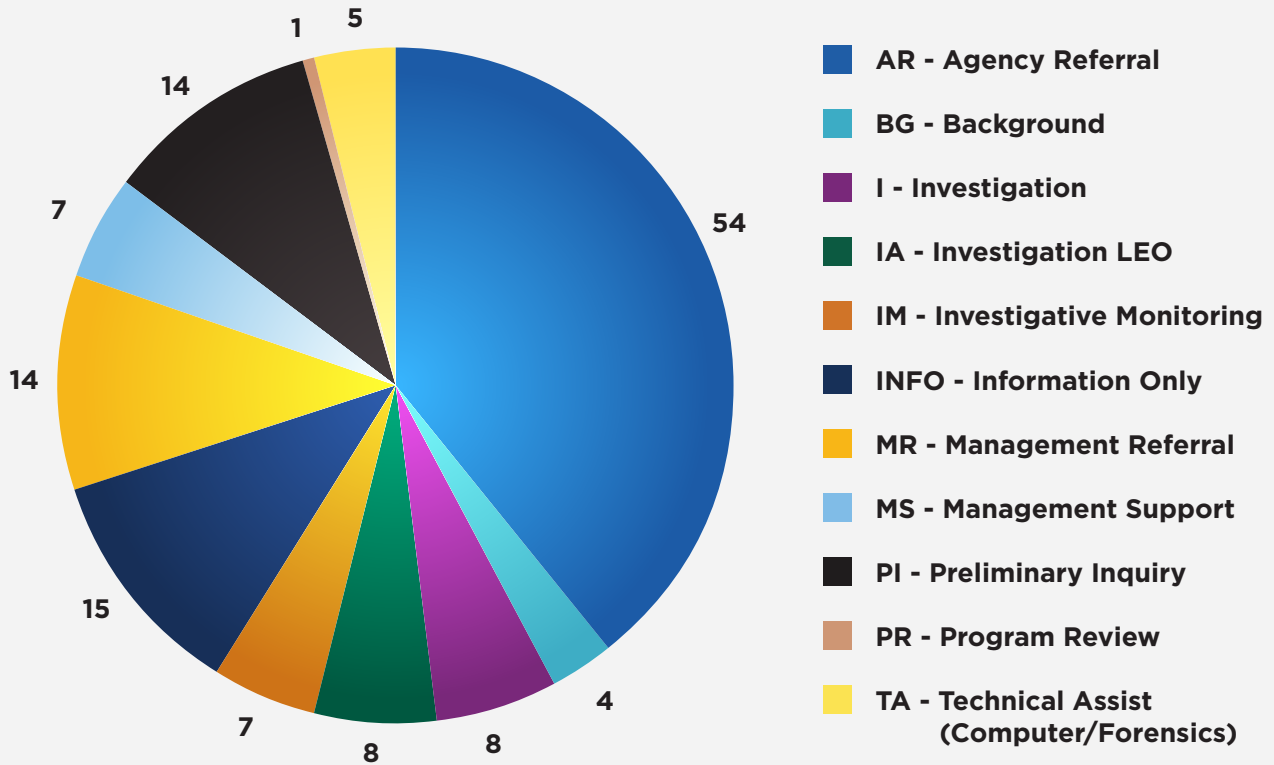


Investigator Chuck Brock doing a presentation on Computer Forensics for Auditors.

COMPLAINT ORIGINATION HISTORY

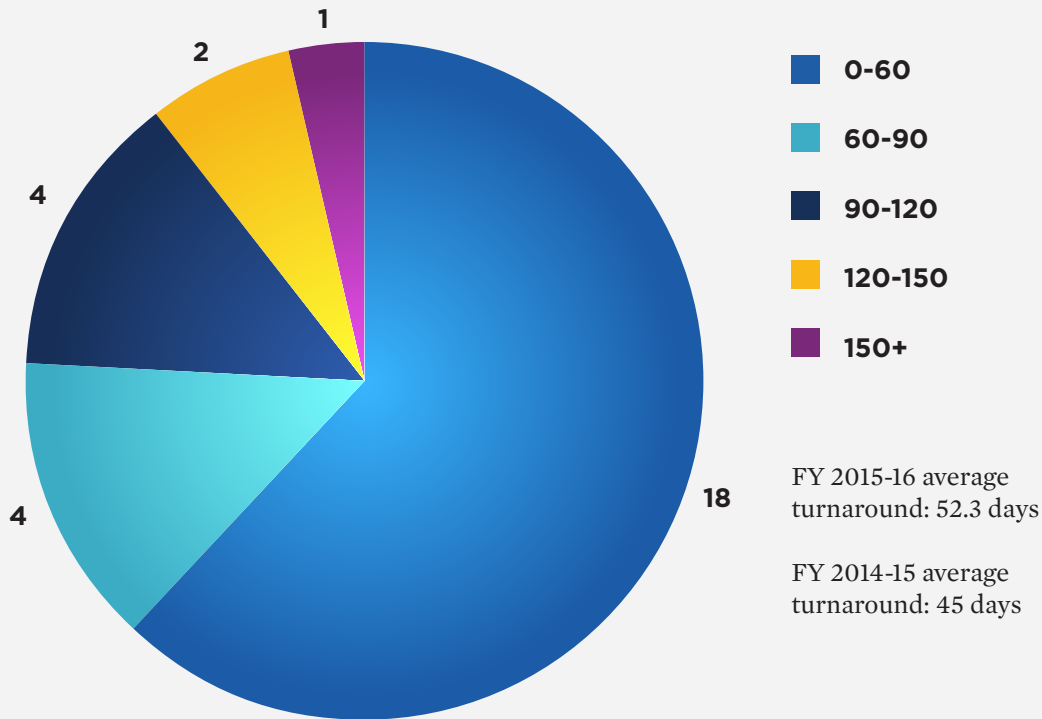


CASES OPENED IN FY 2015-16



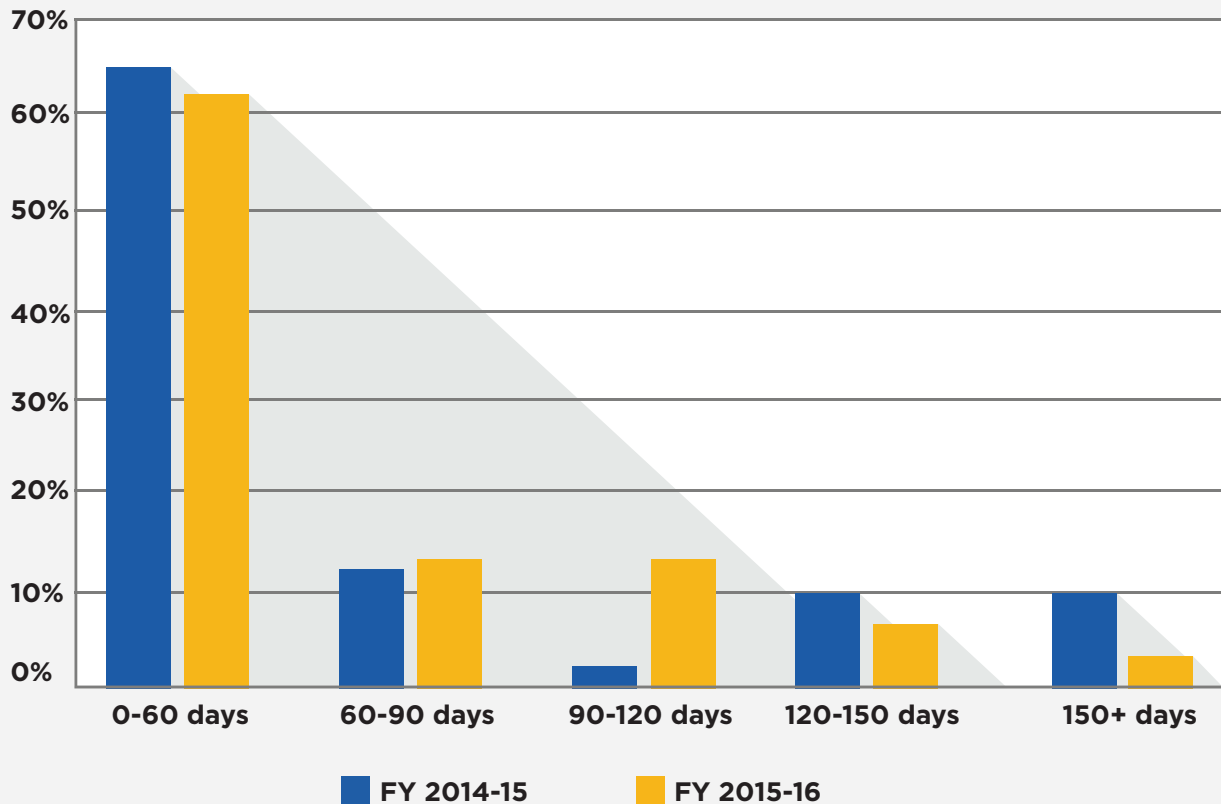
The Investigations Section opened 32 new investigations in FY 2015-16. (Investigations include cases classified as investigations, internal affairs investigations, and preliminary inquiries.)

CASE TURNAROUND IN FY 2015-16 (DAYS)

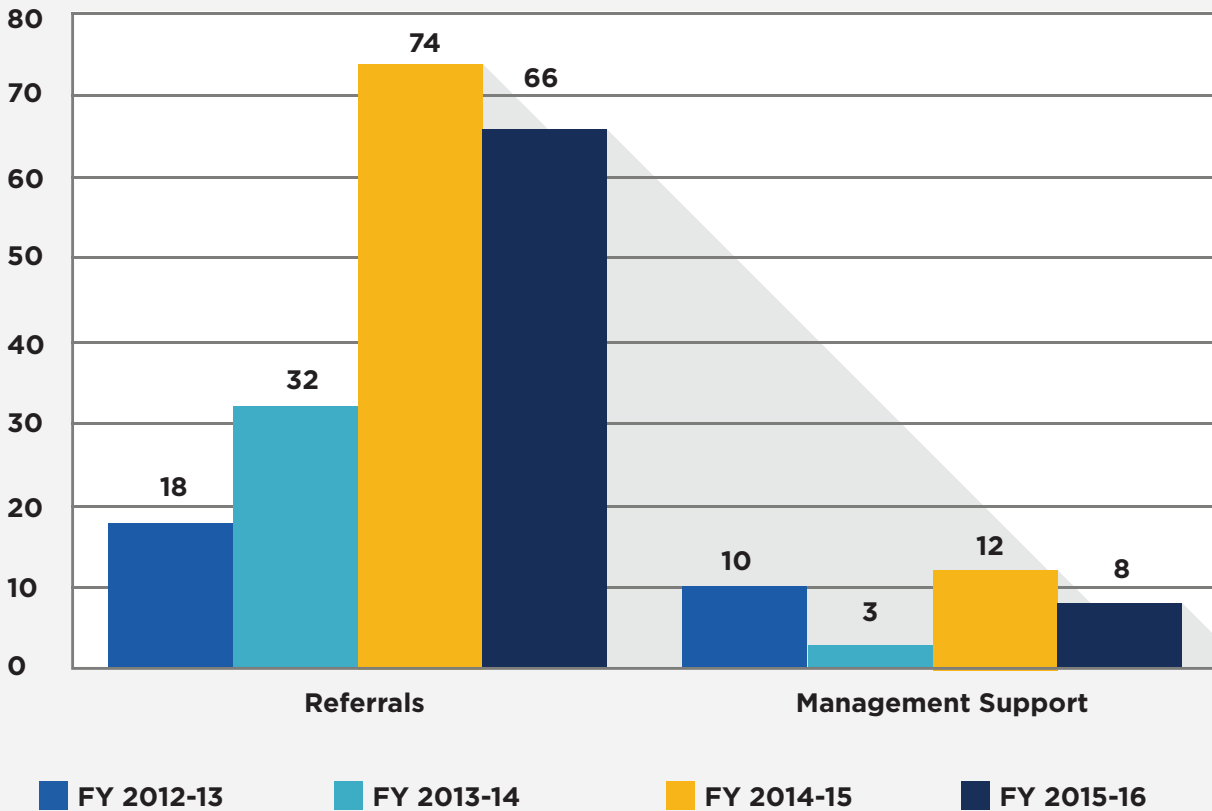


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CASE TURNAROUND COMPARED TO PRIOR FISCAL YEAR (DAYS)



HISTORICAL COMPARISON OF MANAGEMENT/AGENCY REFERRALS AND MANAGEMENT SUPPORT CASES



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Each year, referrals from DFS administrators has doubled, thereby demonstrating management's dedication to eliminating fraud, waste, and abuse within DFS. This further illustrates management's confidence in the DFS OIG process and product.

Management (MR) and Agency (AR) Referrals consist of personnel issues that are best handled by Division management and matters not under the jurisdiction of the OIG.

Management Support (MS) cases are a response to management request for assistance with issues which do not rise to the level of an OIG assignment/case.



Director Gardner emphasizes that employees are an integral component of DFS's internal control structure.

Audit

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 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 audits** 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 2015-16 are summarized in the Audit and Consulting Engagements Overview section on page 30.

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 2016, the OIG surveyed 153 business units 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, 2016, through June 30, 2018.

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

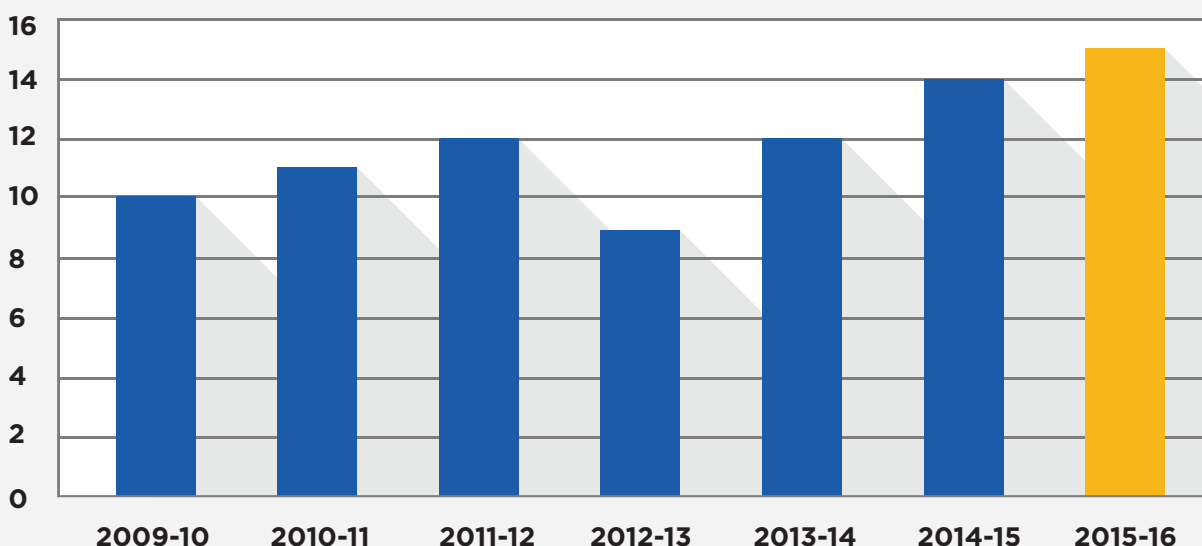
COORDINATION WITH EXTERNAL ENTITIES:

In addition to audits conducted by the Internal Audit Section, Department programs and operations are subject to audit by various external entities, such as the 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 2015-16, Internal Audit coordinated the Department's response to findings and recommendations made in seven reports published by external entities (Appendix B). Additionally, the Section coordinated audit activities for three other external audits/reviews that were ongoing as of June 30, 2016 (see Appendix B).

In the past six years, DFS, on average, was the subject of 11.33 external audits/reviews per year. In the current fiscal year, the number of external audits/reviews coordinated was 32% higher than the average.

NUMBER OF ACTIVE EXTERNAL AUDITS/REVIEWS



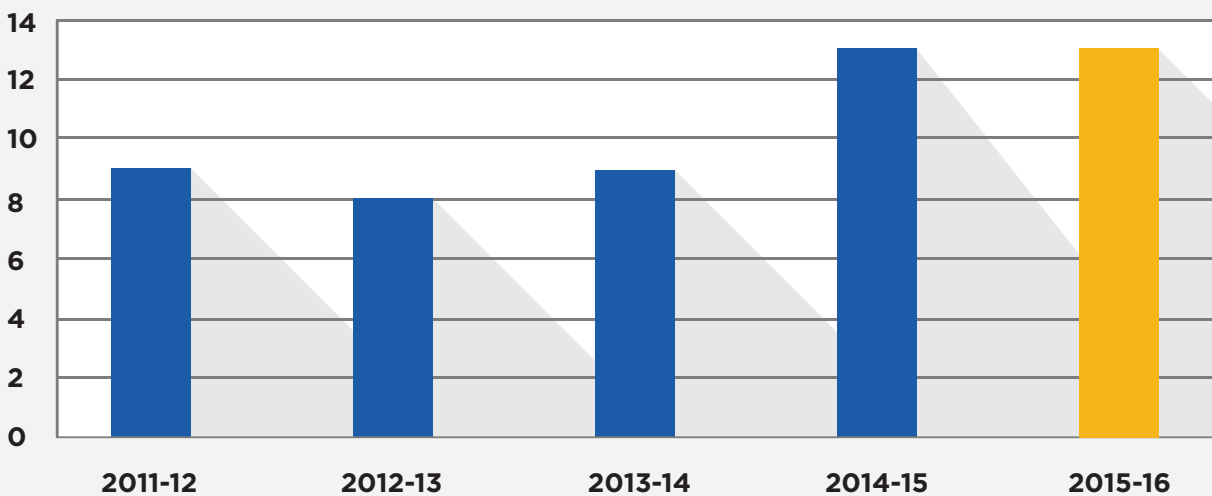
REPORTS ON STATUS OF IMPLEMENTATION OF CORRECTIVE ACTION:

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, Internal Audit prepares a written report 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 Appendix C). In accordance with internal auditing standards, the Internal Audit 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.

In the past four years, Internal Audit completed, on average, 9.75 follow-up reviews per year. In the current fiscal year, the number of follow-up reviews remained high, resulting in a 33% increase over the average number of follow-ups completed.

NUMBER OF FOLLOW-UP REVIEWS COMPLETED BY YEAR



Outstanding Corrective Actions from Prior Annual Reports

As of June 30, 2016, the following significant corrective action 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.

PROJECT NO. IA 14-501A –

Operational Audit: Audit of Division of

Rehabilitation and Liquidation (DRL) Disbursement and Receipting Processes

The overall objective of this audit was to evaluate whether DRL's internal controls over its disbursement and receipting processes are adequate and operating effectively to ensure that the Division's assets are adequately safeguarded and the accounting records are accurate.

- **Finding:** Certain staff duties related to the disbursement and receipting processes were not appropriately segregated to result in effective internal controls.
Recommendation: The DRL should review the position descriptions of all staff to ensure that they are current and that duties are assigned in a manner to reflect an appropriate segregation of duties. The DRL should consider centralizing its cash receipting function in Tallahassee and directing all payments to the Tallahassee office. Given the limited staffing in Miami, this may result in improved controls over DRL's receipting processes and increased efficiency in the Miami office since staff currently performing receipting functions will be able to focus their time on their core duties. Consideration should also be given to removing vendor/contract set-up functions from the Accounting Section. Alternatively, DRL could implement compensating controls such as a periodic review of the vendor file by an independent party.
- **Finding:** The adequacy and effectiveness of DRL's internal controls related to its receipting processes need to be strengthened to ensure that receipts are properly safeguarded and accurately recorded in the accounting records.
Recommendation: The DRL should revise its existing cash receipting and related policies and procedures to enhance controls designed to safeguard cash receipts, including those

receipts subsequently returned to the sender. The DRL should undertake activities to increase staff awareness regarding internal controls and review its cash receipting processes in an effort to reduce the time it takes to deposit checks. In addition, controls should be strengthened to ensure that all receipts are properly and timely dispositioned (i.e., either deposited or returned to the sender), and that dispositions are accurately reflected in the cash receipts log. The cash receipts log should be routinely reconciled to ensure that discrepancies are timely and properly identified and resolved.

- **Finding:** Internal controls related to DRL’s blank check stock did not sufficiently ensure that the check stock was properly safeguarded.
Recommendation: The DRL should enhance its policies and procedures to more effectively ensure that access to its blank check stock is properly restricted and the check stock is safeguarded. Additionally, DRL should consider ordering check stock that has an “inventory” number pre-printed on the back of the check. Having such blank check stock and requiring the key log to denote how many blank checks are removed by a certain person, at a certain time, lends itself to periodic blank check stock reconciliations that would provide another means to safeguard this asset and discourage fraud.
- **Finding:** The procedures used to process DRL-issued checks, which are subsequently returned to DRL, were not sufficient to ensure that the checks were adequately safeguarded.
Recommendation: The DRL should enhance its written policies and procedures to address DRL-issued checks, which are subsequently returned to DRL. Current procedures should be strengthened by requiring: 1) A periodic supervisory review and approval of the Returned Check Log; 2) a periodic reconciliation of the signed General Services Logs with the Returned Check Log and the physical copies of the voided checks by a person independent of the returned check process; 3) that returned checks be promptly voided in the accounting system upon receipt; and 4) that adequate documentation be maintained for an appropriate period of time.
- **Finding:** Procedures related to maintenance of bank signature authorities were not adequate to ensure that signature authorities were timely and properly updated.

Recommendation: The DRL should enhance its policies and procedures to ensure that bank signature authorities are timely and properly removed and pertinent DRL staff is timely notified of the changes.

PROJECT NO. IA 15-502 –

Management Review: Evaluation of 2014 Florida Information Security Risk Assessment

The overall objective of this engagement was to evaluate the Department’s 2014 Florida Enterprise Information Security Risk Assessment Survey (Risk Survey), required by Section 282.318, Florida Statutes, which encompassed 50 standards within 21 security areas.

Note: Specific details of the findings are not disclosed in this report to avoid the possibility of compromising Department data and IT resources consistent with Section 282.318, Florida Statutes.

- **Finding:** Security controls are intended to protect the confidentiality, integrity and availability of data and IT resources. Our review found that certain Department controls related to its risk management program need improvement. In addition, the Department’s strategic information security plan and operational information security plan need improvement in order to guide the prioritization and implementation of security controls.
Recommendation: The Department should improve certain security controls related to its risk management program. In addition, the Department should enhance its strategic information security plan and operational security plan.
- **Finding:** Of the 50 security standards included on the Risk Survey, 18 required improvement since the Department had not fully implemented the standards, as required by applicable provisions of the Florida Administrative Code Rules (FAC).
Recommendation: The Department should document and implement policies and procedures for IT standards included in the FAC which were not identified as completed in the Risk Survey. The Division of Information Systems should track remediation efforts related to the Risk Survey to ensure that all actions are timely and properly completed.

Audit and Consulting Engagements Overview

PROJECT NO. IA 14-501B –

Operational Audit: Audit of Division of Rehabilitation and Liquidation (DRL) Monitoring and Oversight Processes and Stewardship of Insurer Assets

The overall objective of this audit was to evaluate whether DRL's internal controls over monitoring and oversight processes and stewardship of insurer assets are adequate and operating effectively to ensure receivership functions are properly administered and company resources are properly safeguarded.

- **Finding:** The Estate Management Section's policies and procedures are not sufficient to ensure that all of its duties and responsibilities are timely and properly performed.
Recommendation: The DRL should update its policies and procedures to address all significant functions of the Estate Management Section, define the roles and responsibilities of all positions involved in applicable processes, and reflect current practices and organizational changes. Consideration should also be given to consolidating the various sections' on-site policies into a single policy that applies to all DRL sections.
- **Finding:** "Initial Receivership Actions – Checklists" were not always properly and timely completed or adequate to ensure that required tasks were performed.

Recommendation: The DRL should update its policies and procedures to ensure that on-site activities are adequately documented and tracked so that all required tasks are properly and timely completed. Should DRL continue to use the Checklists, they should be updated to: 1) reflect those steps that should be performed on-site versus those that will be completed later; 2) remove duplicate steps; and 3) align the steps on each Checklist with the Section/individual responsible for those tasks. The Checklists should also include a documented supervisory review and approval and be maintained in a central repository. Finally, the Checklist would be more effective if they were tailored to the type of company in receivership (property & casualty versus HMO, etc.).

- **Finding:** Procedures for DRL auditor independence are not sufficient to ensure that the Estate Management Section's audits are objectively performed and auditors are independent.
Recommendation: The DRL should enhance its policies and procedures to ensure that Estate Management auditors are independent and can independently and objectively perform the various assigned audits. Independence would require the auditors to be free of all impairments, including personal, organizational, and external factors.

As Receiver for an insolvent insurer, DRL serves in a fiduciary capacity and, therefore, must act in the best interests of the policyholders, creditors and other claimants, and the public.

- **Finding:** Digital signature audits do not effectively ensure that digital signatures are properly secured or deleted, when required.
Recommendation: The DRL should reassess its policies and procedures related to the digital signatures to ensure that the signatures are properly secured and accessible only to those individuals with a business need to access the folders. The DRL should consult with DFS's Division of Information Systems to identify tools that can be used to increase the security of the signature files and assist in monitoring/restricting access to the secure folders. In addition, digital signature audits should be improved to increase their effectiveness, and training or written instructions should be provided to the Estate Management auditor to ensure that the audits are properly performed.
- **Finding:** The Estate Management Section's audits of claims processes were not always effectively or efficiently performed. In addition, Estate Management's audits did not address the revenue-generating functions of the receiverships.
Recommendation: The DRL should enhance its audit-related policies and procedures to better ensure that audits are properly performed and consistent with the (enhanced/implemented) policy, and the resulting reports are accurate and clearly convey the work performed and level of assurance provided by the audit. Audit procedures, tools and forms should also be evaluated to increase the effectiveness and efficiency of the audits and ensure that documentation is maintained to evidence the work performed. In addition, Estate Management should conduct audits over revenue-generating processes and securely maintain custody of the checks through the duration of the Check/Accounting Fraud audits.
- **Finding:** The Claims Section could not provide source documentation showing the appropriateness of all proposed claim payments.
Recommendation: The DRL should strengthen its policies and procedures to ensure that supporting documentation is maintained for claims payments.
- **Finding:** Insurer accounts receivable balances were not always properly or consistently recorded or reported and sufficient documentation was not always available to show that accounts receivable balances were properly analyzed and valued.
Recommendation: The DRL should enhance its policies and procedures related to the identification, tracking, recording, reporting and collection of accounts receivables. Internal controls should be strengthened to facilitate robust management of collection activities and limit the potential for fraud, errors or misstatements. Written policies and procedures should be updated to reflect these improved controls and also to ensure that all significant functions are addressed within the policies and procedures. In addition, DRL should continue its efforts to obtain a collections management software.
- **Finding:** Internal controls were not adequate to ensure that insurer accounts receivable are properly tracked and managed.
Recommendation: The DRL should strengthen internal controls over insurer accounts receivable to ensure that incompatible functions are properly separated, receivables are effectively managed, and account adjustments are consistent with policy and adequately documented. In addition, DRL may consider an independent documented review of account adjustments.

Written policies and procedures document the internal controls implemented by management to ensure that organizational objectives are achieved, laws and rules are complied with, and assets are protected.

- **Finding:** The Asset Recovery Section's collection activities and account adjustment documentation were not always sufficient to demonstrate that appropriate effort was undertaken to obtain a maximum recovery of marshalled assets.

Recommendation: The Department should enhance its policies and procedures to strengthen monitoring of contracted collection agents and more clearly define thresholds for authorizing settlements and write-offs. Write-off/settlement procedures would be further strengthened by requiring the use of a specified form to document the settlements/write-offs. In addition, contract reporting requirements should be revised to provide for more frequent and robust reporting including a detailed assessment of the referral and case activity.
- **Finding:** Records management policies and procedures were not sufficient to ensure that original records and non-public personal financial and health information is safeguarded and that the chain of custody is maintained.

Recommendation: The Department should enhance its policies and procedures to include provisions necessary to maintain the integrity of original records and chain of custody. The DRL should determine whether Florida Statutes permit the release of original insurer records to the guaranty associations. In addition, DRL should strengthen its policies and procedures to ensure the protection and non-disclosure of non-public personal financial and health information, including notification provisions for disclosure of this data to third parties.
- **Finding:** The DRL's procedures for the periodic review of information technology (IT) system access privileges were not adequate to ensure that the reviews were properly and timely completed.

Recommendation: The DRL should enhance its access control procedures to ensure consistency and compliance with DFS Administrative Policy & Procedure 4-05. Controls should be strengthened to ensure that access reviews are timely performed and that procedures provide sufficient guidance to result in effective audits. Consideration should be given to the need for the Application Access Control Request Form Audits, which appear to duplicate (in some respects) the Current Access Reviews and serve primarily to verify whether DRL's IT Section is processing the access request forms. Finally, DRL should improve procedures to ensure that an Application Security Officer is continuously assigned for all IT systems.

- **Finding:** The DRL's administration of insurer IT systems was not always adequate to demonstrate that access was properly authorized.

Recommendation: The DRL should enhance its access authorization procedures to ensure that access to company IT systems is timely and properly authorized and documented. Access forms should be completed in a manner that clearly identifies the systems for which access is requested; the level of access requested; and signatures of all required parties.
- **Finding:** Certain security controls related to IT system access and monitoring need improvement.

Recommendation: The DRL should improve, for DRL and insurer systems, certain security controls related to system access and monitoring to ensure the confidentiality, integrity and availability of system data and resources.

PROJECT NO. IA 16-208 –

Management Review: Validity and Reliability Assessment of 2016-2021 Long-Range Program Plan (LRPP) Performance Measures

Florida faces many potential risks to its information technology resources and data which, if not mitigated, could result in severe consequences including data breaches, loss of data integrity and disruption of mission critical services.

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), F.S.

The Department's performance measures are assessed using a standard tool, which includes a

number of evaluation criteria. The results of the assessment, including OIG recommendations to increase the validity and reliability of the measures, are then provided to management. If management accepts the OIG's recommendations, the LRPP measure is updated and appropriate changes made to ensure the proper reporting of the measure. For the eleven assessment forms returned to the OIG by applicable management, 100% indicated that the recommended changes would be made.

Evaluation Criteria	Results of Assessment
<p>Data Source and Methodology -The measure is:</p> <ul style="list-style-type: none"> ✓ Understandable and appropriately worded and defined ✓ Appropriately precise and aided by clear data definitions ✓ Sufficiently detailed to understand how the measure and target was derived ✓ Computed correctly 	<p>Improvement is needed in the level of detail, clarity and specificity of the measures. The titles for six of the measures did not accurately reflect what was being measured. Eight measures were not appropriately precise and aided by clear definitions. The methodologies for five of the measures was not written in sufficient detail to understand how the measure and target were derived. Three measures did not sufficiently identify the data elements used in the calculation. One measure was not computed correctly and three did not sufficiently describe the measure or provide information necessary to understand the measure.</p>
<p>Validity - The measure is:</p> <ul style="list-style-type: none"> ✓ Linked to the Department's mission, goals and objectives ✓ Adequately represents essential aspects of performance ✓ Timely ✓ Increased/decreased efficiency in operations would have significant impact on the outcome of the performance measure 	<p>For two measures, the underlying data supporting the measure could not be readily accessed and accumulated in sufficient time to adjust or take action to correct performance issues in that there was sometimes a lag in staff entering data into the information system.</p>
<p>Reliability</p> <ul style="list-style-type: none"> ✓ Enough data elements are collected from a sufficient portion of the target population ✓ Adequate controls exists over data collection procedures ✓ The outcome of the measure is not susceptible to a high degree of external influence ✓ The data is unbiased ✓ The data supporting the measure is verifiable 	<p>Improvement is needed in the reliability of the measures. For three measures, not all necessary data elements were collected from a sufficient portion of the target population to result in a reliable measure. For nine measures, some degree of bias existed in the measures and the Exhibit IVs did not include adequate controls over collection procedures to result in accurate and reliable reported measures. For one measure, the data supporting the measure was not verifiable in terms of how it was collected, aggregated and tabulated.</p>
<p>Performance Targets - The target is:</p> <ul style="list-style-type: none"> ✓ Adequate ✓ Realistic 	<p>For the most part, performance targets were adequate and realistic. One of 11 measures was not considered adequate in that the requested target had been substantially exceeded in each of the preceding three years.</p>

Appendix A

Investigative Case Summaries

INTERNAL AFFAIRS

13320 IA – This case was predicated on a complaint from a citizen alleging misconduct, false arrest and illegal search and seizure in relationship to a joint investigation by a Division of Insurance Fraud Detective and Bureau of Fire and Arson Investigator (Case is related to OIG Case 13321 IA). The complainant believed the detectives planted a felony amount of marijuana in his house. The case went through criminal court and defendant accepted a plea bargain for the possession charge. (Note: This investigation was tolled pending the conclusion of the criminal court case.) As such, the OIG found the detectives' actions to have been lawful and within policy. This case was **EXONERATED**.

13321 IA – See OIG Case 13320 IA.

14029 IA – This case is predicated on a complaint that was generated by the Inspector General while completing Program Review SFM14001 (Fiscal Year 2012-2013). During SFM14001, a Bureau of Fire and Arson Investigations Lieutenant challenged the IG to review his work email to see if the lieutenant's email communications were proper between him and subordinate staff. During the review, it was discovered that the lieutenant had misused department resources, to include IT and State databases for personal gain; and was conducting a secondary employment with the use of department IT resources. This case was **SUSTAINED**.

14068 IA – Case received from Human Resources/Employee Relations (HR/ER) – This case is predicated on a complaint from a Bureau of Fire and Arson Investigations detective who filed a complaint with ER alleging that a lieutenant would not hire an employee who was a female, and that the lieutenant made inappropriate remarks about Hispanic personnel. This case had findings of **UNFOUNDED** and **EXONERATED**.

14119 IA – Case received from HR/ER. This case is

predicated upon a complaint that a Bureau of Fire and Arson Investigations Captain was discriminating against Latinos and had committed other acts of misconduct. The case was **NOT SUSTAINED/INCONCLUSIVE**.

INVESTIGATIONS

14012 I – The case was received from the Division of Legal Services. This case is predicated upon a complaint that was made to the Office of General Counsel during preparation for a Public Employee Relation Commission (PERC) hearing regarding OIG CASE 13335 I. Specifically, the subject of OIG Case 13335 I alleged that his previous supervisor was conducting business for his secondary employment while working for the State. Additionally, it was discovered that the supervisor had violated a section of the secondary employment policy. This case had findings of **UNFOUNDED** and **SUSTAINED**.

14016 I – The case was received from the Director of the Division of Insurance Fraud. This case is predicated upon a complaint of misconduct by a Crime Intelligence Analyst Supervisor (CIAS). The Director provided information that was received by an outside law firm representing AVIS Rental Car Company in a workers' compensation claim. The law firm advised that the subject of the workers' compensation claim was related to the CIAS who was investigating the claim on the States behalf. The investigation revealed misuse of IT resources. The case had finding of **SUSTAINED** and **NOT SUSTAINED**.

14060 I – The case was received from the Director of the Division of Risk Management (DRM). This case is predicated upon a complaint of misconduct by a DRM employee who did not recuse herself from processing payments for her brother-in-law's worker's compensation claim. The employee resigned while under investigation. This case was **ADMINISTRATIVELY CLOSED**.

14084 I – The case was received from HR/ER. This case was predicated upon a complaint of misconduct and mismanagement by a Division of Agent and Agency Services Supervisor. The complainant resigned while under investigation and withdrew her complaint. Case is related to *OIG Case 14093 I*. This case was **ADMINISTRATIVELY CLOSED**.

14091 I – This case was referred by the Division of Legal Services. This case is predicated upon a complaint that was made to the Office of General Counsel during preparation for a Public Employee Relation Commission (PERC) hearing regarding *OIG CASE 13335 I*. Specifically, the subject of *OIG Case 13335 I* alleged that a Division of State Fire Marshal employee illegally transported a firearm in a State vehicle and misused a State vehicle. This case had findings of **SUSTAINED** and **NOT SUSTAINED**.

14093 I – This case was generated by the Inspector General. This case was predicated upon information received from the complainant in *OIG Case 14084 I*. Specifically, the complainant in *OIG Case 14084 I* spontaneously uttered that she had surreptitiously recorded her supervisor during meetings. The complainant resigned while under investigation. This case was **SUSTAINED** and referred to Florida Department of Law Enforcement for possible criminal investigation.

14112 I – The case was referred by the Director of the Division of Funeral, Cemetery, and Consumer Services (FCCS). This case was predicated upon an anonymous complaint that two FCCS inspectors were taking bribes from a funeral home in Miami, Florida. This case was **UNFOUNDED**.

14114 I – The case was received from HR/ER. This case was predicated upon a complaint of “Hostile Work Environment” and conduct unbecoming a state employee by a Division of Information Systems Senior IT Business Consultant. This case was **SUSTAINED**.

14116 I – The case was received from Director of Division of Consumer Services. This case is predicated upon a complaint that a Consumer Services employee was arriving to work late, taking extended lunches, leaving early, and falsifying his timesheet. This case was **SUSTAINED**.

14121 I – This case was referred by Division of Treasury, Chief of Funds Management. This case is predicated upon a complaint that a Division of

Treasury employee was arriving to work late, taking extended lunches, leaving early, and falsifying their timesheet. This case was **ADMINISTRATIVELY CLOSED** as the employee resigned during the investigation.

14123 I – The case was received from HR/ER. This case is predicated upon a complaint that a Division of Administration employee was making racial slurs while referring to coworkers in the Department. This case was **SUSTAINED**.

14126 I – The case was received from a Division of Administration employee. This case is predicated upon a complaint that a Bureau Chief was mistreating her employees, making them falsify their timesheets and fostering a poor working environment. This case was **SUSTAINED**.

15005 I – Case is related to *OIG Case 14126*.

15037 I – The case was received from HR/ER. This case is predicated upon a complaint that a Division of Consumer Services employee was arriving to work late, taking extended lunches, leaving early, and falsifying his timesheet. This case was **SUSTAINED**.

15044 I – This case was opened as the result of a Division of Administration employee being arrested for grand theft and failing to make a timely report to the OIG. The employee resigned during the investigation. This case was **ADMINISTRATIVELY CLOSED**.

15059 I – This case was received from the Bureau Chief for the Division of Workers’ Compensation (DWC). This case was predicated upon a physical altercation that took place between a DWC investigator and a building contractor who was operating without proper insurance. The Division of Insurance Fraud arrested the contract for False Imprisonment, Corruption by threat against a public servant, Assault, and Battery. The case was **ADMINISTRATIVELY CLOSED**.

PRELIMINARY INQUIRES

14030 PI – This case was received from HR/ER. This case was predicated upon a complaint from a Division of Public Assistance Fraud Investigator that consisted of numerous management issues. This case was referred back to HR/ER. This case was **ADMINISTRATIVELY CLOSED**.

14041 PI – The case was received from the Director of the Division of Public Assistance Fraud. This case was predicated upon a complaint that an employee who was on medical leave was “partying it up” in Las Vegas, Nevada. This case was **EXONERATED**.

14051 PI – This case was predicated upon a complaint from a citizen who alleged that a department employee in the Bureau of Employee Assistance office was not providing him with worker’s compensation benefits he believed he was entitled to. This case was **UNFOUNDED**.

14053 PI – This case is predicated upon a complaint from a citizen. A former Florida Department of Juvenile Justice (DJJ) employee advised that he testified against a relative of a member of the Division of Risk Management. The DRM employee was alleged to have been assigned to the case was now causing delays in treatment and excessive cost to the file of the DJJ employee. This case was **UNFOUNDED**.

14054 PI – This case is predicated upon a complaint that a former Bureau of Fire and Arson Investigations Investigator committed perjury in a case. This case was **ADMINISTRATIVELY CLOSED**.

14079 PI – This case is related to *OIG Case 14126 I*.

14090 PI – The case was received from the Division of Legal Services. This case is predicated upon a complaint that was made to the Office of General Counsel during preparation for a Public Employee Relation Commission (PERC) hearing regarding *OIG CASE 13335 I*. Specifically, the complainant alleged that a Division of State Fire Marshal employee made subordinate employees at the office baby sit her child while they were on duty. This case was **UNFOUNDED**.

15029 PI – This case is predicated upon a complaint that a Division of Workers’ Compensation employee was failing to do her duties in paying out an insurance claim. This case was **UNFOUNDED**.

15055 PI – This case is predicated upon a complaint that the Bureau of Unclaimed Property was not paying out a claim to the person who was the rightful owner of property. This case was **UNFOUNDED**.

TECHNICAL ASSISTANCE

14038 TA – This case was assisting the DFS Office of Fiscal Integrity conduct computer forensic work for a criminal case. During the course of the review, it was determined that the subject, who was a state employee had misused the IT resource of their Department. Case is still pending criminal prosecution.

14042 TA – This case was assisting the Department of Juvenile Justice (DJJ) OIG in recovering files that had been over written on a computer that was the subject of an investigation.

14064 TA – This case was assisting the DJJ OIG in setting up procedures for investigating computer and IT related violations.

14073 TA – This case was assisting the DJJ OIG in setting up their computer forensics lab. The DFS OIG was able to help DJJ sustain violations in an ongoing case that they were reviewing.

14078 TA – This case was assisting Department of Highway Safety and Motor Vehicles (DHSMV) OIG requested assistance with computer forensics. The assistance provided helped DHSMV sustain charges against two employees who ultimately resigned.

14085 TA – This case was assisting DJJ OIG with video redaction software.

15004 TA – This case was assisting the DFS Director of the Division of Insurance Fraud with a review of a lieutenant’s email. The assistance aided in the demotion and suspension of the lieutenant.

15036 TA – This case was assisting the Office of Insurance Regulation (OIR) OIG in conducting computer forensics activities associated to an OIR OIG case.

15041 TA – This case was providing assistance to the Department of Revenue OIG in seeking electronic data/evidence from the Bureau of State Payrolls.

15050 TA – This case was assisting the Department of Education (DOE) OIG in conducting computer forensic work. As a result of this assistance, the DOE OIG was able to sustain charges and terminate an employee that otherwise would have been found to be not in violation of DOE policy and procedures.

Appendix B

External Audit Coordination

In Fiscal Year 2014-15, Internal Audit coordinated the Department's response to the external audits/reviews listed below.

- Auditor General Report No. 2016-069 *Department of Financial Services, Division of Insurance Fraud and Selected Administrative Activities*, published December 28, 2015
- Auditor General Report No. 2016-032 *Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR)*, published November 17, 2015
- Auditor General Report No. 2016-159 *State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards*, published March 29, 2016
- Auditor General Report No. 2016-199 *Department of Financial Services Special Disability Trust Fund Claims Manager 2004 System*, published June 21, 2016
- Auditor General – various financial management reviews
- Office of Program Policy Analysis & Government Accountability review of Veterans Occupational Licenses
- Office of Program Policy Analysis & Government Accountability review of Food Assistance Benefits

The following external audits/reviews were on-going as of June 30, 2016.

- Auditor General information technology operational audit of FLAIR
- Auditor General Statewide Financial Statement Audit
- Auditor General Statewide Federal Awards Audit

Appendix C

Follow-Up Responses

In Fiscal Year 2014-15, Internal Audit prepared reports regarding the status of implementation of corrective action for the following audits.

- **Project No. IA 12-303-30** Thirty-Month Status Report regarding Auditor General Report No. 2012-071: *Department of Financial Services STARS Information Technology Operational Audit*, published July 2, 2015
- **Project No. IA 12-308-12** Twelve Month Status Report regarding Auditor General Report No. 2015-002: *Contract and Grant Management Processes at Selected State Agencies*, published July 2, 2015
- **Project No. IA 14-601-18** Eighteen Month Status Report regarding Auditor General Report No. 2014-109: *Department of Financial Services Unclaimed Property Management Information System (UPMIS)*, published August 25, 2015
- **Project No. IA 14-608-6** Six Month Status Report regarding Auditor General Report No. 2015-096: *Department of Financial Services Investment Accounting System (IAS) and Cash Management Subsystem (CMS)*, published August 6, 2015
- **Project No. IA 15-611-6** Six Month Status Report Regarding Auditor General Report No. 2015-181: *Department of Financial Services Automated Investigation Management System (AIM)*, published October 15, 2015
- **Project No. IA 15-502-6** Six Month Status Report regarding Department of Financial Services Office of Inspector General Report No. IA 15-502 *Evaluation of 2014 Florida Enterprise Information Security Risk Assessment Survey*, published January 21, 2016
- **Project No. IA 12-308-18** Eighteen Month Status Report regarding Auditor General Report No. 2015-002: *Contract and Grant Management Processes at Selected State Agencies*, published January 28, 2016
- **Project No. IA 14-608-12** Twelve Month Status Report regarding Auditor General Report No. 2015-096: *Department of Financial Services Investment Accounting System (IAS) and Cash Management Subsystem (CMS)*, published February 5, 2016
- **Project No. IA 14-501A-6** Six Month Status Report regarding Department of Financial Services Office of Inspector General Report No. IA 14-501A *Division of Rehabilitation and Liquidation - Disbursement and Receipting Processes*, published April 6, 2016
- **Project No. IA 15-618-6** Six Month Status Report regarding Auditor General Report No. 2016-032: *Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR)*, published May 17, 2016
- **Project No. IA 12-308-24** Twenty-Four Month Status Report regarding Auditor General Report No. 2015-002: *Contract and Grant Management Processes at Selected State Agencies*, published June 22, 2016
- **Project No. IA 15-611-12** Twelve Month Status Report regarding Auditor General Report No. 2015-181: *Department of Financial Services Automated Investigation Management System (AIM)*, published June 23, 2016
- **Project No. IA 15-612-6** Six Month Status Report regarding Auditor General Report No. 2016-069: *Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities*, published June 28, 2016



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