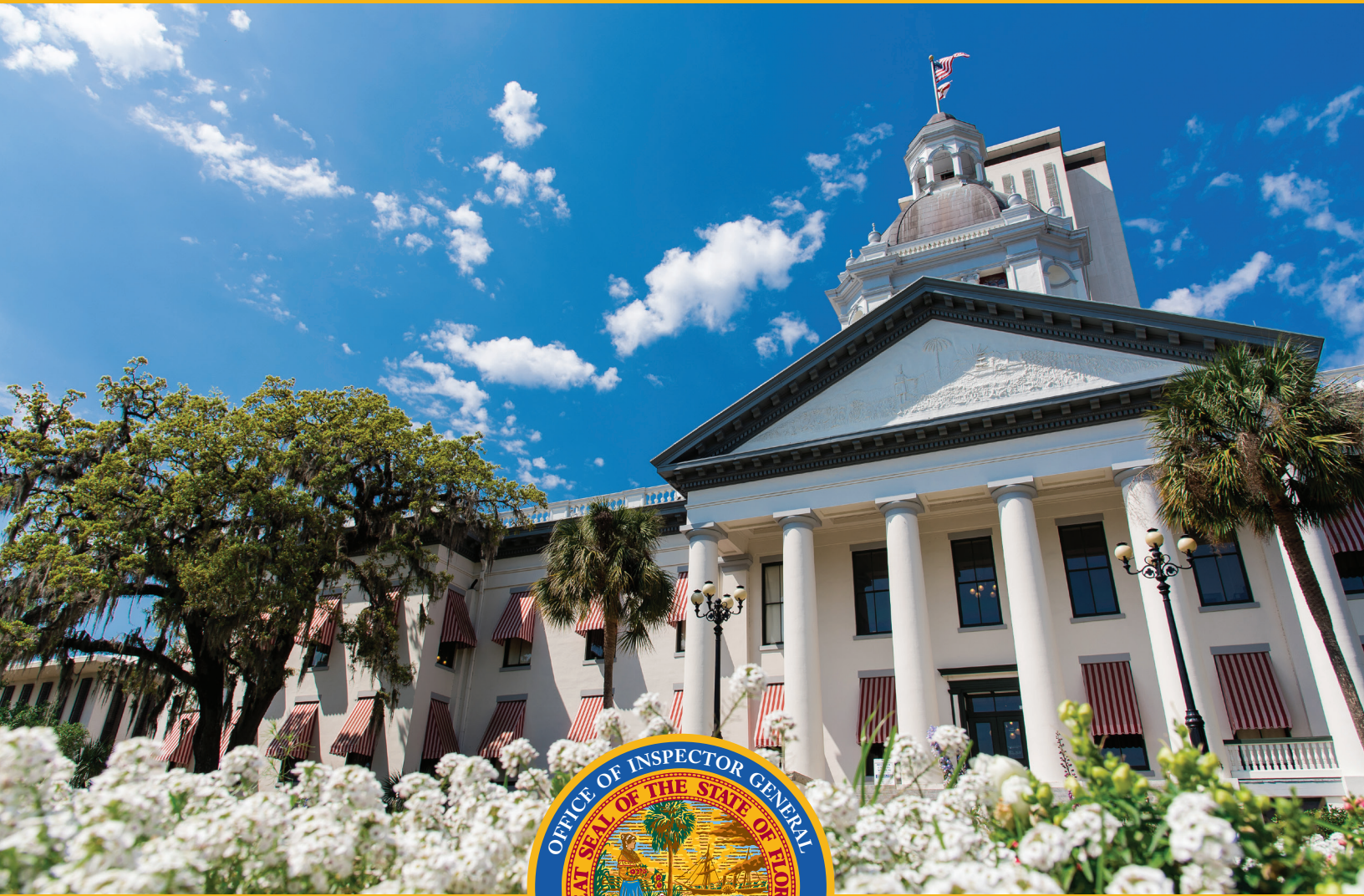


*Office of*  
**INSPECTOR GENERAL**  
*DEPARTMENT of FINANCIAL SERVICES*



**ANNUAL REPORT**

**2017**

# Message from the Inspector General

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On behalf of the Department of Financial Services Office of Inspector General (OIG), I am pleased to present the 2016-17 Annual Report. The purpose of this report is to provide a comprehensive overview of our activities during the 2016-17 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 27 assurance/consulting projects and 168 investigative activities.

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 a long, sweeping underline that extends to the left.

Teresa Michael, Inspector General



ACCOUNTABILITY  
INTEGRITY  
EXCELLENCE

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# Mission

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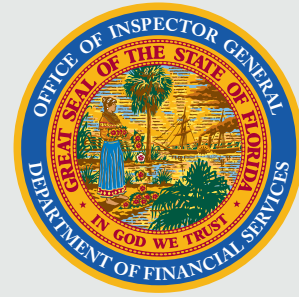
The mission of the Office of Inspector General is to advance positive change in performance, accountability, efficiency, integrity, and transparency of programs and operations within the Department of Financial Services. This is accomplished through facilitation of agency planning and through independent,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

# Responsibilities

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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, conducts 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.

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 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, mismanage-

ment, misconduct, or other abuse in violation of law, rule, or policy against agency employees or entities contracting with the Department," are appropriately reviewed and investigated by 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

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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.

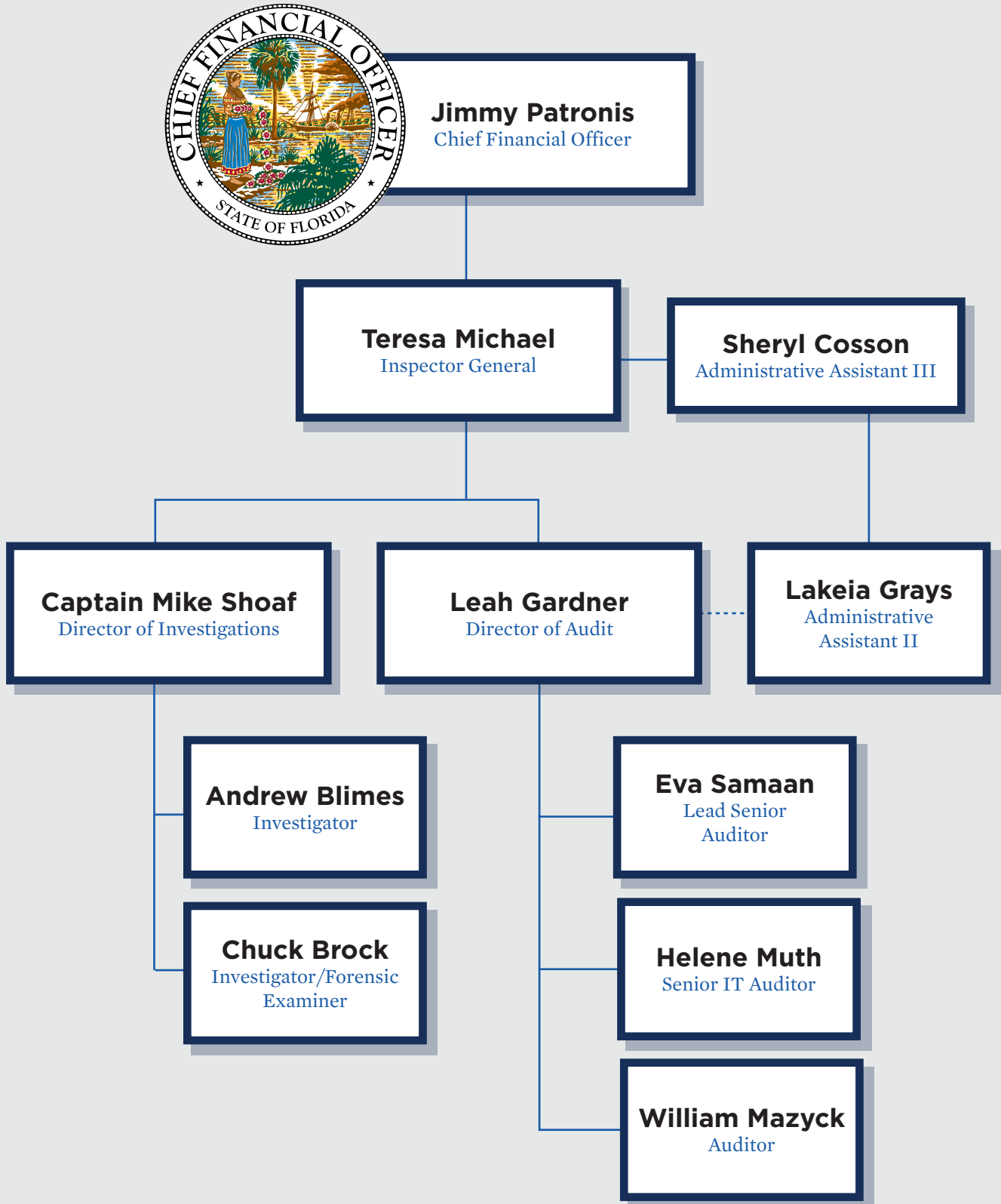
*Florida Inspectors General "promote economy, efficiency, and effectiveness in state government and detect, deter, and prevent fraud, waste, and abuse by agency members and contractors."*



*DFS's vision includes being recognized for its standards of professionalism and its ethical behavior. The OIG provides valuable information which serves to increase these attributes through its employee training, investigative function, and assurance and consulting services.*



# Organizational Chart Office of Inspector General



# Staff Biographies

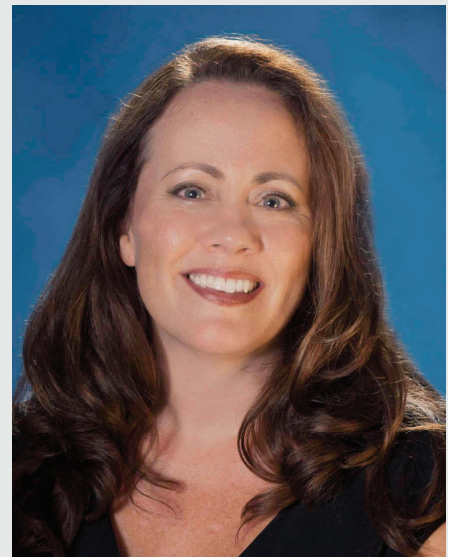
## TERESA MICHAEL, INSPECTOR GENERAL

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 17 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 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 Bachelor of Science degree in accounting and is currently pursuing a 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 ten 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 in business administration from Flagler College, and is pursuing a master's in public administration from Florida State University. He is a Certified Fraud Examiner, a Certified Inspector General Investigator, a Certified Supervisory Manager, and a Certified Public Manager. During Captain Shoaf's career, he has been a Certified Law Enforcement Firearms, Driving and General Topics Instructor.



## **SHERYL COSSON,** **OFFICE MANAGER**

Sheryl Cosson is the senior member of the DFS OIG team and has over 16 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 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 laude 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 master's degree in 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. Mr. Brock possesses a bachelor's degree in English from Florida State University. 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 was 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 shortly after 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 four 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 15 years and spent 20 years in the U.S. Navy. As Ms. Muth has worked over 15 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 degree in accounting and a Master's in Business Administration from Florida State University. Ms. Samaan served approximately six years on the Board of Governors of the Institute of Internal Auditors (IIA). Her work experience includes approximately nine 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

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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 Contract Manager
- 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 Public Manager
- 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:

- Criminal Justice Officer Ethics
- Legal Practical Issues for Internal Investigations
- Special Issues in Internal Affairs Investigations
- Cybersecurity Fundamentals
- Assessing Security and Privacy Controls
- Data Analysis and Audit Risk Identification
- COBIT 5 Fundamentals
- COSO Internal Control Framework
- CFA Manager/Assessor
- Certified Public Manager Program



*To reduce the need for discipline, Director Shoaf explains the OIG's preference is early detection and intervention.*

# 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 December 3, 2015, 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. The CFA assessors were highly complimentary 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 six months, 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/](http://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 272 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.



**Inspector General Teresa Michael presents "Ethics and the role of the OIG" to newly promoted supervisors at the Department's Academy of Management Excellence.**

# OIG Moving Forward

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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.

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 continue working to further strengthen relationships and increase trust among Department stakeholders.

- The Investigations Section will continue to provide quality training when called upon by a division.

## **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.

# Investigations

## COMPLAINT PROCESS:

During the 2016-17 fiscal year, the DFS OIG received 168 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.

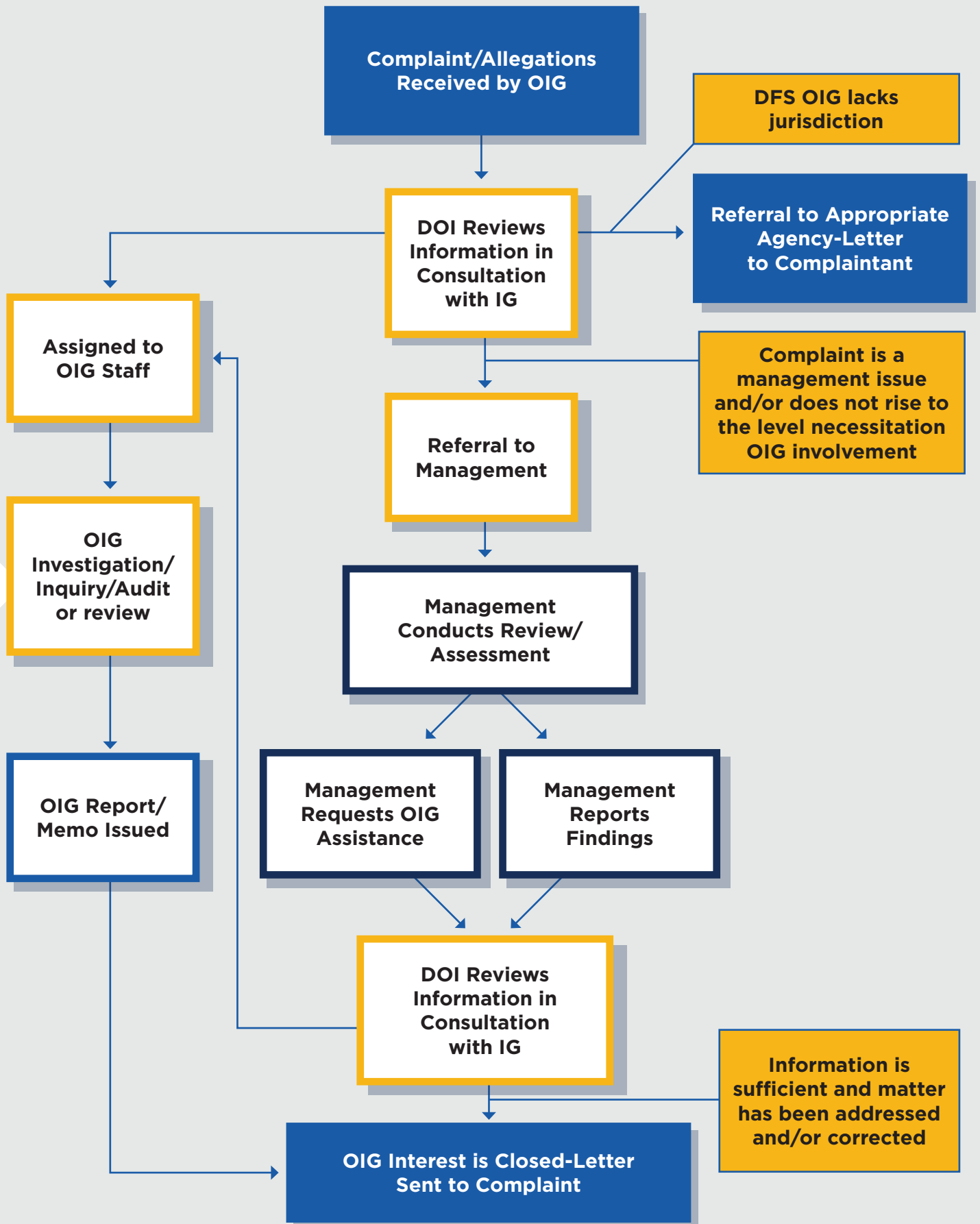
Upon being assigned a complaint number, the Director of Investigations (DOI) reviews the initial information to determine if the complainant qualifies as a Whistle-blower per Florida Statute. The DOI in consultation with the IG classifies the matter for one of the following actions:

- 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 (INFO)
- 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 15 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, the Department's time and resources, and helped foster trust by citizens of the state.

**OIG Case 16025 IA** was initiated after receipt of a complaint from a bureau chief which alleged that a law enforcement supervisor may have falsified homestead exemptions in a county in which they owned a house.

The OIG investigators conducted interviews and obtained pertinent information regarding the allegation. The investigation revealed that the supervisor was using the house as a rental property and did not reside at the residence. Annually, for three years, the supervisor attested that the property was not being used as a rental property. Additionally, the supervisor illegally changed her address with the Department of Highway Safety Motor Vehicles, so they could vote in the 2016 election in a county they did not reside. The OIG referred the case; however, prosecution was declined in lieu of the supervisor repaying fees. The supervisor ultimately resigned from DFS and paid the county back taxes and fees which totaled more than \$4,276.

**OIG Case 16053 I** was initiated after a DFS employee self-reported that they were arrested for possession of a controlled substance without a prescription (the employee contended that they had a prescription). While reviewing arrest documentation it was determined that the employee had failed to be completely forthcoming about the incident that surrounded the arrest and had misled Department management.

The OIG investigators conducted interviews and obtained pertinent information as it related to the withheld information. The complainant initially reported that they were pulled over for running a stop sign and that an officer noticed an open container in the car, and subsequently searched the vehicle and discovered a prescription pill that was not prescribed to the employee. The employee contended that the pill was their mother's and that it did not matter as they both (DFS employee and mother) had prescriptions for the pill. The investigation determined that the employee was also found to be in possession of marijuana and did not have a prescription for the controlled substance and that there was no open container. The employee confessed to OIG investigators that the story was fabricated to keep from getting in trouble at work. As a result of the investigation, the employee was terminated.

**OIG Case 16029 IA** was initiated after receipt of a complaint that a Department employee was insubordinate and misusing his position by placing magnetic decals on his assigned unmarked state vehicle which identified him as a law enforcement officer.

The OIG investigators conducted interviews and obtained pertinent information as it related to the allegations. It was determined that two DFS employees routinely placed decals on their state vehicles without approval from DFS management. This daily act enabled them to receive a 50% discount in rent. Both employees were actively engaged in secondary employment without authorization by DFS management by acting as security for the apartment complex where they resided. One employee resigned during the investigation and the other was suspended because of the findings.

## OIG COMPUTER FORENSICS

The vast majority of information produced, accessed, and stored by Department employees is in digital form, and every Department employee must regularly use a computer to perform their assigned duties. As such, any investigation concerning alleged misconduct of a Department employee should not ignore digital evidence. The Office of Inspector General is fortunate to be one of the few state Inspector General offices with its own computer forensics capability, enabling it to examine computers and other electronic devices to obtain digital evidence in support of OIG investigations.

Computer forensics is commonly defined as the collection, preservation, analysis and presentation of computer-related evidence. Digital evidence is extremely fragile by nature and can easily be erased without proper handling. The Office of Inspector General has established an internal computer forensic examination suite, with the specialized equipment and software, which combined with accepted digital evidence protocols and practices, has enabled the OIG to successfully examine various electronic devices and obtain the evidence needed for its investigations. In addition to the equipment,

software, and digital evidence protocols established by the OIG, Charles Brock, the Investigator designated to conduct computer forensic examinations, has completed over 476 hours of specialized training in the field of computer forensics and digital evidence recovery and examination.

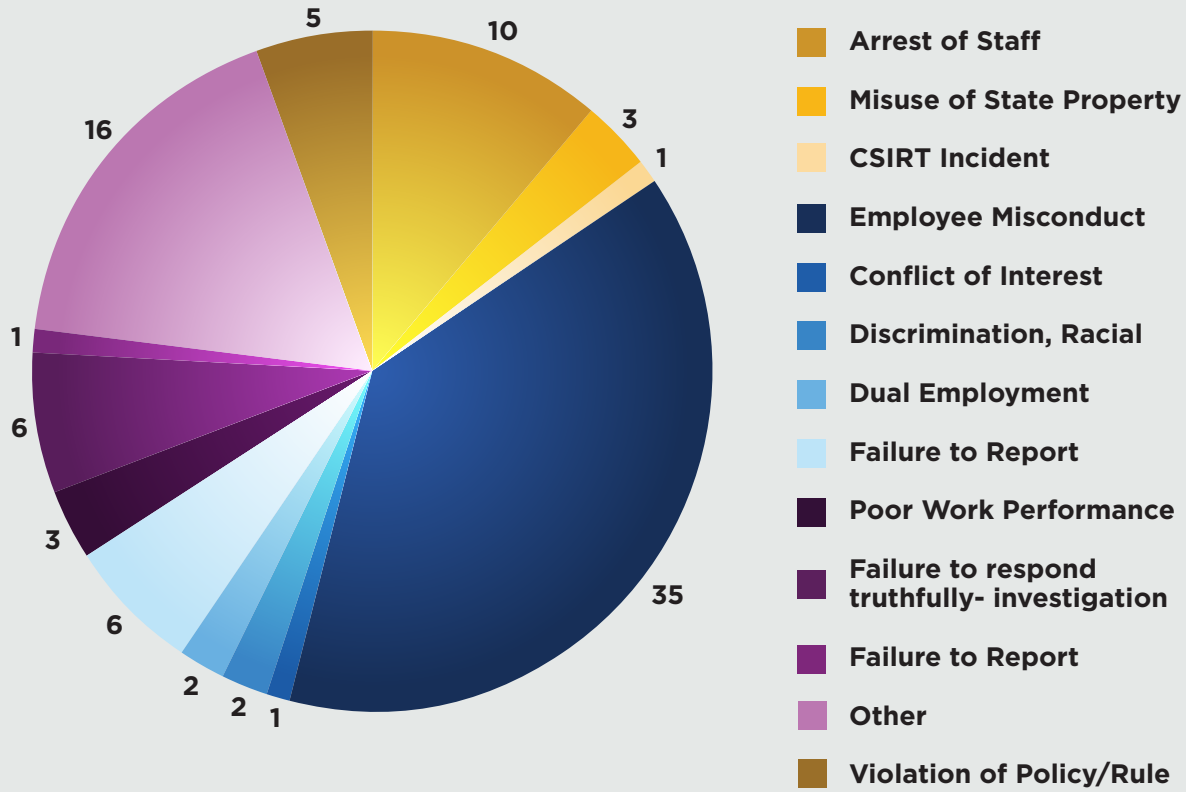
In addition to conducting computer forensic examinations for its own investigations, the OIG has conducted computer forensic examinations to assist other state agencies, to include the Department of Health, the Department of Children and Families, the Department of Education, the Department of Highway Safety and Motor Vehicles, and the Department of Juvenile Justice.

To date, the OIG has examined over five terabytes of digital evidence in support of internal investigations or at the request of other state agencies. If the amount of digital evidence examined by the OIG were converted to printed text (which would take over 40,000 trees), it would amount to 338,981,500 pages. If the pages were placed end to end, this would be enough paper to circle the earth over 28 times.

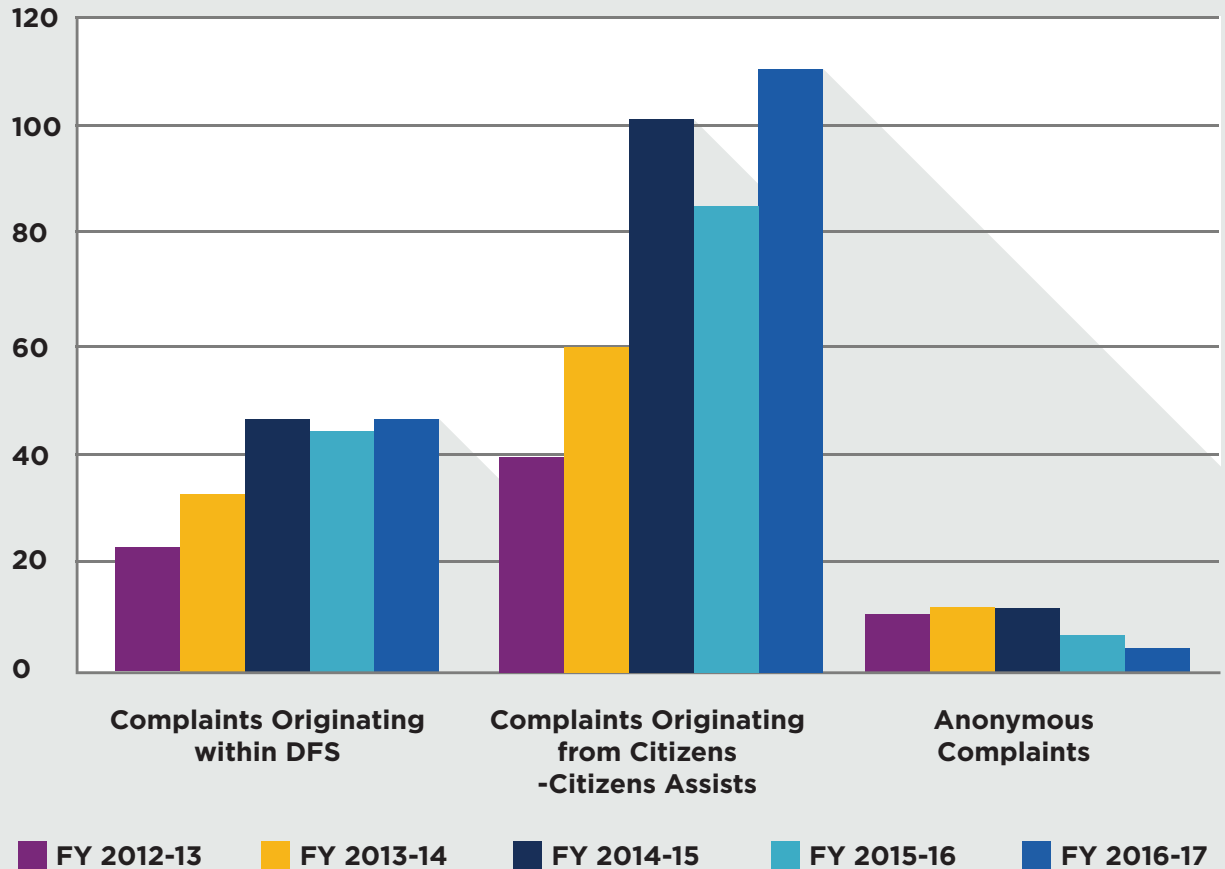


**The OIG computer forensics suite contains state of the art equipment enabling the OIG to successfully examine various electronic devices for digital evidence.**

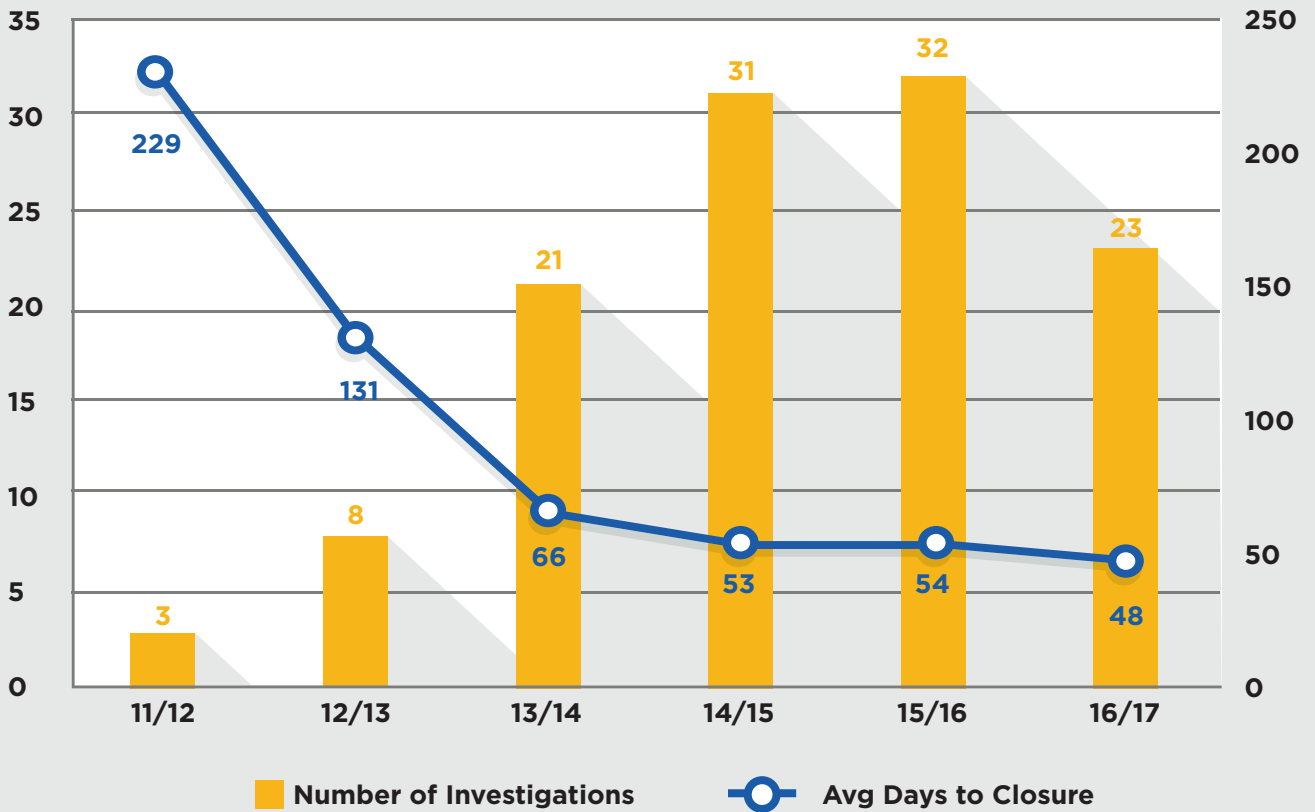
## INTAKE ALLEGATIONS BY TYPE



## COMPLAINT ORIGIN HISTORY



## OIG NUMBER OF INVESTIGATIONS AND DAYS TO CLOSE



Over the past five years, the number of investigations completed each year has increased while the average time to complete investigations has decreased. Despite working more cases in less time, the OIG has not had a single finding reversed over this period.





*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 2016-17 are summarized in the Audit and Consulting Engagements Overview section on page 29.

## 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 2017, the OIG surveyed 133 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, 2017, through June 30, 2019.

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.

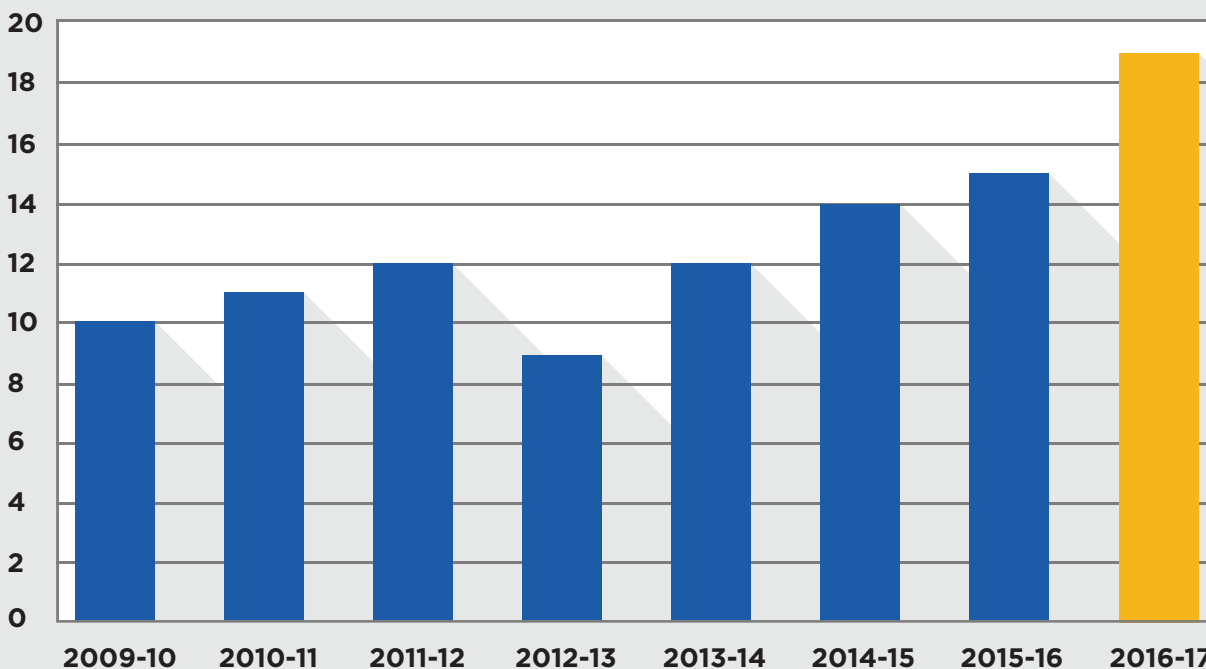
## COORDINATION WITH EXTERNAL ENTITIES:

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 2016-17, Internal Audit coordinated the Department's response to findings and recommendations made in six reports published by external entities (Appendix B). Additionally, the Section coordinated audit activities for 13 other external audits/reviews that were ongoing as of June 30, 2017, (see Appendix B).

In the past seven years, DFS, on average, was the subject of 11.86 external audits/reviews per year. In the current fiscal year, the number of external audits/reviews coordinated was 60% higher than the average.

## NUMBER OF ACTIVE EXTERNAL AUDITS/REVIEWS



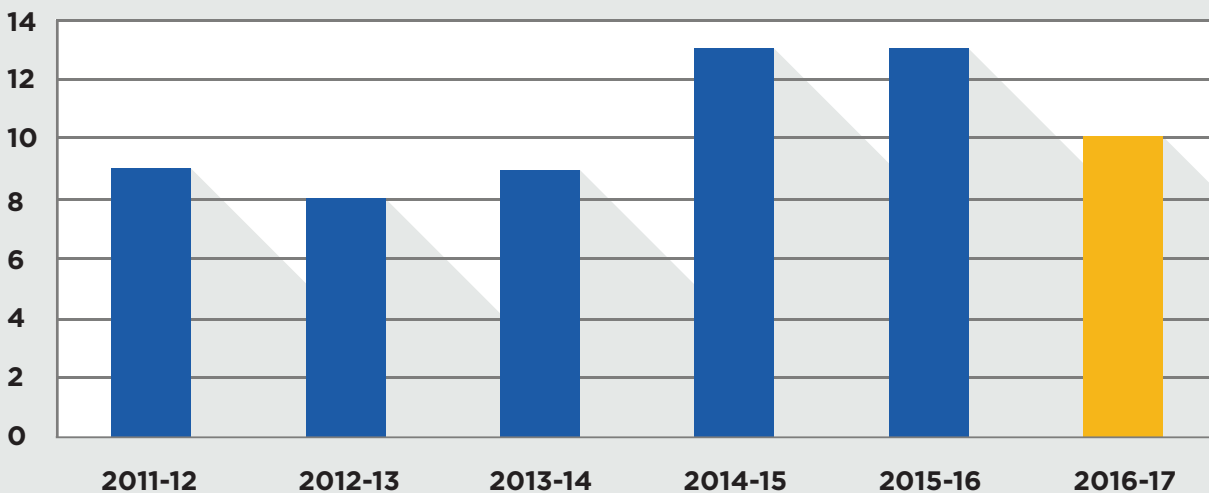
## REPORTS ON STATUS OF IMPLEMENTATION OF CORRECTIVE ACTION:

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, 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 five years, Internal Audit completed, on average, 10.4 follow-up reviews per year. In the current fiscal year, the number of follow-up reviews was consistent with this average.

## NUMBER OF FOLLOW-UP REVIEWS COMPLETED BY YEAR



# Outstanding Corrective Actions from Prior Annual Reports

As of June 30, 2017, the following significant corrective action remained outstanding from prior annual reports.

## 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 were adequate and operating effectively to ensure that the Division's assets were adequately safeguarded and the accounting records 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:** 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.

- **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:** 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.

## 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 were adequate and operating effectively to ensure receivership functions were properly administered and company resources 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 and 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.

- **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.

- **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 DRL 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 DRL 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:** 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 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 Office of Information Technology 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 17-208

Management Review: Validity and Reliability Assessment of 2017-2022 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), 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, 91% indicated that the recommended changes would be made.

Evaluation Criteria	Results of Assessment
<p><b>Data Source and Methodology</b> -The measure is:</p> <ul style="list-style-type: none"> <li>✓ Understandable and appropriately worded and defined</li> <li>✓ Appropriately precise and aided by clear data definitions</li> <li>✓ Sufficiently detailed to understand how the measure and target was derived</li> <li>✓ Computed correctly</li> </ul>	<p>Improvement is needed in the level of detail, clarity and specificity of the measures. Three measures were not understandable and appropriately worded and defined. Seven measures were not appropriately precise and aided by clear definitions. The methodologies for six of the measures were not written in sufficient detail to understand how the measure and target were derived. Four measures did not sufficiently detail the data elements used to calculate the measure.</p>
<p><b>Validity</b> - The measure is:</p> <ul style="list-style-type: none"> <li>✓ Linked to the Department’s mission, goals and objectives</li> <li>✓ Adequately represents essential aspects of performance</li> <li>✓ Timely</li> <li>✓ Increased/decreased efficiency in operations would have significant impact on the outcome of the performance measure</li> </ul>	<p>One measure was not linked to the Department’s mission, goals and objectives. Two measures did not adequately represent essential aspects of performance, and two measures would not be significantly impacted by increased/decreased efficiency in operations. For one measure, the underlying data could not be timely collected and, therefore, the measure could not adequately inform operational decision-making.</p>
<p><b>Reliability</b></p> <ul style="list-style-type: none"> <li>✓ Enough data elements are collected from a sufficient portion of the target population</li> <li>✓ Adequate controls exists over data collection procedures</li> <li>✓ The outcome of the measure is not susceptible to a high degree of external influence</li> <li>✓ The data is unbiased</li> <li>✓ The data supporting the measure is verifiable</li> </ul>	<p>Improvement is needed in the reliability of the measures. For four measures, the individual data elements for the measure (or methodology used to calculate the measure) was not sufficiently defined or detailed for us to determine whether enough required data elements were collected from a sufficient portion of the target population. For five measures, some degree of bias existed in the measures and, for three, the outcome of the measures was susceptible to a high degree of external influence. For seven measures, the Exhibit IVs did not include adequate controls over collection procedures to result in accurate and reliable reported measures</p>
<p><b>Performance Targets</b> - The target is:</p> <ul style="list-style-type: none"> <li>✓ Adequate</li> <li>✓ Realistic</li> </ul>	<p>Two of the performance targets were not realistic. Two of the targets were not sufficiently defined and detailed to permit us to determine their adequacy.</p>

## PROJECT NO. IA 17-503

Assurance Engagement: Agreed-Upon Procedures performed by the OIG related to a data exchange agreement between DFS and the Department of Highway Safety and Motor Vehicles (DHSMV)

The overall objective of this engagement was to assist DFS management in evaluating whether internal controls over the personal data exchanged under a Memorandum of Understanding (MOU) between DFS and the DHSMV were adequate to protect the personal data from unauthorized access, distribution, use or disclosure.

Control Category	Result
<p><b>I. Usage - DFS has adequate controls in place to protect the personal data from unauthorized use.</b></p>	<p><b>Controls are adequate</b></p>
<p><b>Exceptions Noted:</b></p> <ul style="list-style-type: none"> <li>One subagency that had less than 10 users did not select all users for the Quarterly Quality Control review. Another subagency did not review five business days' activity for one user.</li> <li>For three subagencies, sufficient documentation did not exist to evidence that user search activity was reviewed.</li> <li>No statutory authority existed to support one subagency's use of the Driver and Vehicle Information Database (DAVID) for parking enforcement purposes.</li> </ul>	
<p><b>Recommendations:</b></p> <p>The DFS should enhance its procedures to ensure that Quarterly Quality Control reviews are properly completed and documented. Guidance related to sample selection should be provided to subagency Points Of Contact (POCs) to ensure that the reviews are effective. The Division of Administration should discontinue its use of DAVID for parking enforcement purposes. In addition, the DFS should enhance its <i>DAVID Access Control Procedures</i> to require that an additional use or change in use of DAVID by an established subagency be submitted to the Criminal Justice Information Security (CJIS) Coordinator and Division of Legal Services for review and approval.</p>	
Control Category	Result
<p><b>II. Access - DFS has adequate controls in place to protect the personal data from unauthorized access.</b></p>	<p><b>Controls need improvement</b></p>
<p><b>Exceptions Noted:</b></p> <ul style="list-style-type: none"> <li>The DFS policies and procedures do not specifically address access removal due to DAVID misuse.</li> <li>Access for five DAVID users was not removed within five business days of separation or transfer.</li> <li>For one instance of misuse, access was not removed.</li> <li>At four locations, physical safeguards were not adequate to ensure that unauthorized persons could not review or retrieve the DAVID information where it was stored while not in use.</li> <li>For two locations, physical safeguards were not adequate to ensure that unauthorized persons could not review or retrieve the DAVID information while it was in use.</li> </ul>	
<p><b>Recommendations:</b></p> <p>The Office of Information Technology (OIT) should continue its efforts to update the existing Computer Security Incident Response Team procedures and further enhance the DAVID Access Control Procedures to address access permissions related to misuse incidents. In addition, DFS should seek clarification and a formal amendment to the MOU from DHSMV regarding the updating of access permissions due to inadvertent misuse.</p> <p>The DFS, and specifically the Division of Investigative and Forensic Services and OIT, should enhance its procedures to ensure that separated employees have their access removed in a timely manner. In addition, periodic monitoring should be conducted to ensure that the POCs are timely removing access.</p> <p>The DFS business units should strictly control access to restricted areas. For business areas that are accessed through swipe-cards or similar means, reports should be periodically pulled and reviewed to ensure that access to the restricted area remains appropriate. File cabinets, offices, file rooms, and shred bins used to store DAVID (or other confidential/exempt information) should remain locked while not in use. In addition, all keys should be secured (i.e., on someone's person or in a combination lockbox) to ensure proper access to the records.</p>	

Control Category	Result
<b>III. Distribution - DFS has adequate controls in place to protect the personal data from unauthorized distribution.</b>	<b>Not Applicable</b>
<b>Exceptions Noted:</b> Not Applicable. The DFS did not subcontract or assign any rights, duties or obligations under the MOU during the period July 1, 2016 to January 31, 2017.	
<b>Recommendations:</b> Not Applicable	
Control Category	Result
<b>IV. Disclosure - DFS has adequate controls in place to protect the personal data from unauthorized disclosure.</b>	<b>Controls need improvement</b>
<b>Exceptions Noted:</b> Department policies and procedures do not adequately address federal and/or state requirements regarding the dissemination of DAVID personal information.	
<b>Recommendations:</b> The DFS should enhance its <i>DAVID Access Control Procedures</i> to include procedures for the dissemination of DAVID personal information. The procedures should: 1) define or identify those actions that would constitute a dissemination/disclosure of data; 2) indicate the means through which DFS will ensure that the dissemination is authorized under the Driver's Privacy Protection Act and the MOU; and 3) identify any required notifications to the end users, as well as any other provisions - such as dissemination logs - necessary to ensure compliance with the disclosure requirements of the MOU.	

## PROJECT NO. 17-207

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, Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing*, and the *Code of Ethics*.

## PROJECT NO. 17-203

Management Advisory Service: Assessment conducted by the Office of Inspector General to identify and assess DFS's business unit risks

The OIG conducted an enterprise-wide risk assessment of DFS's 133 business units. The assessment considered a range of operational factors, such as the

use of confidential information, reliance on information technology, internal controls, areas/processes susceptible to fraud, etc. Assessment data was evaluated and the following critical risk areas identified:

- Critical Risk:** Staff Resources - The Risk Assessment showed that 69 business units (45%) experienced a moderate to high degree of turnover in key positions during the past two years and 51 business units (34%) indicated that vacancies and staffing deficiencies had a moderate to high impact on operations. Additionally, in our analysis of the risk exposures faced by the business units, four of the top 25 risk exposures were related to staffing, as follows:
  - Loss of key/knowledgeable staff (18 business units)
  - Insufficient staff resources – skill set (13 business units)
  - Inability to attract qualified staff (12 business units)
  - Inability to retain staff (8 business units)

**Recommendation:** The Department should create a workgroup to formally evaluate the Department's staffing practices and requirements in an effort to devise a strategy to address staff resource limitations and retention and hiring practices.

- Critical Risk:** Compliance with Federal Privacy Laws - The Risk Assessment shows that 17 busi-

ness units (11%) are unsure whether they are subject to one or more of the following Federal Privacy laws:

- Criminal Justice Information Services
- Health Insurance Portability and Accountability
- Payment Card Industry Data Security Standard

Determination as to the applicability of these laws is crucial to ensuring compliance with the laws. Another 53 business units indicated that they were subject to one or more of the laws. However, the Department does not presently have a policy in place that specifically addresses the specific requirements and responsibilities associated with these laws. Absent a mechanism to assess compliance responsibilities and policies and procedures to guide the affected business units, the Department cannot ensure compliance with these laws and could experience significant legal, regulatory and financial consequences.

**Recommendation:** The Department should develop or enhance existing policies and

procedures to include specific procedures for the collection, use and disposition of data subject to Federal privacy laws. In addition, a checklist, similar tool or mechanism should be developed to assist the business units in determining the applicability of Federal privacy laws and the resultant compliance responsibilities.

- **Critical Risk:** Evaluation of business process risks - The Risk Assessment showed that only 51% (78) of the business units have a formal process in place to identify and evaluate risks and the related controls for key business processes. Absent such a process, the Department cannot ensure that all business objectives are identified and assessed, relevant risks are properly identified and considered, and appropriate controls are implemented.

**Recommendation:** The Department should increase organizational awareness as to the need for, and importance of, business unit risk assessments and evaluation of internal controls. In addition, the business units may benefit from training in these areas.

# Appendix A

## Investigative Case Summaries

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### INTERNAL AFFAIRS

**14034 IA** – This case was received from a Division of Insurance Fraud employee. This case was predicated upon a complaint that two Division of Insurance Fraud command staff had an inappropriate personal relationship with a confidential informant and that the informant had inappropriately completed construction work at the Division of Insurance Fraud employees' home. The case was **SUSTAINED**.

**15089 IA** – This case was generated by the Inspector General. This case was predicated upon information received from the subject in *OIG Case 14108 IA*. Specifically, during his subject interview, the subject in *OIG Case 14108 IA* stated that his supervisor was aware of his confidential informant's actions, even though they weren't properly documented. The subject of this case separated from the Department prior to the case being generated, and she declined to provide a sworn statement regarding the allegations. The case was **SUSTAINED**.

**16025 IA** – This case was received from the Bureau of Fire and Arson Investigations Chief. The case is predicated on a complaint that a Bureau of Fire and Arson Investigations Captain was inappropriately receiving a Leon County Homestead Exemption for her home in Tallahassee that was not her primary residence and was being rented out. During the investigation, it was also discovered that the Captain provided incorrect address information to the Department of Highway Safety and Motor Vehicles. The case was **SUSTAINED**.

**16029 IA** – This case was received from the Director of the Division of Investigative and Forensic Services. This case is predicated on information that two Insurance Fraud Detectives were acting as courtesy officers at their apartment complex without authorization. It was alleged that the Detectives were providing a police presence by placing police magnets on their unmarked vehicles while parked in the parking lot and by asking trespassers to leave the

premises. The case had findings of **SUSTAINED, NOT SUSTAINED/INCONCLUSIVE, AND UNFOUNDED**.

**16035 IA** – This case was received from the Director of the Division of Investigative and Forensic Services. The case is predicated on allegations of various types of misconduct on the part of a Captain and Lieutenant. In part, the complainant alleged that his superior(s) pressured him to go to church-sponsored activities, made jokes at his expense, made inappropriate comments about homosexuality, and did not let him train his canine according to Division policy. The case had findings of **SUSTAINED, NOT SUSTAINED/INCONCLUSIVE, and UNFOUNDED**.

**16037 IA** – This case was received from the Director of the Division of Investigative and Forensic Services. The case was predicated on a complaint that a Division of Investigative and Forensic Services Detective was actively campaigning on behalf of a sheriff candidate during work hours while out on extended medical leave. The employee resigned while under investigations. This case was **ADMINISTRATIVELY CLOSED**.

**16040 IA** – This case was received from a Division of Investigative and Forensic Services Detective. The case was predicated on the Detective's complaint that his Lieutenant gave him an unfair evaluation without discussing it with him, intentionally teases him, instructed him to falsify timesheets, and failed to take appropriate action after the Detective was injured on-duty. The case had findings of **SUSTAINED and UNFOUNDED**.

**16055 IA** – This case was received from the subject in *OIG Case 16040 IA*. The case is predicated on a complaint that numerous Division of Investigative and Forensic Services staff failed to respond appropriately to a potential domestic violence and/or suicidal situation involving a Division employee. The case had findings of **SUSTAINED, NOT SUSTAINED/INCONCLUSIVE, and UNFOUNDED**.

**16059 IA** – This case was received from the Director of the Division of Investigative and Forensic Services. The case was predicated upon a complaint that a Lieutenant was unaware that her subordinate was taking law enforcement action on a weekend and that she failed to properly approve her subordinate's timesheet. The case had findings of **EXONERATED** and **SUSTAINED**.

**17007 IA** – This case was generated when the Director of Investigations witnessed that a Division of Investigative and Forensic Services Lieutenant left his unmarked patrol vehicle unsecured (e.g., door ajar) in the parking lot at the Florida Public Safety Institute. The vehicle contained a badge, handgun, ammunition, pepper spray, and other law enforcement equipment. This case was **SUSTAINED**.

## INVESTIGATIONS

**16011 I** – This case was received from a former Administrative Assistant in the Division of Information System and was predicated on her claim that she was unfairly forced to resign after being subjected to numerous policy violations. The investigation was unable to sustain any allegations made by the complainant. The case had findings of **UNFOUNDED** and **NOT SUSTAINED/INCONCLUSIVE**.

**16053 I** – This case was received from a Division of Unclaimed Property employee. The case was predicated on the employee's statement that she had been arrested for possession of a controlled substance without a prescription. The case was **SUSTAINED**.

**16058 I** – This case was predicated upon a complaint received from a former HR employee who alleged racial discrimination against two Division of Administration employees. The case was **UNFOUNDED**.

**17002 I** – This case was received from the Director of the Division of Workers' Compensation. The case was predicated upon a Division of Workers' Compensation employee failing to report that she had been arrested for Driving Under the Influence. The case was **SUSTAINED**.

**17003 I** – This case was received from Human Resources/Employee Relations (HR/ER). The case was predicated upon a Division of Risk Management employee reporting that she had been arrested for Driving Under the Influence. The case was **SUSTAINED**.

## PRELIMINARY INQUIRIES

**16021 PI** – This case was predicated on a complaint from a citizen who alleged that a former Division of Insurance Fraud Detective would not meet with him, laughed at him, and would not provide an address for him to deliver evidence of insurance fraud. The case was **UNFOUNDED**.

**16031 PI** – This case was received from the Department's General Counsel. The case was predicated upon an allegation that an unknown individual removed and/or destroyed documents from a former DFS employee's ER and HR files. The case was **ADMINISTRATIVELY CLOSED**.

**16032 PI** – This case was received from the Office of Insurance Regulation. The case was predicated upon a citizen's belief that his friend had received an invalid check from the Department. The case was **ADMINISTRATIVELY CLOSED**.

**16033 PI** – This case was predicated upon a complaint received from a citizen alleging that two Division of Investigative and Forensic Services Detectives acted inappropriately and discourteously toward her, touched her on her arm and shoulder, recorded her without her knowledge, and would not leave her daughter's private property when asked to do so. The case was **UNFOUNDED** and **EXONERATED**.

**16039 PI** – This case was predicated upon allegations made by the subject in *OIG Case 16025 IA*. During her subject interview, the subject made allegations against the OIG and DFS. The case was **ADMINISTRATIVELY CLOSED**.

**16042 PI** – This case was predicated upon a complaint received from a citizen in which he alleged that the Division of Consumer Services was not assisting him. The case was **UNFOUNDED**.

**17010 PI** – This case was received from the Office of Attorney General (AOG) OIG. The case was predicated on the AOG OIG's request for the DFS OIG to review State payments processed by a former AOG employee. The case was **UNFOUNDED**.

**17015 WBD** – This case was received from the Chief Inspector General's office. The case was predicated upon a complaint that a former Division of Consumer Services employee had been terminated in retaliation for participating in a protected activity. However, the complainant did not respond to requests to contact

the OIG. The case was **ADMINISTRATIVELY CLOSED**.

## TECHNICAL ASSISTANCE

**16036 TA** – This case was assisting the Department of Management Services place a GPS tracker in one of their fleet vehicles and subsequently analyzing the data.

**16060 TA** – This case was assisting the Department of Education in the forensic examination of a flash drive and laptop computer.

**16061 TA** – This case was assisting the Office of Insurance Regulation in the forensic examination of a computer hard drive.

# Appendix B

## External Audit Coordination

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In Fiscal Year 2016-17, Internal Audit coordinated the Department's response to the external audits/reviews listed below.

- Auditor General Report No. 2017-180 *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published March 28, 2017
- Auditor General Report No. 2017-089 *Department of Financial Services Florida Accounting Information Resource Subsystem*, published January 6, 2017
- Social Security Administration (SSA) compliance review of the Information Exchange Agreement between the SSA and the DFS Division of Public Assistance Fraud
- Department of Children and Families Report No. A-1617 DCF-023, *Audit of the Department's Office of Public Benefits Integrity Memorandum of Understanding with the Department of Financial Services' Division of Public Assistance Fraud*, published February 16, 2017
- Auditor General information technology operational audit of the DFS Origami Risk Management Insurance System
- Office of Program Policy Analysis and Government Accountability review of Florida Fire Prevention Code and Boiler Safety

The following external audits/reviews were on-going as of June 30, 2017.

- Auditor General – Various financial management reviews
- Auditor General operational audit of Division of State Fire Marshal building inspections and State Fire College
- Auditor General operational audit of Division of Risk Management, Bureau of State Employee Workers' Compensation Claims
- Auditor General performance audit of Local Government Financial Reporting System
- Auditor General information technology operational audit of FLAIR for the fiscal year ended June 30, 2017
- Auditor General Statewide Financial Statement Audit for the fiscal year ended June 30, 2017
- Auditor General Statewide Federal Awards Audit for the fiscal year ended June 30, 2017



# Appendix C

## Follow-Up Responses

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In Fiscal Year 2016-17, Internal Audit prepared reports regarding the status of implementation of corrective action for the following audits.

- **Project No. IA 15-502-12** Twelve 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 August 5, 2016.
- **Project No. IA 14-608-18** Eighteen Month Status Report regarding Auditor General Report No. 2015-096: *Investment Accounting System and Cash Management Subsystem*, published August 5, 2016.
- **Project No. IA 15-621-6** Six Month Status Report regarding Auditor General Report No. 2016-159: *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published September 28, 2016.
- **Project No. IA 15-611-18** Eighteen Month Status Report regarding Auditor General Report No. 2015-181: *Department of Financial Services Automated Investigation Management System*, published December 9, 2016.
- **Project No. IA 16-602-6** Six Month Status Report regarding Auditor General Report No. 2016-199: *Special Disability Trust Fund Claims Manager 2004 System*, published December 21, 2016.
- **Project No. IA 14-501B-6** Six Month Status Report regarding Department of Financial Services Office of Inspector General Report No. IA 14-501B: *Division of Rehabilitation and Liquidation – Monitoring and Oversight Processes and Stewardship of Insurer Assets*, published January 30, 2017.
- **Project No. IA 15-612-12** Twelve Month Status Report regarding Auditor General Report No. 2016-069: *Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities*, published February 21, 2017.
- **Project No. IA 14-501A-15** Fifteen 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 February 21, 2017.
- **Project No. IA 15-502-18** Eighteen 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 March 9, 2017.
- **Project No. IA 14-608-24** Risk Acceptance Memo regarding Auditor General Report No. 2015-096: *Investment Accounting System and Cash Management Subsystem*, published March 13, 2017.

