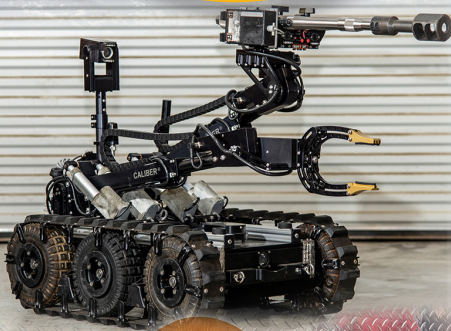


Department of Financial Services



2020

ANNUAL REPORT



Message from the Inspector General



On behalf of the dedicated public servants of the Florida Department of Financial Services Office of Inspector General (OIG), I am pleased to present the Fiscal Year (FY) 2019-2020 Annual Report. The report reflects the combined efforts and results of the full OIG team to bring value to the Department and the public, by promoting a culture of integrity, accountability, and transparency. The OIG mission is also to facilitate improved efficiency, effectiveness, and performance by conducting audits, reviews and inspections, while deterring, detecting and investigating allegations of fraud, waste and abuse, within DFS or against its programs and resources.

After two years as the Inspector General, I continue to be proud of our team in its efforts to serve the Department and the public. I remain humbled for having this opportunity to lead the OIG and to serve Chief Financial Officer (CFO) Jimmy Patronis, Department public servants, and most importantly, the people of Florida.

The OIG serves as a valuable resource to enable Department leaders to realize increased efficiencies and effectiveness in their operations. The office is the primary entity for leaders and employees to report opportunities for improvement within the Department, so that we can better serve Florida's citizens and hard-working tax payers.

From March 19, 2020 through May 5, 2020, the office was closed due to the global COVID-19 pandemic. The entire Department was closed during this time. For this reason, complaints were not processed and both investigative and audit activity were suspended since the entire staff was placed on administrative leave. On May 6, 2020, the entire staff began working again, but in a remote environment. This "new normal" has impacted traditional methods of conducting business, but the entire OIG team quickly adapted and embraced new methodologies to ensure operations could be executed. As the FY closed, the office was still teleworking.

During this FY, the OIG team engaged in 21 audit activities, as well as 144 investigative activities.

The OIG team underwent several changes this FY, with a newly appointed Director of Audit, and the hiring of a new Administrative Professional and Auditor.

The office successfully transitioned to automated systems to process and manage audits and investigations. These systems have already enhanced the capability of the OIG by more efficient processes and capturing the full benefits of increased data handling. This technology has resulted in better use of limited resources and the goal remains to become more proactive and impactful in service to the public and Department.

The OIG team will continue to support the CFO's mission and vision for the Department by adjusting our focus on new opportunities to proactively deter, detect, and fight fraud, waste and abuse, while promoting transparency, accountability, and integrity within the Department's operations.

Sincerely,

A handwritten signature in blue ink that reads "David T. Harper". The signature is fluid and cursive, written over a light blue background.

David T. Harper, Inspector General



ACCOUNTABILITY
INTEGRITY
EXCELLENCE

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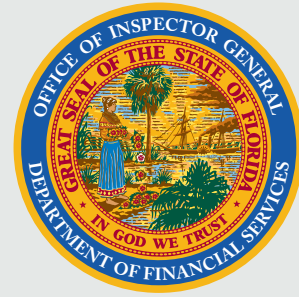
Mission

The mission of the Office of Inspector General is to promote a culture of integrity, accountability, transparency, and to facilitate improved efficiency, effectiveness, and performance by conducting audits, reviews and inspections, while deterring, detecting and investigating allegations of fraud, waste and abuse within the Department of Financial Services or against its programs and resources.

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 Inspector General* as published and revised by the Association of Inspectors General.



Overview

The Department of Financial Services (DFS) OIG provides a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency in government within the State of Florida as required by section 20.055, Florida Statutes – Agency inspectors general.

The Office of Inspector General is placed organizationally under the Chief Financial Officer (CFO), to whom the Inspector General directly reports. The DFS OIG operates in compliance with the *Principles and Standards for Offices of Inspector General*, as published by the Association of Inspectors General, requiring independence of opinions, conclusions, judgments, and recommendations. The DFS OIG operates two sections, Audit and Investigations, and is required to keep the CFO informed on significant risk exposures and control issues, including fraud, abuses, and deficiencies.

The Audit Section (Audit) of the DFS OIG performs internal audit activities according to The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* and the Government Accountability Offices' (GAO) *Generally Accepted Government Auditing Standards (GAGAS)*, as applicable. Audit performs risk-based audit planning to identify potential audits for the next year. Audit also performs operational, compliance, performance, and financial audits. Additionally, Audit complies with DFS Administrative Policies and Procedures, 6-03 (Internal Audits) and 6-02 (External Audits), in performing internal audits and coordinating external audits that relate to DFS programs and operations.

Audit is statutorily responsible for specific internal audit activities, including, but not limited to the following: an annual risk assessment and an Annual and Long-Term Audit Work Plan that is approved by the CFO. Audit is responsible for monitoring DFS' response to any report on the agency issued by the Auditor General's (AG) office or the Office of Program Policy Analysis and Government Accountability (OPPAGA), and serves as a liaison with external entities conducting audits and assessments of the agency's operations. Audit performs six-month follow-up reviews on internal and external audits. Audit continues follow-up reviews on outstanding implementation of corrective actions, up to twenty-four months from the audit report issuance date. The DFS OIG has procedures in place to address corrective actions that are not implemented within twenty-four months. Audit advises on the development, reliability, and validity of DFS performance measures. Audit maintains a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity and receives a quality assurance review (QAR), every three years. The next QAR should be conducted in the fall of calendar year 2020.

The OIG is required to communicate the results of internal audit activity to the CFO, Chief of Staff (COS), and in some instances, to executive leadership. Reporting requirements include, providing the CFO with Audit resource requirements, as well as the impact of any resource limitations.

The Investigations Section, as charged by section 20.055, Florida Statutes, and DFS Administrative Policy 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, procedure, or policy against agency employees or entities contracting with DFS," are reviewed and investigated by the OIG.

The Investigations Section is tasked with acting as the internal affairs unit for both the Division of Investigative and Forensic Services (DIFS) and the Division of State Fire Marshal (SFM). To complete

investigations of sworn law enforcement officers and firefighters, the Investigations Section is conscientious of laws and union contracts that provide additional protections for the accused, to 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 the Weingarten Rule, requires participation in an administrative 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 and management reviews, and assists management by providing factual reports that outline concerns within their sections.

OIG History & Background

The first Inspector General in the United States 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 passed the Inspector General Act of 1978, as amended, which established 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." There have been several updates to the IG Act and there are now more than 70 federal IGs.

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, F.S., 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."

The DFS OIG conducts professional and independent investigations, audits, and reviews with the primary goal of protecting the public trust in government.

OIG Independence and Objectivity

The Association of Inspectors General Standards (“Green Book”) states:

The inspector general is responsible for establishing and maintaining independence so that OIG opinions, conclusions, judgments, and recommendations will be impartial and viewed by others as impartial. The inspector general and OIG staff should consider not only whether they are independent and whether their own attitudes and beliefs permit them to be independent, but, also, whether there is anything about their situation which might lead others to question their independence. All situations deserve consideration since it is important that the OIG be as independent as possible and impartial in fact and in appearance.

The inspector general and OIG staff need to consider both personal and external impairments. If either of these affect the OIG’s ability to perform its work impartially, the inspector general should decline to perform the work and report the circumstances to the appropriate official. If the inspector general cannot decline to perform the work, the impairment should be disclosed in any resulting report, along with any potential impact the impairment might have on the outcome of the report’s conclusions.

Florida Statute 20.055 (6)(d) states that each Inspector General shall:

Conduct investigations and other inquiries free of actual or perceived impairment to the independence of the inspector general or the inspector general’s office. This shall include freedom from any interference with investigations and timely access to records and other sources of information.

Impairments may be “perceived” or “real,” but, either way, are important when it concerns the public’s confidence and trust in government.

Florida Statute 20.055 (2)(j) also states it is the “duty and responsibility” of the IGs to:

“Comply with the General Principles and Standards for Offices of Inspector General as published and revised by the Association of Inspectors General.”

The Institute of Internal Auditors (IIA):

The OIG Audit Section must also comply with The Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing” (Standards). Compliance is essential to successfully executing the internal audit activity and supporting DFS in accomplishing its mission, by performing audit services that prevent, examine, detect, and eliminate fraud, waste, and abuse.

IIA Standard 1130 – Impairment to Independence or Objectivity, provides the following direction: “If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment. Interpretation: Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.”

IIA Standard 1220 – Due Professional Care, provides the following direction: “Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor...”

Generally Accepted Government Auditing Standards (GAGAS):

The OIG has an option to utilize Generally Accepted Government Auditing Standards (GAGAS), also known as Yellow Book, if applicable for an audit. The Yellow Book standards are the guidelines for audit created by the Comptroller General and the audit agency of the United States Congress, the Government Accountability Office. These standards are the audit regulations followed by all federal audit agencies, all federal contractors being audited, and many state and local audit agencies.

A key characteristic of GAGAS audits is independence. Independence means the freedom to do work and come to conclusions without due influence or bias affecting the result. Section 20.055, Florida Statutes established the OIG as an independent office in order to remove outside influence on OIG work products. Independence also means that OIG takes steps to ensure that staff involved in an audit do not have a prior relationship or experiences that may compromise the independence, or appearance or independence, of an audit.

OIG auditors follow standards to make sure that findings are supported by sufficient and appropriate evidence. OIG has internal processes to make sure OIG work is accurate and robust.

As outlined in Chapter 1.05 of GAGAS (2018 revision), the auditor's role:

- is essential in providing accountability to legislators, oversight bodies, those charged with governance, and the public.
- provides an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government (depending upon the type and scope of the engagement).

OIG follows GAGAS, even though the standards can be labor intensive, because the standards ensure that OIG auditors are free of conflicts of interest and maintain objectivity, that audits have sufficient and appropriate evidence to support findings and conclusions, and that reports have been thoroughly vetted for accuracy.

Chapter 3.06 of GAGAS (2018 revision) provides an ethical framework for auditors' work. OIG aligns its activities with this framework:

- The public interest
- Integrity
- Objectivity
- Proper use of government information, resources, and positions
- Professional behavior

In short, GAGAS are the standards that ensure that audit reports are unbiased and can be trusted to be truthful and accurate. It means that OIG audits conform to audit standards accepted by governments around the country.

Undue Influence:

The IG and OIG have not been directed or unduly influenced in the OIG's selection of risk-based audits or investigations. As previously indicated, Florida Statute 20.055 (6)(d) states each Inspector General shall conduct investigations and other inquiries free of actual or perceived impairment to the independence of the IG or OIG.

The Green Book lists interference or undue influence in the OIG's selection of what should be examined, the scope and timing of the work or approach used, and the appropriate content of the final report or resolution of audit findings would be an impairment to independence. Additionally, the Green Book also indicates that "improper political pressures" regarding OIG activities would also be impairments to independence.

DFS leadership has abided by this requirement and there have not been any impairments.

Personal Impairments:

The Green Book suggests that “OIG staff involved in performing or supervising any assignment should be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.” There are many ways that a person may become impaired, and the impairment may be actual or perceived conflicts of interest. OIG staff who fall within one of these situations should recuse themselves from participating in any OIG activity in which they have the actual or perceived conflict of interest. The personal impairment may be based on a financial conflict of interest, personal biases regarding the subject matter, a relationship with someone being investigated, etc.

Affirmation of Independence and Objectivity:

The OIG has exercised independence and objectivity in all decision making and mission execution during this reporting period. All OIG team members are mindful of ethical, independence and objectivity requirements and have conducted all investigations, audits and other OIG activities free of biases, conflicts and impairments. The Inspector General has ensured that the OIG team has remained compliant with all guiding statutes, standards and policies.

Investigations

During the 2019-20 fiscal year, the DFS OIG received 144 complaints. These complaints are logged into a tracking system which assigns a case number. The OIG strives to review each complaint within one business day of receipt. The initial evaluation results in 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 leadership. 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 leadership. 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.

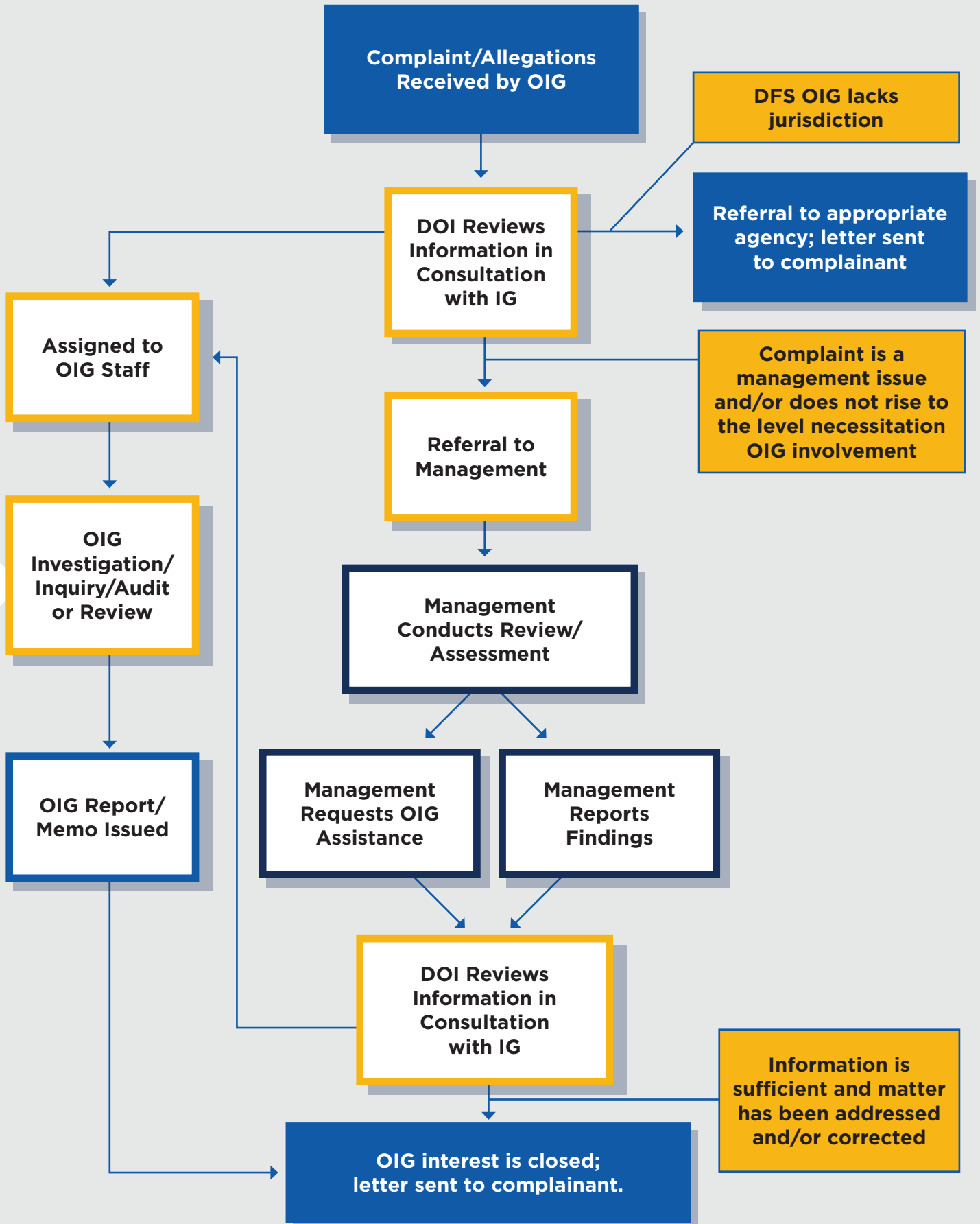
Investigations attempt to determine the validity or extent of reported allegations and incidents, the amount of loss, and any weaknesses that may have contributed to the allegations and incidents. Investigative reports may recommend corrective actions to avoid similar problems in the future.

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/FF (IA)
- Management Support (MS)
- EEO Case (EEO)
- Whistle-blower (WB)
- Information Only (INFO)
- Computer Security Incident Response Team (CSIRT)
- Background (BCK)
- Technical Assist (TA)

The OIG works diligently to conclude activities in a timely manner. Lengthy cases may be necessary 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, independent, 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 an appropriate law enforcement jurisdiction.

COMPLAINT PROCESS:



COMMISSION FOR FLORIDA LAW ENFORCEMENT ACCREDITATION

Accreditation History

On October 31, 2007, the Chief Inspector General, along with the Commission for Florida Law Enforcement Accreditation (CFA), initiated an accreditation program for Florida offices of inspectors general. The program was the first of its kind in the nation for agency offices of inspectors general. The program also facilitates and ensures compliance with the Association of Inspectors General standards and Florida Statutes, as well as collective bargaining agreements. This coveted award symbolizes professionalism, excellence, and competence.

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

OIG Accreditation Status

The OIG continues to maintain full accreditation status, initially awarded in 2016. On December 6, 2018, two CFA assessors arrived at the DFS OIG and completed an intensive review of OIG processes and procedures, as well as a series of interviews, which ultimately revealed that the DFS OIG Investigations Section had achieved compliance with all 46 standards set forth by the CFA. The CFA assessors were highly complimentary of OIG investigative staff and subsequently recommended to the CFA that the DFS OIG Investigations Section be reaccredited for the following three years. On February 20, 2019, the CFA Commissioners unanimously voted to grant reaccredited status to the OIG Investigations Section following the "flawless" review. This status is evidence that the OIG Investigations Section operates under professionally recognized best management practices and standards.

For further information about accreditation and the accreditation process, please visit the Florida Accreditation website at: www.flaccreditation.org/



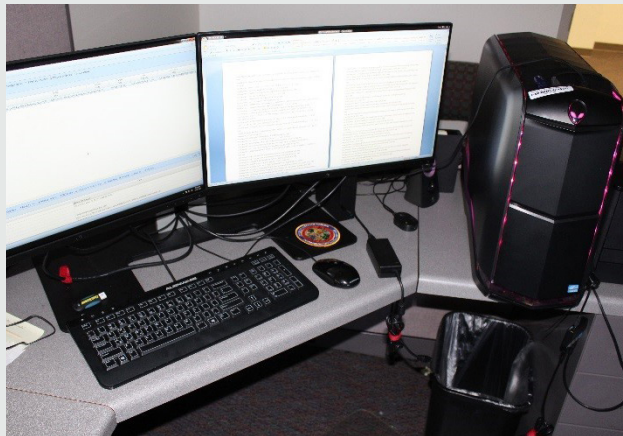
OIG COMPUTER FORENSICS

The majority of day-to-day information used by Department employees is produced, accessed, and stored electronically. As such, the examination of digital evidence is a consideration in any investigation concerning alleged misconduct of a Department employee. The OIG 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 OIG has established an internal computer forensic capability to examine various electronic devices and obtain the evidence needed for its investigations. Charles Brock, the Investigator designated to conduct computer forensic examinations, has completed over 545 hours of specialized training in the field of computer forensics and digital evidence recovery and examination.

The OIG has also conducted computer forensic examinations to assist other state agencies, including the Department of Health, the Department of Children and Families, the Department of Education, the Department of Highway Safety and Motor Vehicles, the Department of Juvenile Justice, the Department of Management Services, and the Office of Financial Regulation.

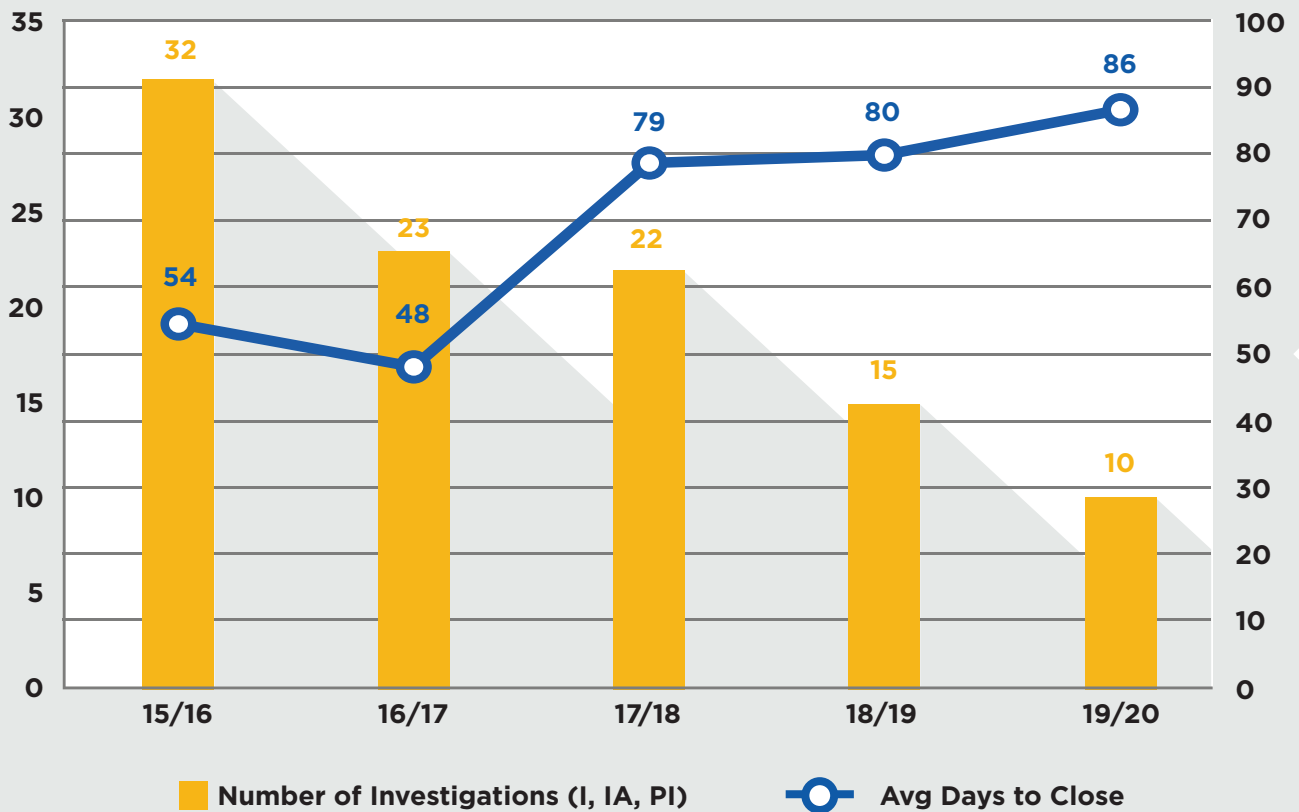
The OIG has examined over ten terabytes of digital evidence in support of internal investigations or at the request of other state agencies. This is the equivalent of over 2,000 ultra-high-definition movies. The amount of digital evidence stored by the OIG in support of computer forensic investigations is approximately equivalent to 25% of the number of books available through Google Books.



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

Investigative Statistics

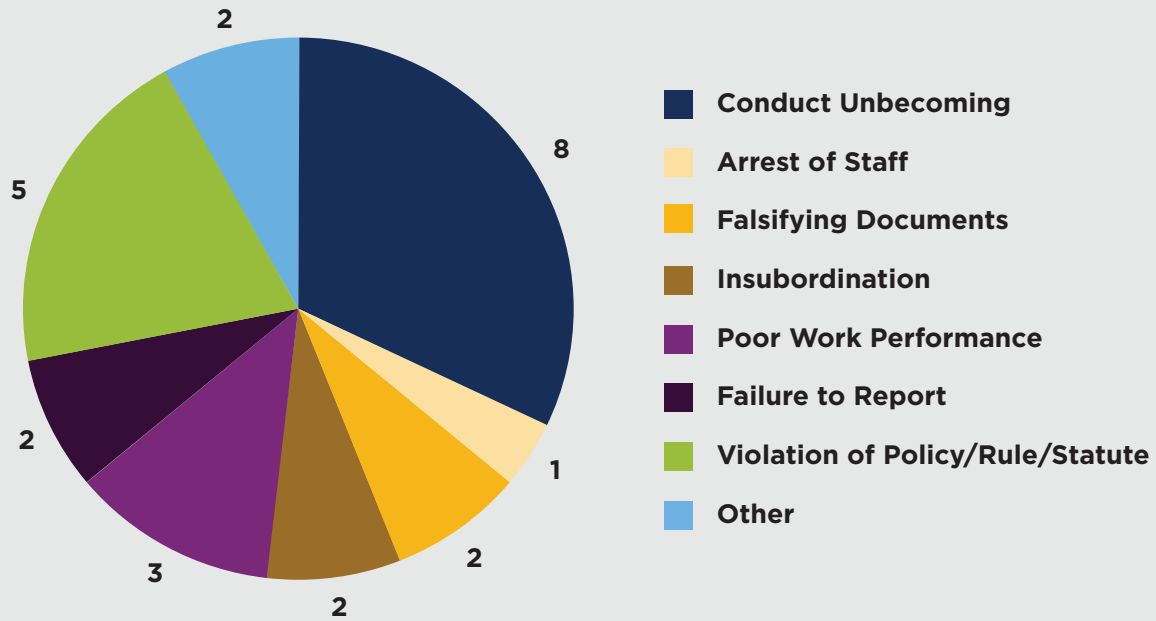
OIG NUMBER OF INVESTIGATIONS AND DAYS TO CLOSE



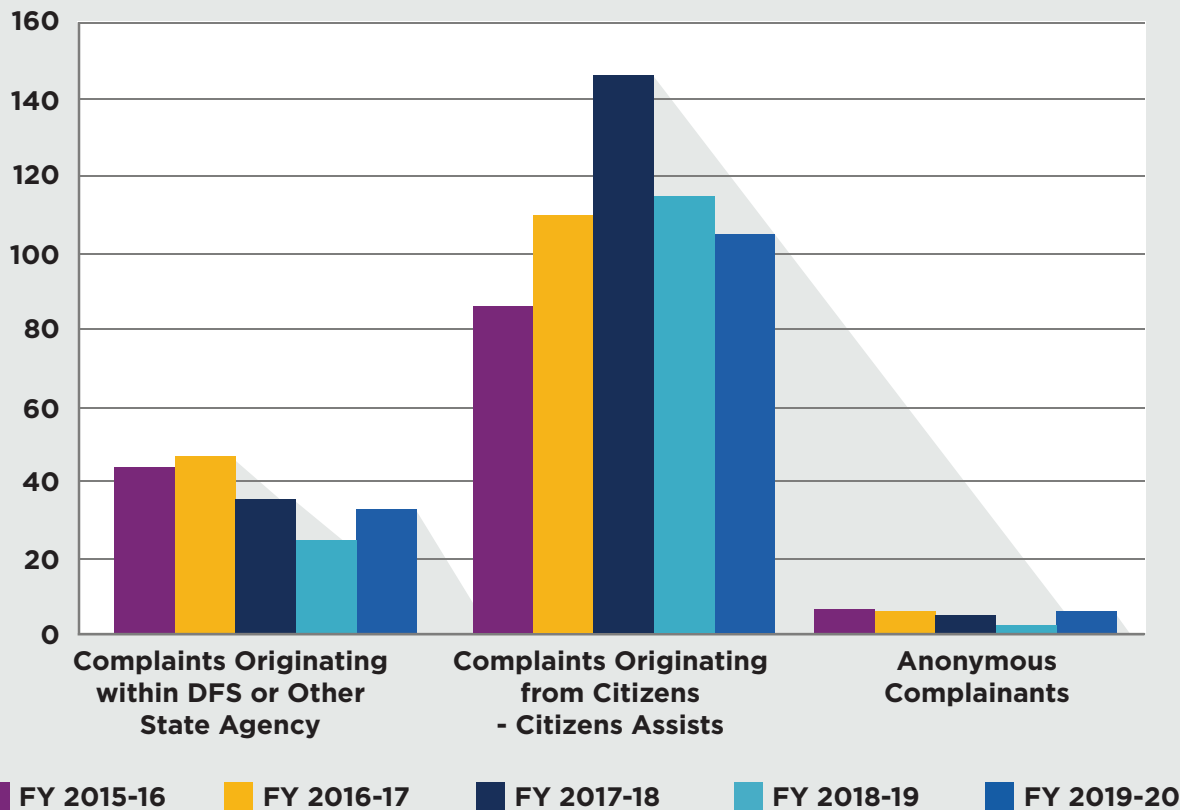
The decline in investigations from the previous year is in part due to a change in the way the OIG categorizes certain complaints. During the fiscal year, the OIG completed three Management Support cases in addition to the investigations numbered above. In previous years, these Management Support cases would have been assigned as OIG investigations and would, therefore, also have been included in the number of investigations represented above.

In response to the global COVID-19 pandemic, the Department of Financial Services was closed from March 19 through May 5, 2020. During this time, complaints were still received, but all investigative activity was suspended due to investigative staff being on administrative leave.

INTAKE ALLEGATIONS BY TYPE



COMPLAINT ORIGIN HISTORY



Because the OIG has historically received a high rate of complaints about insurance companies, bail bondsmen, or other entities regulated by the Department but not under the jurisdiction of the OIG, Administrative Assistant Giulia DeMello recognized the opportunity to coordinate with the Office of Information Technology to revamp the Department’s website and streamline the citizen complaint process. After an update to the website, citizens were more easily able to file complaints against non-DFS employees directly with the appropriate regulatory division within the Department instead of passing through the OIG. Due to this change, the total number of complaints decreased from what it would have been in prior years.

Investigative Case Summaries

INTERNAL AFFAIRS

19018 IA – The OIG initiated this investigation after receiving a complaint from a department employee alleging that a Division of Investigative and Forensic Services supervisor failed to perform their duties, abandoned his position, and was spreading rumors. The OIG did not discover any evidence showing that the supervisor had violated any policy, rule, or statute, and the allegations were determined to be **UNFOUNDED** and **NOT SUSTAINED/INCONCLUSIVE**.

19033 IA – The OIG initiated this investigation after a Division of State Fire Marshal employee at the Fire College self-reported that he was charged criminally in a fraud case in Central Florida. The OIG reviewed the hiring process as the employee had recently been hired and Leadership of SFM was unaware that the subject was being investigated for fraud. The OIG discovered that the subject falsified his State of Florida application and Leadership failed to identify red flags that should have warranted further background investigation before completing the hiring process. **SUSTAINED**.

INVESTIGATIONS

19022 I – The OIG initiated this investigation after being informed by the Director of PAF that a PAF Supervisor was being insubordinate to a Bureau Chief, and that the supervisor felt she was being unfairly targeted by the Bureau Chief. The Director requested an independent investigation. The supervisor resigned while under investigation and the case had findings of **SUSTAINED** and **UNFOUNDED**.

19024 I – The OIG initiated this investigation after several Department-issued items were stolen from an employee assigned to the Office of the Chief of Staff. As a result of the investigation, allegations that the employee failed to take reasonable precautions to protect the items and failed to properly report the theft were **SUSTAINED**.

19028 I – The OIG initiated this investigation after a department employee was arrested and subsequently failed to report the arrest as required by department policy. The case had a finding of **SUSTAINED**.

19030 I – The OIG initiated this investigation after receiving a complaint that an A&AS employee was reporting to work with the odor of marijuana coming from her person. During the investigation, the employee admitted that she did smoke marijuana at her home without having a medical marijuana prescription. The OIG determined that the allegations were **SUSTAINED**.

PRELIMINARY INQUIRIES

19017 PI – The OIG initiated this preliminary inquiry after receiving a citizen complaint alleging that the citizen was not hired for a Department position in retaliation for the applicant's previous reporting of misfeasance, malfeasance, and gross misconduct against other state agencies. The OIG determined that the allegation was **UNFOUNDED**.

19020 PI – The OIG initiated this preliminary inquiry after a citizen alleged that FCCS did not conduct a proper investigation into her complaint about a cemetery and that the FCCS investigator was "rude and out of line." After attempts to follow up on the complaint, the complainant did not provide sufficient information to warrant additional investigation by the OIG, and this preliminary inquiry was **ADMINISTRATIVELY CLOSED**.

19021 PI – The OIG initiated this preliminary inquiry after receiving a citizen complaint alleging that a Department employee was improperly contacting the citizen's clients during an investigation conducted by the Division of Insurance Agent and Agency Services. The citizen also alleged that the Department's case against him was frivolous. The citizen's complaint regarding his clients being contacted during an investigation had previously been addressed

by the OIG in case #16014 PI. The citizen's complaint that the case against him was frivolous was reported to an administrative law judge during a DOAH hearing, as DOAH was the proper venue for this complaint to be addressed. Therefore, no further action by the OIG was necessary. The preliminary inquiry was **ADMINISTRATIVEY CLOSED**.

20018 PI – The OIG initiated this case after receiving a citizen complaint. The citizen, acting as a recovery agent for other citizens, alleged the Division of Unclaimed Property was reducing the recovery fees of the citizen in violation of Florida law. The preliminary inquiry determined that the Division of Unclaimed Property's practice of reducing the recovery fees claimed by the complainant was in compliance with applicable laws. The preliminary inquiry was **ADMINISTRATIVEY CLOSED**.

TECHNICAL ASSISTANCE

19027 TA – The OIG initiated this case after a request from the Department's Chief Information Security Officer. It was requested that the OIG obtain a forensic image of a laptop computer and Apple iPhone that had been issued to a former Office of Financial Regulation Commissioner.

Audit

The 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.

Audit also provides management advisory services to assist management with concerns that do not require extensive audit or consulting services. Audit provides management advisory services through various methods such as counsel, advice, facilitation, inspection, reviews, and training.

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:

- **Operational audits** are a systematic process of evaluating an organization's effectiveness and efficiency of operations under management's control. It may include an evaluation of policies and procedures, including management reporting and achievement of goals, as well as operations outside the control of management that may affect performance.
- **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 conformance 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, operational, and performance audits.
- **Information systems audits** evaluate the organization's internal controls over its management, administration, and operation of information technology 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 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.

Audit services provided by the Audit Section during Fiscal Year 2019-20 are summarized in the Internal Audit Overview section on page 16.

Internal Audit Overview

The DFS OIG either completed or is in the process of completing the audit and consulting engagements described below:

PROJECT NO. IA 19-503

Operational Audit: Agent and Agency Services, Bureau of Licensing

Audit is performing a limited review of the Agent and Agency Services, Bureau of Licensing (BOL) internal controls over the proper approval of licensing applications and processing of licensee records. The audit report was issued during FY 2019-20.

Finding: Review of key operational processes revealed the need for formalized BOL Internal Policies & Procedures.

OIG Assessment: BOL has initiated corrective actions to create formalized internal policies and procedures. The OIG will continue monitoring the finding until full implementation of corrective actions is achieved.

PROJECT NO. IA 19-501

Consulting Engagement: Accounting and Auditing Electronic Funds Transfer (In process)

Audit is performing a consulting engagement of the Accounting and Auditing, Electronic Funds Transfer process to identify opportunities for increased process efficiencies. The final audit report will be issued during FY 2020-21.

QUALITY ASSURANCE IMPROVEMENT PROGRAM (QAIP):

The OIG must ensure they are prepared for a Quality Assurance Review (QAR), every three years, and perform ongoing maintenance of a Quality Assurance and Improvement Program (QAIP). During the year, Audit implemented strategies that will add more value to its clients. The Audit Section has improved some of its audit processes and implemented best practices. Additionally, the OIG purchased an electronic tool that will facilitate the performance of audits in a more effective and efficient manner. Over the course of the fiscal year, the OIG began the process of installing the electronic audit software and training audit staff on its use to further increase the efficiency and effectiveness of audit projects.

The International Standards for the Professional Practice of Internal Auditing (Standards), Standard 2430 requires that use of the “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*” statement is only appropriate if supported by the results of the QAIP.

RISK BASED AUDIT PLANNING:

The Audit Section completes an annual risk assessment of DFS programs and activities to assist in developing an Annual and Long-Term Audit Work Plan (Work Plan). In 2020, the OIG surveyed 66 bureaus and offices within DFS to assess the extent of risk associated with a range of operational factors, such as the use of information technology, extent of oversight, 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 identifies planned internal audits and consulting engagements for the period July 1, 2020, through June 30, 2022.

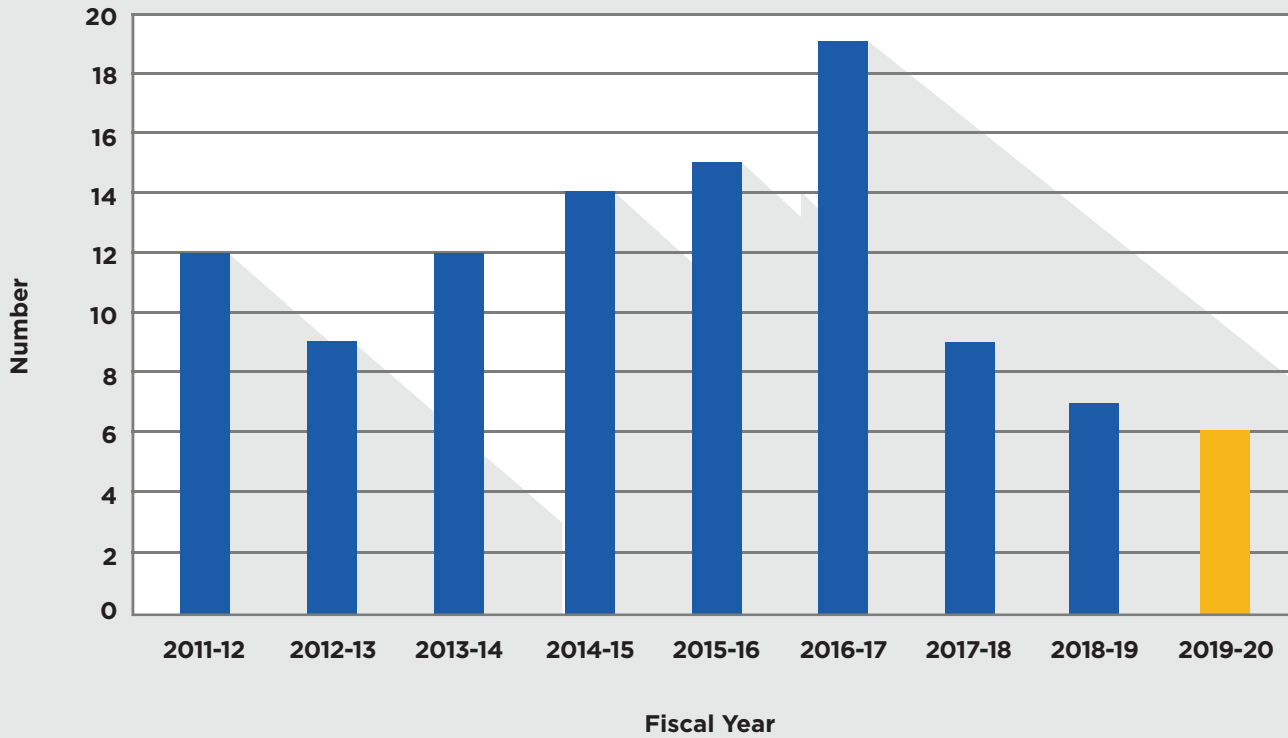
During the fiscal year, Audit also carries out on-going risk assessment activities to identify and assess areas of emerging risk. The OIG will revise the approved Work Plan as necessary to address emerging risks.

EXTERNAL AUDIT COORDINATION AND FOLLOW-UP REVIEWS:

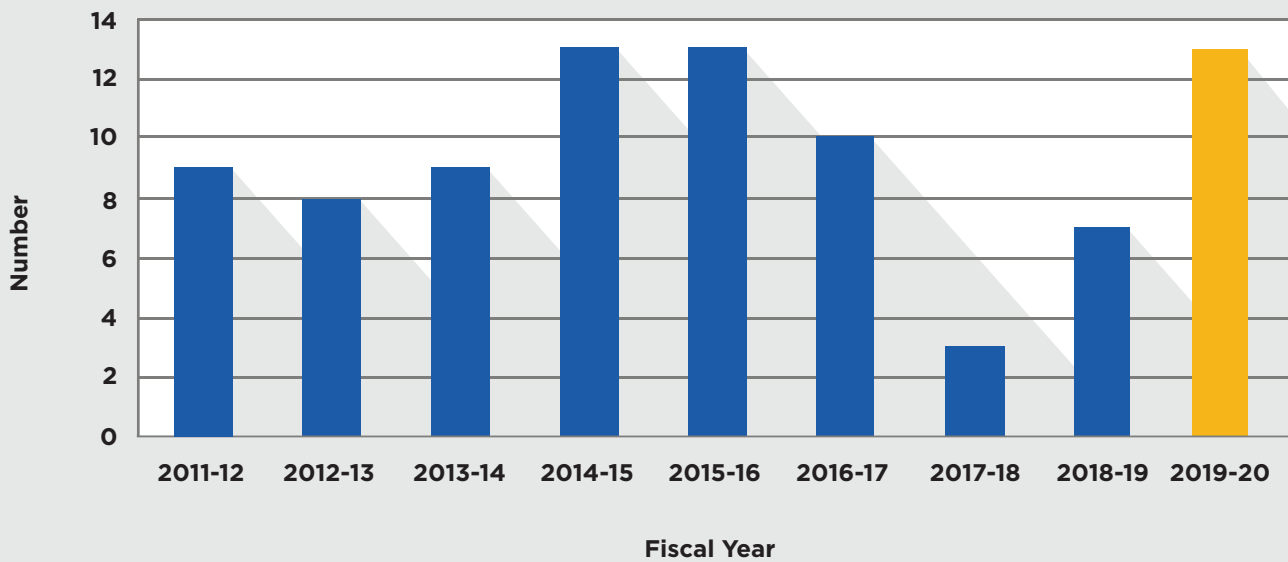
In addition to audits conducted by the Audit Section, DFS programs and operations are subject to audit by various external entities, such as the Auditor General (AG), the *Office of Program Policy Analysis and Government Accountability* (OPPAGA), and various federal and regulatory entities. The Audit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

Section 20.055, F.S., requires the OIG to monitor implementation of corrective action that DFS takes in response to findings and recommendations in reports published by the AG and OPPAGA. The Audit Section 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. In accordance with internal auditing standards, Audit also reports to the CFO on the status of corrective action taken in response to findings and recommendations made in internal audits. Audit 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.

NUMBER OF EXTERNAL COORDINATIONS BY FISCAL YEAR



NUMBER OF FOLLOW-UP REVIEWS BY FISCAL YEAR



External Audit Overview

External Coordination

The OIG is statutorily responsible for monitoring external audits (e.g., Auditor General audits) and to serve as the liaison to ensure effective coordination and cooperation.

Audit coordinated the following Auditor General audits and related management responses to the audits listed below:

- Auditor General Report No. 2020-056 *Division of Treasury Information Technology Operational Audit*, published November 18, 2019
- Auditor General Report No. 2020-170 *State of Florida - Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published March 25, 2020
- Auditor General Report No. 2020-095 *IT Operational Audit of FLAIR 2019*, published January 13, 2020

Audit coordinated the following Auditor General audits that were in process as of June 30, 2020:

- Auditor General *Department of Financial Services Operational Audit of the Division of Funeral, Cemetery and Consumer Services*
- Auditor General *IT Operational Audit of FLAIR 2020*
- Auditor General *Statewide Financial Statements & Federal Awards Audit for FYE June 30, 2020*

Follow-Up Reviews

Audit is statutorily required to perform a six-month follow-up on management corrective actions and performs follow-up on management corrective actions up to twenty-four months from the audit report issuance date.

Audit prepared the following Audit Follow-up reports on the status of the implementation of management's corrective actions:

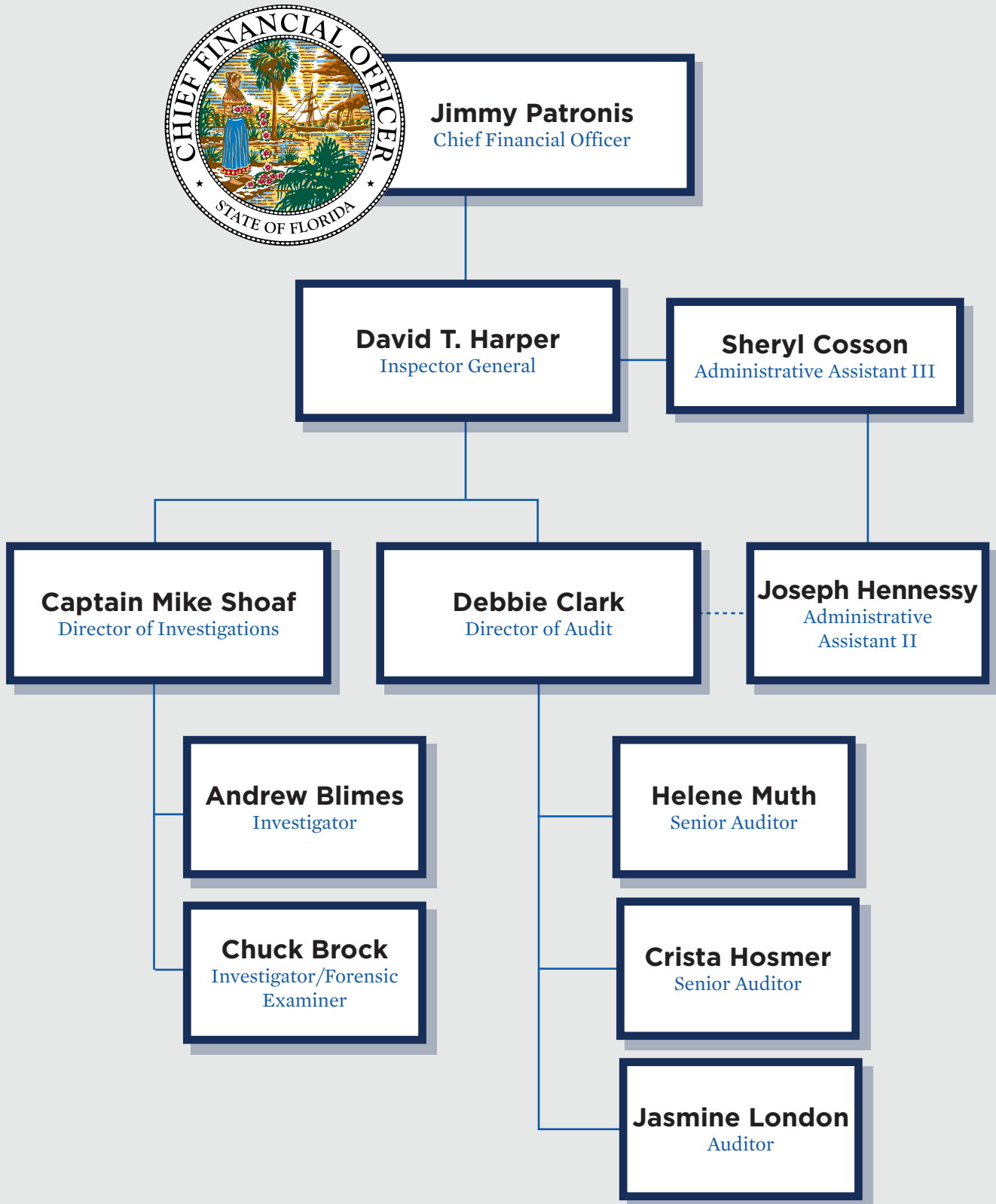
- Project IA 17-606 Twelve-Month Status Report – Auditor General Report Number 2018-211: *Division of State Fire Marshal and Information Technology Controls*, published August 23, 2019
- Project IA 17-606 Eighteen-Month Status Report – Auditor General Report Number 2018-211: *Division of State Fire Marshal and Information Technology Controls*, published December 9, 2019
- Project IA 17-606 Twenty-Four-Month Status Report – Auditor General Report Number 2018-211: *Division of State Fire Marshal and Information Technology Controls*, published May 22, 2020
- Project IA 18-601 Twelve-Month Status Report – Auditor General Report Number 2018-210: *Unclaimed Property Management Information System (UPMIS)*, published July 31, 2019
- Project IA 18-601 Eighteen-Month Status Report – Auditor General Report Number 2018-210: *Unclaimed Property Management Information System (UPMIS)*, published December 12, 2019
- Project IA 18-601 Twenty-Four-Month Status Report – Auditor General Report Number 2018-210: *Unclaimed Property Management Information System (UPMIS)*, published May 13, 2020
- Project IA 17-608 Twelve-Month Status Report – Auditor General Report Number 2019-028: *LOGGER*, published October 16, 2019

- Project IA 17-608 Eighteen-Month Status Report – Auditor General Report Number 2019-028: *LOGGER*, published March 19, 2020
- Project IA 16-502 Twelve-Month Status Report – DFS OIG Report Number IA 16-502: *Audit of the Bureau of Financial Services’ (BFS) Administration of the DFS PCard Program*, published December 3, 2019
- Project IA 16-502 Eighteen-Month Status Report – DFS OIG Report Number IA 16-502: *Audit of the Bureau of Financial Services’ (BFS) Administration of the DFS PCard Program*, published June 9, 2020
- Project IA 19-503 Six-Month Status Report – DFS OIG Report Number IA 19-503: *Audit of the Division of Agent and Agency Services’ Bureau of Licensing*, published May 18, 2020
- Project IA 18-605 Six-Month Status Report – Auditor General Report Number 2020-056: *Division of Treasury Information Technology Operational Audit (2019)*, published May 22, 2020

The following reports on Follow-up Reviews were in process as of June 30, 2020:

- Project IA 19-601 Six-Month Status Report – Auditor General Report Number 2010-095: *FLAIR Information Technology Operational Audit (2019)*

Organizational Chart Office of Inspector General



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 accomplished by attending Association of Inspectors General events as well as other networking opportunities offered by the following organizations: Association of Certified Fraud Examiners, The Institute of Internal Auditors, Association of Government Auditors, Florida Internal Affairs Investigators Association, National White-Collar Crime Center, and Information Systems Audit and Control Association (ISACA), to name a few.

In February 2019, the OIG became reaccredited through the Commission for Florida Law Enforcement Accreditation (CFA).

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

- Certified Contract Manager (3)
- Certified Financial Crimes Investigator (1)
- Certified Fraud Examiner (3)
- Certified Information Systems Auditor (2)
- Certified Inspector General (1)
- Certified Inspector General Auditor (4)
- Certified Inspector General Investigator (3)
- Certified Inspector General Inspector/Evaluator (1)
- Certified Internal Auditor (1)
- Certified Law Enforcement Officer (1)
- Certified Public Accountant (1)
- Certified Public Manager (1)
- Certified Supervisory Manager (1)

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:

- ACFE Global Fraud Conference
- ACFE/IIA Fraud Training Conference
- Association of Inspectors General Training Conference
- Criminal Justice Officer Ethics
- FLA-PAC Training Conference
- Guarding Credibility: Maintaining Objectivity in OIG
- FDLE - Public Integrity and Financial Crimes Conference
- Financial Crimes Against Elders
- Windows Memory Forensics
- Open Source Digital Forensics
- Gas Pump Skimming
- AIG Certified Inspector General Auditor Course
- Complaint Intake Training for Auditors, Investigators & other OIG Professionals
- IIA Tools and Techniques I: New Internal Auditor

Staff Biographies



DAVID T. HARPER INSPECTOR GENERAL

David T. Harper was appointed by CFO Jimmy Patronis as the Inspector General for the Florida Department of Financial Services in August 2018. Previously, he was the City Council appointed Inspector General for the City of Albuquerque. Harper retired in 2016 from a 40-year Air Force career, consisting of both military and civil service. He spent 35 years as a Special Agent for the Air Force Office of Special Investigations (AFOSI), where he primarily oversaw and investigated allegations of fraud and financial crime. While on active duty, he spent five years as an Air Force Security Policeman, in which he provided security to nuclear missiles and sensitive intelligence facilities. He has had a variety of assignments, which included the Chief of Economic Crime at HQ AFOSI, Quantico, VA, the Special Agent-in-Charge for the AFOSI Boston area office, and other fraud investigative positions in Los Angeles, New York City, Sacramento, Munich, and Berlin. His Air Force active duty service from 1976 to 1985 and reserve service from 1985 to 1993, included assignments in California, North Dakota, New Jersey, and Europe.

Harper holds a Master of Public Administration from California State University, Dominguez Hills, and a Bachelor's degree in Criminal Justice from Sacramento State University. He also has an associate degree from the University of Maryland, College Park, and the Community College of the Air Force. He is a Certified Inspector General and serves on the national board of the Association of Inspectors General. He is a Certified Fraud Examiner and served on the board of the New Mexico ACFE Chapter, and currently serves on the board of the Tallahassee ACFE Chapter. Finally, he's a Certified Financial Crimes Investigator with the International Association of Financial Crimes Investigators. He's a member of the Fraternal Order of Police, Albuquerque Lodge 1, the Veterans of Foreign Wars, the American Legion and the Disabled American Veterans. He has received several awards from his Air Force service, to include the Air Force Outstanding Civilian Service Award. Recently, he was honored with the "Criminal Justice Alumni Distinguished Leadership & Service Award" for fraud and financial crimes by his Alma Mater, Sacramento State.



DEBBIE CLARK

DIRECTOR OF AUDIT

Debbie Clark is the Director of Audit and Chief Audit Executive for the DFS OIG and formerly, the Audit Director for the DEO OIG. Clark worked over 13 years in the Office of the Auditor General as an auditor and later a lead auditor where she performed as the team lead on a variety of financial, operational and information technology audits for several state agencies. As Audit Director at DEO, she was responsible for the supervision of a staff of five auditors and participated in employee engagement, talent management, communications, diversity and inclusion. Additionally, while at DEO she became an expert in the disaster recovery program, which required an internal audit function of the federal funding for each natural disaster and oversaw the implementation of an aggressive audit plan designed to mitigate risk in disaster recovery funding. Clark earned a BA and a Master's in Accounting from the University of West Florida, in Pensacola, Florida, and a Master's in Information Technology, Project Management from Kaplan University, online. She is a licensed CPA, a Certified Inspector General Auditor, and a Certified Information Systems Auditor.



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. His time and exposure as a Deputy led to a position with the Tallahassee Community College Campus Police Department. Shoaf's background has been with Department of Environmental Protection, Division of Law Enforcement, where he was promoted from Officer, to Corporal, to Agent. After six years of resource protection and environmental investigations, Shoaf made his segue into the inspector general community. He has been in the IG community for the last 13 years, working as a sworn IG investigator for the Department of Business and Professional Regulation, Department of Transportation, and DFS. In 2014, he was promoted to his current position as the Director of Investigations for the DFS OIG. Shoaf 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 his 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 OIG team and has over 15 years in her current position as Administrative Assistant to the Inspector General. Cosson began working for DFS over 30 years ago and brings a vast amount of experience, which is vital to the OIG's operations. As the OIG office manager, she is liaison for all personnel and purchasing actions, and serves as coordinator for public records requests, records management, and information technology issues.

JOSEPH HENNESSY

ADMINISTRATIVE ASSISTANT II

Joseph Hennessy graduated from Florida State University in 2019 with a Bachelor of Science in International Affairs and Bachelor of Arts in Music. As an undergrad, Hennessy earned certificates in Emergency Management & Homeland Security and Music Entrepreneurial Studies. While in school, he worked as an immigration law intern at the law office of Matt Liebenhaut, an office assistant for FSU Housing, and served as the business manager for a nationally-competitive a cappella group. He studied abroad in Croatia, researching international security and cooperation in southeastern Europe, and engaged in the Tallahassee community as a volunteer outreach facilitator for the FSU Center for Leadership and Social Change. In March 2020, Hennessy joined the OIG as Administrative Assistant II. Currently, he is attending graduate school full time pursuing a Master's in Public Administration at Florida State University and serving as president of the Public Administration Graduate Association.



ANDREW BLIMES

INVESTIGATOR

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. Blimes joined the DFS OIG in August 2014. He holds a bachelor's degree in finance and business administration and a Master of Business Administration from Florida State University. He is also a Certified Fraud Examiner, a Certified Inspector General Investigator, a Certified Inspector General Inspector/Evaluator, a Certified Inspector General Auditor, a Florida Certified Contract Manager, and an assessor for the Commission for Florida Law Enforcement Accreditation.



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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 holds a bachelor's degree in English from Florida State University. Brock 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. He 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. 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. In addition, he helped establish state-of-the-art computer forensic capabilities for the DFS OIG shortly after his arrival in March 2014. Mr. Brock is a Certified Inspector General Investigator and a Florida Certified Contract Manager.





CRISTA HOSMER

SENIOR AUDITOR

Crista Hosmer joined the DFS OIG in June 2019, while continuing a rewarding career in the State of Florida that began in 2004. Her work experience includes seven years in the DFS Division of Accounting and Auditing, including three years as a Financial Administrator supervising nine auditors. As supervisor, her audit team performed vendor and grant recipient contract reviews and expanded audits of payment, and consistently received an Exceptional rating in Quality Assurance. Hosmer is a graduate of DFS's Leadership Excellence (LEX) program in Levels 1 and 2, served as a business requirements evaluator for the Florida PALM project, performed as a User Acceptance Tester for several systems and projects, and was a member of the Florida Grant Consortium's DFS Work Group. Prior to her work at DFS, Hosmer worked for eight years at the Department of State as a grant manager and as an archivist at the Florida State Archives. Hosmer holds a bachelor's degree with high honors from the University of Florida and a master's degree and certificate in professional writing from Florida State University. Ms. Hosmer is also a Certified Inspector General Auditor and Florida Certified Contract Manager.



HELENE MUTH

SENIOR AUDITOR

Helene Muth joined the DFS OIG in 2014, after obtaining rewarding professional IT and operational auditing experience through her tenure in several State of Florida Inspector General offices, for a combined total of 18 years' OIG experience. Prior to joining the State of Florida, Muth served 20 years in the U.S. Navy, focusing primarily on Information Technology. Muth is a Certified Internal Auditor and Certified Information Systems Auditor, with a bachelor's degree in management.



JASMINE LONDON

AUDITOR

Jasmine London began her state employment in 2017 as a Florida Abuse Hotline Counselor for the Department of Children and Families. In 2018, she became the financial assistant for Andrew Gillum's governor campaign. In December of 2018, London began her career in auditing as an Operations Analyst II with the Department of Financial Services' Office of Insurance Regulation's Office of Inspector General. She joined the DFS OIG in September of 2019 as an auditor. London possesses a bachelor's degree in Psychology from Florida State University. She is an active member of the Institute of Internal Auditors and the Association of Inspectors General and is a Certified Inspector General Auditor.

OIG Outreach

The OIG fosters strong relationships with Department leadership and proactively looks for opportunities to better assess and positively impact Department performance and operations. The OIG maintains frequent and ongoing communications with departmental staff and the public, while providing awareness and educational opportunities. Additionally, in order to further improve the quality of services it provides the Department, the OIG continually solicits informal and formal feedback and pursues best practices by engaging with the broader OIG community.

The Inspector General provided “Ethics and the Role of the OIG” training to newly promoted and hired supervisors during the Department’s “Academy of Management Excellence” program and provided materials that explain the OIG’s role and the complaint process related to fraud, waste, and abuse. Lastly, at the request of the Department and IG community, the OIG provided training on the following topics:

- Guarding Credibility
- Public Corruption
- Internal Controls
- Computer Forensics
- Ethics
- Role of the OIG
- Management Boot Camp
- New Employee Orientation (NEO)
- NEO for DIFS



