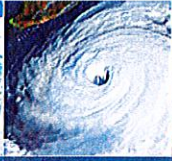


Florida Department
of Financial Services



Alex Sink
Chief Financial Officer

Office of Inspector General

Robert E. Clift
Inspector General

Annual Work Plan

Fiscal Years

2007/2008

&

2008/2009

*"OUR MISSION IS TO PROMOTE INTEGRITY,
ACCOUNTABILITY, AND PROCESS IMPROVEMENT IN
THE DEPARTMENT OF FINANCIAL SERVICES"*



REPRESENTING
ALEX SINK
CHIEF FINANCIAL OFFICER
STATE OF FLORIDA

March 26, 2008

The Honorable Alex Sink
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Sink:

Attached is the Office of Inspector General's (OIG) proposed Long-Range Work Plan for the remaining portion of fiscal year 2007/2008 and fiscal year 2008/2009. The Plan is required by Section 20.055, Florida Statutes, and an approved copy will be sent to the Office of the Auditor General. Pages 11 and 12 of the Plan identifies audit engagements to be completed by the OIG, and estimates workloads for other assignments such as consulting engagements and special projects.

Section 20.055(5)(h), Florida Statutes, also requires your approval of the Plan. If you have any questions or would like to discuss the Plan further, I am available at your convenience.

Sincerely,

A handwritten signature in blue ink that reads "Robert E. Clift".

Robert E. Clift

cc: Jim Cassady

Attachment

A handwritten signature in black ink that reads "Alex Sink".

Approved by the Chief Financial Officer

FLORIDA DEPARTMENT OF FINANCIAL SERVICES
Robert E. Clift • Inspector General
200 E. Gaines St. • Tallahassee, FL 32399-0312 • Tel. 850-413-3112 • Fax 850-413-4973
Email • Bob.Clift@myfloridacfo.com

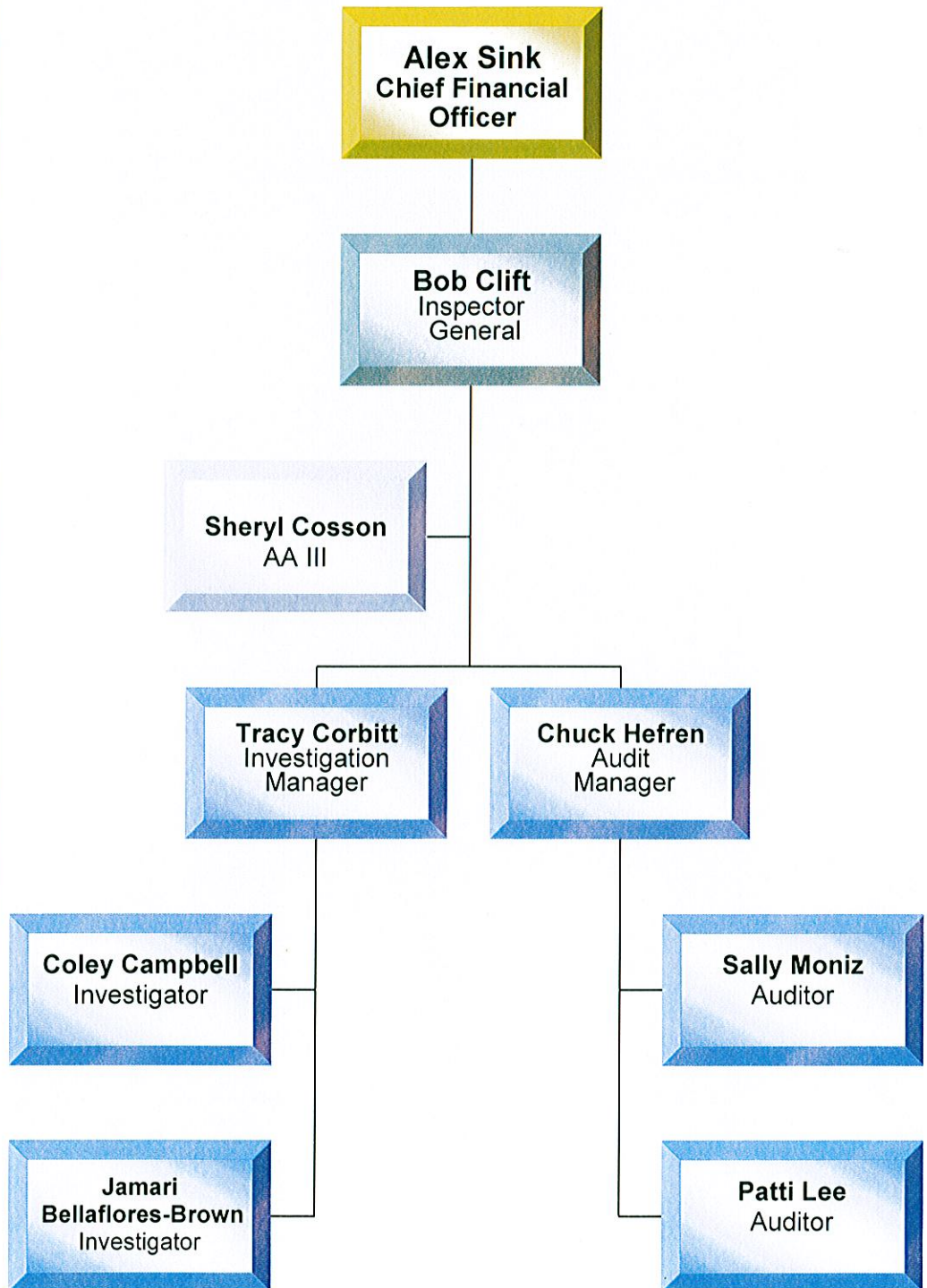
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OIG ORGANIZATION

The Inspector General is appointed by and reports to the Chief Financial Officer. Within the OIG, there are two sections: the Audit and Investigation Sections.



MISSION STATEMENT AND VISION

OIG MISSION STATEMENT AND VISION

The mission of the Office of Inspector General is to promote integrity, accountability and process improvement in the Department.

Our Vision is to be key and indispensable players on the DFS team:

- Championed by our customers;
- Benchmarked by our counterparts; and
- Dedicated to quality in our products and services.

DUTIES AND RESPONSIBILITIES

ORGANIZATION

The Inspector General (IG) has specific duties and responsibilities outlined in Section 20.055, Florida Statutes. These duties and responsibilities, as well as other duties and responsibilities as directed by the Chief Financial Officer, are performed by our office within the Audit or Investigation Section.

INVESTIGATION SECTION

The Investigation Section is responsible for evaluating complaints and conducting internal investigations of Department employees. These inquiries and complaints may be received from the Department of Financial Services employees, Chief Financial Officer's "Get Lean" Hotline, Legislators, other state agencies, and the public. Investigations are designed to deter, prevent and eradicate fraud, waste, mismanagement, misconduct and other abuses.

AUDIT SECTION

The Audit Section functions as an independent and objective assurance and consulting activity with the purpose of providing information on the adequacy and effectiveness of the Agency's system of internal controls to provide reasonable assurances the Department's goals and objectives are achieved. This Section performs Compliance, Performance and Comprehensive engagements, along with consulting services.

Audit Engagements are performed in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* (i.e., "red book") published by the Institute of Internal Auditors (IIA) and result in written reports of findings and recommendations, including responses by management. These reports are distributed internally to the Chief Financial Officer and affected program managers, and to the Office of the Auditor General.

ENGAGEMENT TYPES

Consulting services do not necessarily conform to all of the required professional standards of the International Standards for the Professional Practice of Internal Auditing; however, consulting services are intended to provide value added services to management through various alternative methods such as counsel, advice, facilitation, inspection, reviews and training.

Compliance: Compliance engagements are performed to determine if the program or process is complying with applicable laws, rules, and regulations to include an evaluation of the adequacy of the control framework to manage the risk of not achieving the goals and objectives of the program or process. Compliance engagements may include a determination of the reliability and validity of data and the adequacy of controls to ensure information security.

**ENGAGEMENT
TYPES (CONT'D.)**

Performance: Performance engagements analyze the efficiency and economy of programs or processes that are performed by the program area. Performance engagements also include each of the objectives of a compliance engagement.

Comprehensive: Comprehensive evaluations assess the effectiveness of the program or process in achieving the Departments goals and objectives. Comprehensive audits also include all of the objectives of a performance engagement.

THE WORK PLAN

PURPOSE AND SCOPE

The OIG Work Plan (Plan) serves to identify and plan for anticipated workload by staff. The purpose of the Plan is to maximize available resources in the OIG, so projects will provide the greatest benefit to the Department. Exhibit A identifies projects to be completed during the remainder of this fiscal year (2007/2008) and Exhibit B identifies projects to be undertaken during the 2008/2009 Fiscal Year. The Exhibits referred to above also include the projected staff time to complete each project. The illustration below shows the calculation for estimating the available hours for the OIG audit staff, consisting of two internal auditors and one audit director.

Total Available Hours (52 wks x 40 hrs)		2,080	
Less:			
Leave	176		
Sick	96		
Training	40		
Holidays	80		
Administration	<u>208</u>	<u>- 600</u>	
Available Audit Hours/per FTE		1,480	
Audit Staff (2) @ 100%		x 2 2,960	
Audit Director 1 @- 50%		½ 740	
Internal Audit Hours Available			<u>3,700</u>

REQUIREMENT

Section 20.055(5)(h), Florida Statutes, requires the Inspector General to develop long-term and annual audit plans based on findings of periodic risk assessments of Department activities, processes and programs. The plans show the individual engagements and consulting services to be conducted during each year and related resources to be devoted to the respective audits. The plan shall be submitted to the Chief Financial Officer for approval and a copy of the approved plan shall be submitted to the Office of the Auditor General. The Inspector General conducts risk assessments on an annual basis, in accordance with the International Standards for the Professional Practice of Internal Auditing.

DESCRIPTION

The Work Plan has many purposes and intended benefits which include:

- Assisting the department in meeting its mission by planning activities through a risk-based process to provide reasonable assurances the Department is achieving its goals and objectives.
- Informing department managers, outside agencies and other entities of our mission, activities and planned audit coverage, and;
- Familiarizing department staff with the functions and services we provide.

METHODOLOGY

State Law does not provide specific requirements regarding the methodology to use in performing periodic risk assessments. To identify the Auditable Units (Exhibit C) with the greatest inherent risk, we used the **Risk Evaluation Scores** calculated from the most recent Risk Assessment survey and analysis (Exhibit G). We then considered the following factors in the development of the overall assessment:

- Management identified areas of concern
- Department Goals and Objectives
- Digital Dashboard measures
- Significant prior audit findings

MANAGEMENT IDENTIFIED AREAS OF CONCERN

The Inspector General and the Audit Director met with the Chief Financial Officer and other members of the Department's Senior Management to identify and evaluate areas of significant risks within the Department. The auditable units, identified by the team as being high risk, are shown in Exhibit D.

DIGITAL DASHBOARD & PRIOR AUDIT FINDINGS

We reviewed the Department's Digital Dashboard for re-engineering projects that we believe contained significant inherent risk. We also took into consideration findings from prior audits. For example, if the Auditor General, OPAGA, or DFS issued an audit report with significant findings, we took those findings into consideration when ranking the auditable units. A list of those projects we considered high risk and also, the areas with significant prior audit findings are shown in Exhibit E.

LONG RANGE PROGRAM PLAN

We have included the Long Range Program Plan (LRPP) Goals and Objectives as a risk measure since they are essential to the Department in reaching its mission. Exhibit F contains a list of the Department's Goals and Objectives.

SCORING

Based on the knowledge, experience, and professional judgment of the OIG staff, point values were assigned to each of the four factors. The points for each auditable unit were tallied and added to the scores resulting from the most recent Risk Assessment Survey. The points assigned to each factor are:

- Management identified areas of concern 200 points
- LRPP Goals and Objectives 50 points
- Digital Dashboard measures 25 points
- Significant prior audit findings 25 points

The total points for each auditable unit are shown in Exhibit G.

**ONGOING FY 2007/2008
AUDIT SECTION PROJECTS
EXHIBIT A**

Program Area		Engagement Objectives	Remaining Audit Hours
1.	Funeral & Cemetery Services	<u>Performance Engagement</u> of the Pre-need Funeral Contract Consumer Trust Fund	300
2.	Surplus Property Disposition	<u>Performance Engagement</u> of the Division of Administration surplus property internal controls	50
3.	Division of Risk Management	<u>Comprehensive Engagement</u> of the Division including but not limited to: <ul style="list-style-type: none"> • Educational Outreach • Performance Indicators • Effectiveness of litigation strategy in reducing volume of claims and associated assessments. • Evaluation of budgeting process and controls over associated expenditures • Evaluation of the appropriateness of the agency assessment allocation process 	700
4.	Reviewing Agency Policies & Procedures	<u>Consulting Services</u> to review modified Department AP&P's	50
TOTAL AUDIT HOURS			1,100

**AUDIT SECTION PROJECTS
JULY 1, 2008 – JUNE 30, 2009
EXHIBIT B**

Program Area	Engagement Objectives	Estimated Audit Hours
1. Division of Treasury//Bureau of Funds Management	<u>Comprehensive Engagement</u> Internal & External Portfolio Internal Controls	750
2. Division of Information Services	<u>Performance Engagement</u> to review the: <ul style="list-style-type: none"> • adequacy of contractual language to ensure receipt of specified deliverables within negotiated time and budget requirements • efficiency and effectiveness of staff augmentation contracts as an alternative to FTEs (basis and justification for award) 	500
3. Division of Information Services	<u>Performance Engagement</u> to validate the appropriateness of the criteria used by the division to determine the need for each software application	500
4. Agent and Agency Services/ Funeral, Cemetery & Consumer Services	<u>Performance Engagement</u> to validate the reliability, efficiency and effectiveness of the Agency Licensing & Information System (ALIS) in assisting each program in achieving its goals and objectives	500
5. Division of Accounting & Auditing/Bureau of Auditing	<u>Performance Engagement</u> to determine the Impact of increasing audit criteria from \$1,000 to & \$10,000	500
6. Division of Administration/ Bureau of Financial & Support Services	<u>Compliance Engagement</u> to review the adequacy of internal controls to ensure cash receipts are appropriately processed	350
7. Division of Administration	<u>Performance Engagement</u> to review the Department's Property & Equipment Program a collaborative effort with OFR OIG	200
8. Work Plan	<u>Special Project</u> - to perform the Annual Risk Assessment & Prepare the Work Plan	100
9. Reviewing Agency Policies & Procedures	<u>Consulting Services</u> - to review Department AP&P's prior to implementation	200
10. Assisting Investigation Section & Other Projects	<u>Special Project</u> - Ongoing	100
TOTAL ANNUAL AUDIT HOURS		3,700

AUDITABLE UNITS EXHIBIT C

Division of Accounting & Auditing

- Bureau of Accounting
- Bureau of State Payrolls
- Bureau of Unclaimed Property
- Bureau of Auditing
- Bureau of Local Government
- Office of Fiscal Integrity

Division of Rehabilitation & Liquidation

Division of Administration

- Bureau of Financial & Support Services
- Bureau of General Services
- Bureau of Human Resource Management
- Office of Budgeting

Division of Risk Management

- Bureau of Property, Financial and Risk Services
- Bureau of State Liability Claims
- Bureau of State Employee's Workers' Comp Claims

Division of Workers' Compensation

- Bureau of Operations & Support
- Bureau of Monitoring & Audit
- Bureau of Employee Assistance
- Bureau of Compliance
- Office of Data Quality and Collection

Division of Consumer Services

- Bureau of Education, Advocacy and Research
- Bureau of Consumer Outreach
- Bureau of Consumer Assistance

Division of Legal Services

Division of Insurance Agents & Agency Services

- Bureau of Investigation
- Bureau of Licensing

AUDITABLE UNITS EXHIBIT C

Division of State Fire Marshal

- Bureau of Fire and Arson Investigations
- Bureau of Forensic Fire and Explosive Analysis
- Bureau of Fire Prevention
- Bureau of Fire Fighter Standards and Training

Division of Insurance Fraud

- Bureau of Workers' Compensation Fraud
- Law Enforcement Regions
- Office of Professional Standards & Planning

Division of Information Systems

- Bureau of Accounting Systems Design
- Bureau of Programming Design
- Bureau of Financial Applications
- Bureau of Insurance Applications
- Bureau Mainframe Infrastructure Support
- Bureau Distributed Infrastructure
- Bureau of Enterprise Infrastructure & Operations
- Office of Project Management

Division of Treasury

- Bureau of Collateral Management
- Bureau of Funds Management
- Bureau of Deferred Compensation

Division of Funeral, Cemetery & Consumer Services

My Safe Florida Home Mitigation Program

**MANAGEMENT IDENTIFIED
AREAS OF CONCERN
EXHIBIT D**

Priority	Division/Area	Engagement Type	Specific Issues
1	RISK MANAGEMENT	Comprehensive Audit	<p>Educational Outreach</p> <ul style="list-style-type: none"> ▪ DFS general deterrence activities in state agencies to reduce exposure ▪ DFS specific deterrence with agencies post litigation (lessons learned) <p>Performance Indicators</p> <ul style="list-style-type: none"> ▪ Are the right outcomes being measured? ▪ Is the data reliable? <p>Effectiveness of litigation strategy in reducing volume of claims and associated assessments.</p> <p>The evaluation of budgeting process and controls over associated expenditures</p> <p>An evaluation of the appropriateness of the agency assessment allocation process</p>
2	Treasury/Bureau of Funds Management	Comprehensive Audit	Adequacy of Internal Controls for internal and external portfolios

**MANAGEMENT IDENTIFIED
AREAS OF CONCERN
EXHIBIT D**

Priority	Division/Area	Engagement Type	Specific Issues
3	INFORMATION SERVICES Service and Augmentation Contracts	Performance Audit	Adequacy of contractual language to ensure receipt of specified deliverables within negotiated time and budget requirements. Efficiency and effectiveness of staff augmentation contracts as an alternative to FTEs (basis and justification for award)
4	INFORMATION SERVICES Application Management	Performance Audit	Validate the appropriateness of the criteria used by the division to determine the need for each software application
5	AGENT AND AGENCY SERVICES and FUNERAL, CEMETERY & CONSUMER SERVICES ALIS	Performance Audit	Reliability, efficiency and effectiveness of ALIS in assisting each program in achieving its goals and objectives.
6	ACCOUNTING AND AUDITING Selection Criteria	Performance Audit	Impact of increasing audit criteria from \$1,000 to & \$10,000
7	ADMINISTRATION Cash Receipts	Compliance Audit	Adequacy of internal controls to ensure cash receipts are appropriately processed

DIGITAL DASHBOARD PROJECTS & PRIOR AUDITS EXHIBIT E

Program Area	Project	Audit
Division of Accounting & Auditing/Bureau of Unclaimed Property	UPMIS	Auditor General Audit 2007-186
Division of Administration/Bureau of Financial & Support Services	Cost Allocation Project	OIG P-Card Audit 0506-5A
Division of Administration/Bureau of General Services	Contract Process Improvement Project	
Division of Insurance Agent & Agency Services/Bureau of Licensing	Legislative changes to increase conformity with NAIC uniformity standards Rewrite penalty guidelines and other rules/procedures ALIS	
Division of Insurance Agent & Agency Services/Investigations	On-line Complaint Comparison system	
Division of Consumer Services	On-line Complaint Comparison System	
Division of Information Services	Costs allocation Project	Auditor General Audit UPMIS 2007-186 Auditor General Audit-FLAIR 2008-026
Division of Rehabilitation & Liquidation	File Net (Phase 1 & 2) Claim Net (Phase 2)	
Division of Treasury/Deferred Compensation	Loan Tracking (DCLT)	
Division of Workers Compensation	On-line payment of penalties for carriers (CPS)	
Division of Workers Compensation/Bureau of Compliance		<u>OIG Audit 06/07-01A</u>

LONG RANGE PROGRAM PLAN GOALS & OBJECTIVES EXHIBIT F

- Division of Funeral, Cemetery and Consumer Services
Objective 3D: Prevent misappropriation of care and maintenance, preconstruction and pre-need trust funds
Objective 3E: Ensure funeral establishments, direct disposal establishments, central embalming facilities, refrigeration services and removal services comply with health and safety standards
Objective 3F: Ensure all licensed cemeteries are keeping accurate burial records and are properly maintaining the cemetery grounds
- Division of Workers Compensation/Bureau of Data Quality and Collection
Objective 3G: Implement an efficient, accurate and real time electronic data interchange claims reporting system for the Florida Workers' Compensation system, using the national standard for electronic claims reporting.
- Division of Agent and Agency Services/Bureau of Investigations
Objective 3H: Protect insurance-buying consumers from financial harm and deceitful practices
- Division of Legal Services
Objective 3I: Increase the number of insurers receiving service of process by electronic means

FIRE SAFETY

Goal 4. The State Fire Marshal shall effectively prevent and discourage arson and arson related crimes for the protection of Florida's citizens and their property

- Division of State Fire Marshal/ Bureau of Fire Prevention
Objective 4A: Increase fire and life safety through aggressive inspections, investigations and education
Objective 4B: Increase fire and life safety through aggressive inspections, investigations and education (Boiler Safety)
- Bureau of Forensic Fire and Explosives Analysis
Objective 4C: Maintain average turnaround time for sample analyses completions
- Florida Fire Incident Reporting System
Objective 4D: Obtain 100% reporting by Florida fire departments submitting EMS and fire incidents to the Florida Fire Incident Reporting System

EDUCATION

Goal 5. Our customers will receive timely, helpful and accurate information upon which they can act to protect themselves and their assets

- Division of Consumer Services
Objective 5A: Increase service levels for those Floridians requiring insurance or financial assistance.

LONG RANGE PROGRAM PLAN GOALS & OBJECTIVES EXHIBIT F

- Division of Treasury/Bureau of Deferred Comp
Objective 5B: Assist state employees in achieving financial security in their retirement years
Objective: To increase the number of homeowners obtaining savings on their hurricane insurance.
- Division of State Fire Marshall/Bureau of Fire Standards & Training
Objective 5C: Increase firefighter safety and health through aggressive inspection, investigation and accreditation
- Division of Risk Management
Objective 5D: Reduce the frequency of claims resulting from unsafe working conditions in state agencies

ADVOCACY

Goal 6. The department will protect customer interests inside and outside state government.

- Office of Insurance Consumer Advocate
Objective 6A: Identify market conditions or insurer practices that adversely or positively affect
Objective 6B: Review all incoming individual consumer requests for assistance including inquiries received via internet and e-mail.
- Division of Consumer Services
Objective 6C: Ensure consumers are provided full benefits and services as stated in their financial contracts and insurance policies
- Division of Information Services
Objective 6D: Provide exceptional customer service and achieve a customer survey rating of a (4) or better in a 5-point rating scale.
- Division of Administration
Objective 6E: Assist the department in maximizing financial, operational and human resources
- Office of Inspector General
Objective 6F: Provide internal customers with what they need most in OIG investigations: timeliness and sufficiency
Objective 6G: Provide internal customers with audit coverage of high risk projects and programs
- Office of Chief of Staff
Objective 6H: Ensure that quality services are provided to the public by the department
Outcome: Percentage of requests for assistance that are reviewed, responded to or referred within 10 days of receipt

RISK ASSESSMENT RESULTS

EXHIBIT G

Auditable Units		06/07 Risk Survey	Mgt Identified Areas of Concern	LRPP Goals	Digital Dash-Board Projects	Significant Prior Audit Findings	Total Results
1	Risk Management/Bureau of Property, Financial & Risk	265	200	50	200		715
2	Risk Management/Bureau of State Employees WC Claims	249	200	50	200		699
3	Risk Management/Bureau of State Liability Claims	217	200	50	200		667
4	Agent & Agency Services/Bureau of Licensing	217	200	25	150		592
5	Administration/Bureau of Financial & Support Services	247	200		50	25	522
6	Funeral, Cemetery & Consumer Services	269	200	25			494
7	Accounting & Auditing/Bureau of Auditing	230	200	50			480
8	Information Services	177	200	25	50	25	477
9	Accounting & Auditing/Bureau of Unclaimed Property	363		25		25	413
10	Treasury/Bureau of Funds Management	181	200	25			406

RISK ASSESSMENT RESULTS

EXHIBIT G

Auditable Units		06/07 Risk Survey	Mgt Identified Areas of Concern	LRPP Goals	Digital Dash-Board Projects	Significant Prior Audit Findings	Total Results
11	Rehab & Liquidation	231		50	100		381
12	Workers' Compensation/Bureau of Compliance	327		25		25	377
13	Treasury/Bureau of Deferred Compensation-	300		25	50		375
14	Workers' Compensation/Bureau of Monitoring & Audit Penalty Section	349		25			374
15	Agent & Agency Services/Investigations	255		25	50		330
16	Workers' Compensation/Bureau of Employee Assistance	329					329
17	Administration/Bureau of General Services	247		25	50		322
18	Workers Compensation/Bureau of Data Quality & Collection	277		25			302
19	Insurance Fraud/SIU Unit Compliance Section	277					277
20	State Fire Marshal/Bureau of Fire & Arson Investigations	233		25			258

RISK ASSESSMENT RESULTS

EXHIBIT G

Auditable Units		06/07 Risk Survey	Mgt Identified Areas of Concern	LRPP Goals	Digital Dash-Board Projects	Significant Prior Audit Findings	Total Results
21	State Fire Marshal/Bureau of Fire Prevention	231		25			256
22	State Fire Marshal/Bureau of Standards & Training	231		25			256
23	Consumer Services/ Education Advocacy & Research	203		50			253
24	Accounting & Auditing/Bureau of Accounting	225		25			250
25	Administration/Bureau of Human Resources	241					241
26	Accounting & Auditing/Office Fiscal of Integrity	209		25			234
27	Treasury/Bureau of Collateral Management	207		25			232
28	Consumer Services/Bureau of Consumer Outreach	231					231
29	Consumer Services/Bureau of Consumer Assistance	231					231
30	Workers' Compensation/Bureau of Assessments	193		25			218
31	Insurance Fraud/Bureau of Workers' Comp Fraud	207					207
32	State Fire Marshal/Administration & Support	205					205

RISK ASSESSMENT RESULTS EXHIBIT G

Auditable Units		06/07 Risk Survey	Mgt Identified Areas of Concern	LRPP Goals	Digital Dash-Board Projects	Significant Prior Audit Findings	Total Results
33	Accounting & Auditing/Bureau of State Payrolls	203					203
34	State Fire Marshal/Bureau of Compliance & Enforcement	200					200
35	Accounting & Auditing/Bureau of Local Government	195					195
36	Insurance Fraud/Professional Standards & Training	185					185
37	State Fire Marshal/Forensic Fire & Explosives Analysis	153		25			178
38	My Safe Florida Home Program	n/a		25		25	50
39	Office of the Insurance Consumer Advocate	n/a		25			25