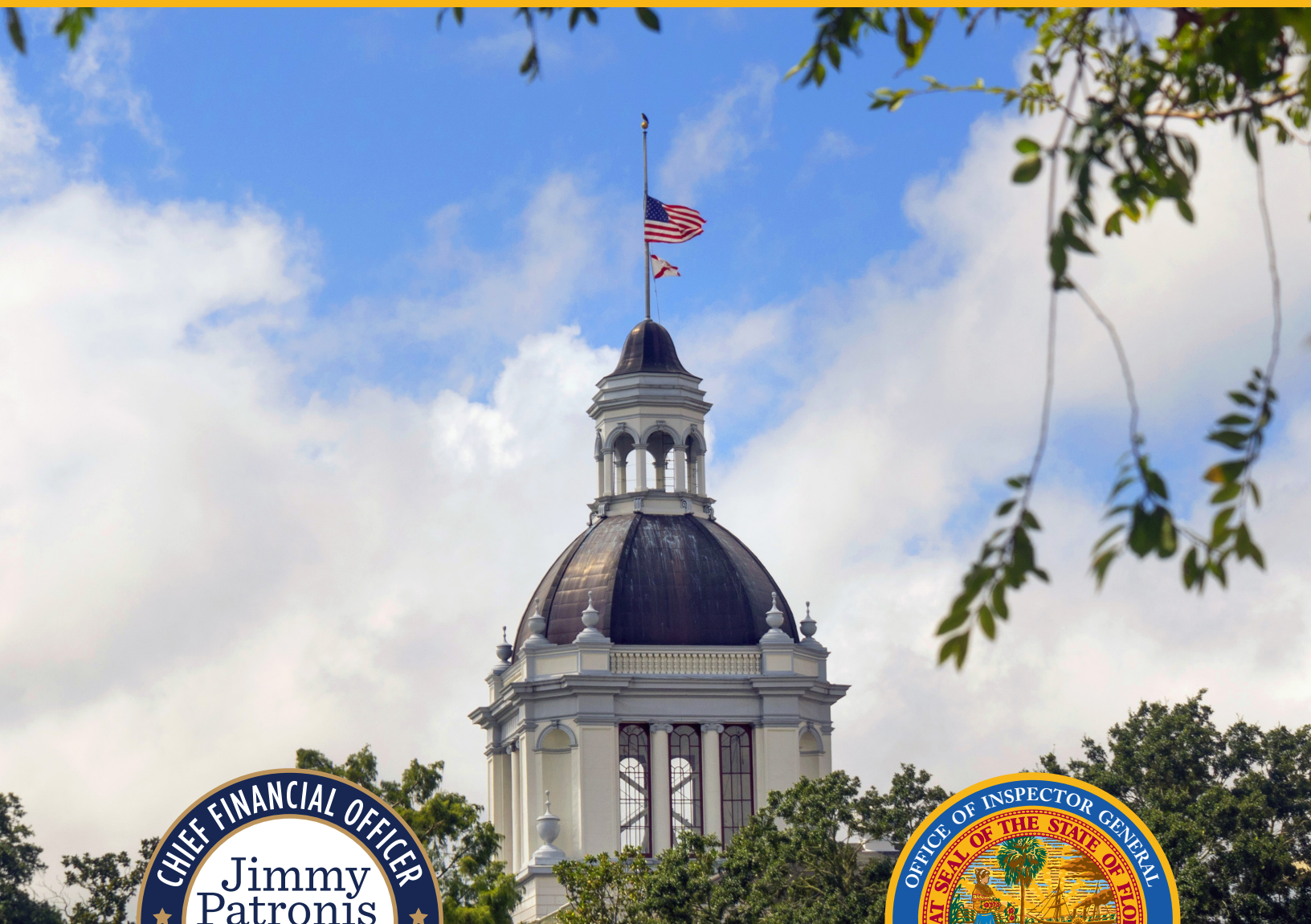


*Office of*  
**INSPECTOR GENERAL**  
*DEPARTMENT of FINANCIAL SERVICES*  
**ANNUAL REPORT**  
**2018**



# Message from the Inspector General

---

On behalf of the Department of Financial Services Office of Inspector General (OIG), I am pleased to present the 2017-18 Annual Report. The purpose of this report is to provide a comprehensive overview of our activities during the 2017-18 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 fiscal year, Inspector General Teresa Michael led the office until April 2018, when Joe W. Gilboy was appointed Interim Inspector General.

During the fiscal year, the OIG completed 23 assurance/consulting projects and 188 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, reading "David T. Harper". The signature is fluid and cursive, with a large initial "D" and "H".

David T. Harper, Inspector General



ACCOUNTABILITY  
INTEGRITY  
EXCELLENCE

# Table of Contents

---

|  |    |
|--|----|
| Mission  | 01 |
| Responsibilities   | 01 |
| Overview   | 02 |
| OIG History & Background                                 | 03 |
| Organizational Chart                                     | 04 |
| Staff Biographies  | 05 |
| Maintaining Operational Excellence                       | 09 |
| Commission for Florida Law Enforcement Accreditation     | 10 |
| OIG Outreach   | 11 |
| Investigations   | 12 |
| Complaint Process  | 12 |
| OIG Computer Forensics                                   | 14 |
| Investigative Statistics                                 | 15 |
| Audit  | 17 |
| Quality Assessment Review                                | 17 |
| Risk Based Audit Planning                                | 18 |
| Coordination with External Entities                      | 18 |
| Reports on Status of Implementation of Corrective Action | 19 |
| Audit and Consulting Engagements Overview                | 20 |
| Appendices   |    |
| Appendix A - Investigative Case Summaries                | 21 |
| Appendix B - External Audit Coordination                 | 24 |
| Appendix C - Follow-Up Responses                         | 25 |

# Mission

---

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

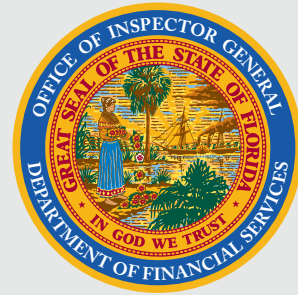
# Responsibilities

---

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 Department of Financial Services (DFS) OIG Audit Section, as charged by 20.055, F.S., 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, information technology, operational, 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, inde-

pendent, and objective investigations and reviews that ensure "allegations of fraud, waste, mismanagement, misconduct, or other abuse in violation of law, rule, or policy against agency employees or entities contracting with the Department," are appropriately 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, 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, F.S.

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 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 IG's.

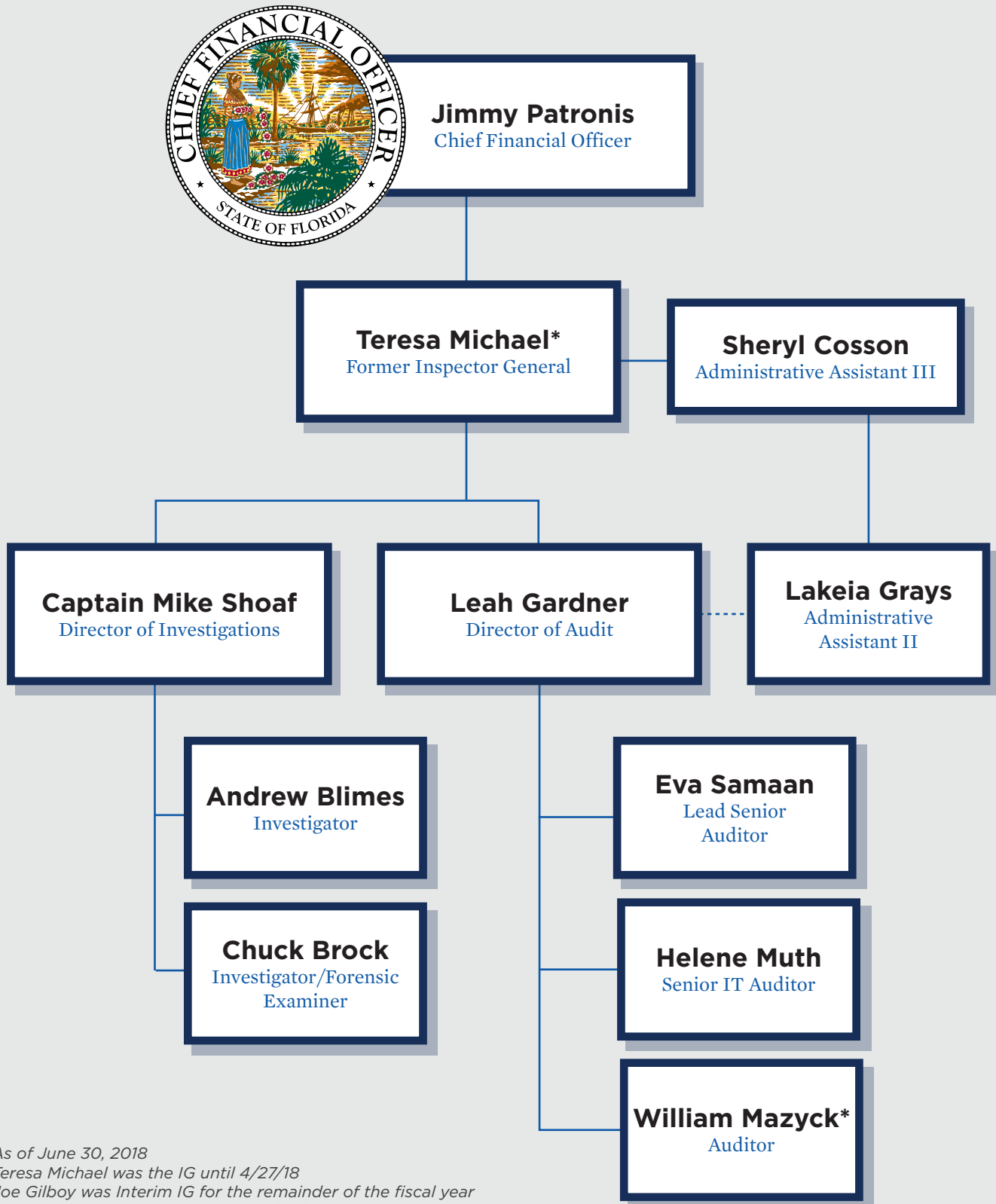
In 1994, Florida lawmakers passed the Florida version of the Federal Inspector General Act, which set forth the modern-day mission for State of Florida Inspectors General to promote economy, efficiency, and effectiveness in state government and detect, deter, and prevent fraud, waste, and abuse by agency 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 preliminary goal of enhancing public trust in government.*

# Organizational Chart

## Office of Inspector General



\* As of June 30, 2018  
 Teresa Michael was the IG until 4/27/18  
 Joe Gilboy was Interim IG for the remainder of the fiscal year  
 William Mazyck was Auditor until 2/26/18



# 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 and seven years later, began her career in the Inspector General community when she was hired by the Florida Department of Juvenile Justice (DJJ) Office of Inspector General 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 DFS OIG. 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.



## JOE GILBOY, INTERIM INSPECTOR GENERAL

Joe Gilboy began his State of Florida career in 1991 with the Florida Department of Revenue (DOR). He has held various positions with the State of Florida including tax auditor with DOR from 1993 to 1999. He transitioned into the IG audit community in 1999 after obtaining a position with the Department of Business and Professional Regulation (DBPR). Since that time, Mr. Gilboy has held positions as a DBPR Audit Supervisor, the Department of State's Director of Audit, and the Department of Transportation's (DOT) Intermodal Audit Manager, Performance and IT Audit Manager, and is currently Deputy Director of Audit. Joe graduated Florida State University with a bachelor's degree in finance. He further holds the following certifications: Certified Internal Auditor, Certified Government Auditing Professional, and Certified Inspector General.





## **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 18 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. 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. Captain 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, Captain Shoaf made his segue into the inspector general community. Captain Shoaf has been in the IG community for the last 11 years working as a sworn IG investigator for DBPR, DOT, and DFS. In 2014, he was promoted to his current assignment as the Director of Investigations (DOI) for the DFS OIG. Captain Shoaf currently holds a bachelor of arts in business administration from Flagler College, and is pursuing a master's in public administration from FSU. 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 15 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 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

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 conducts investigations of employee misconduct. 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.



07

## 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 five 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.



## **HELENE MUTH,** **SENIOR AUDITOR**

Helene Muth joined the DFS OIG in 2014 and is a Certified Internal Auditor, Certified Information Systems Auditor, and possesses a bachelor's degree in management. In addition, Ms. Muth has professional audit experience totaling over 16 years and spent 20 years in the U.S. Navy. As Ms. Muth has worked over 16 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. Her work experience includes 11.5 years with the State of Florida, where she worked as a Regulatory Analyst at the Florida Public Service Commission and as a Management Review Specialist at the Agency for Healthcare Administration. Ms. Samaan has 16 years of progressive professional audit experience in the public and private sector where she performed operational and compliance audits/reviews and management consulting projects.

# Maintaining Operational Excellence

To deliver as fully as possible on its responsibilities, the OIG focuses on building a team that has the collective capacity to perform across various skill sets. These include investigations, auditing, program evaluation, and technical support. In this vein, the OIG has endeavored to cross train staff in both audit and investigations. Additionally, OIG staff are encouraged to seek training opportunities that will enhance and expand the employee's knowledge. Finally, the OIG searches for ways to learn about best practices that might be recommended within the OIG community. This is 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 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 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 Officer
- 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:

- ACFE/IIA Fraud Training Conference
- Criminal Justice Officer Ethics
- Certified Public Manager Program
- Fraud & Financial Crimes
- Internal Affairs Policies & Practice
- Virtual Currency
- The Dark Web



# 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, while providing educational opportunities. 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.

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
- NEO for DIFS

The OIG also provides materials that explain the OIG's role and how to file a complaint related to fraud, waste, and abuse.



**Investigator Chuck Brock presents "Computer Forensics" to the Institute of Internal Auditors Tallahassee Chapter.**

# Investigations

## COMPLAINT PROCESS:

During the 2017-18 fiscal year, the DFS OIG received 188 complaints. These complaints are logged into a tracking system which assigns a complaint number. Within one business day of receipt, each complaint must be evaluated. 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 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.

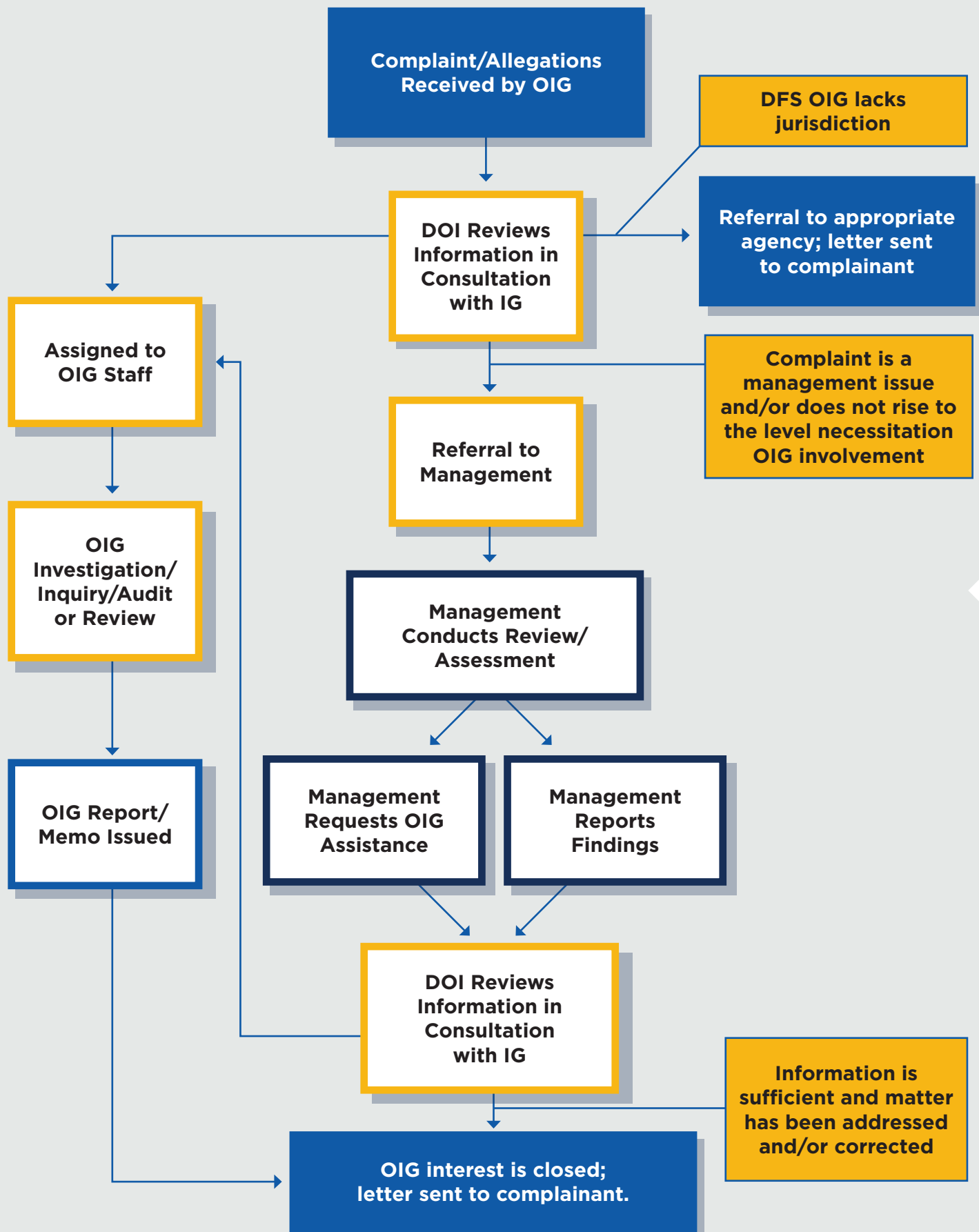
Investigations attempt to determine the validity or extent of reported allegations/incidents, the amount of loss, and any weaknesses that may have contributed to the allegations/incidents. Investigative reports may recommend corrective actions to avoid similar problems in the future.

Upon being assigned a complaint number, the 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)
- 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:



## OIG COMPUTER FORENSICS

The majority of information is produced, accessed, and electronically stored by Department employees. As such, any investigation concerning alleged misconduct of a Department employee should consider 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 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 479 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, and the Department of Juvenile Justice.

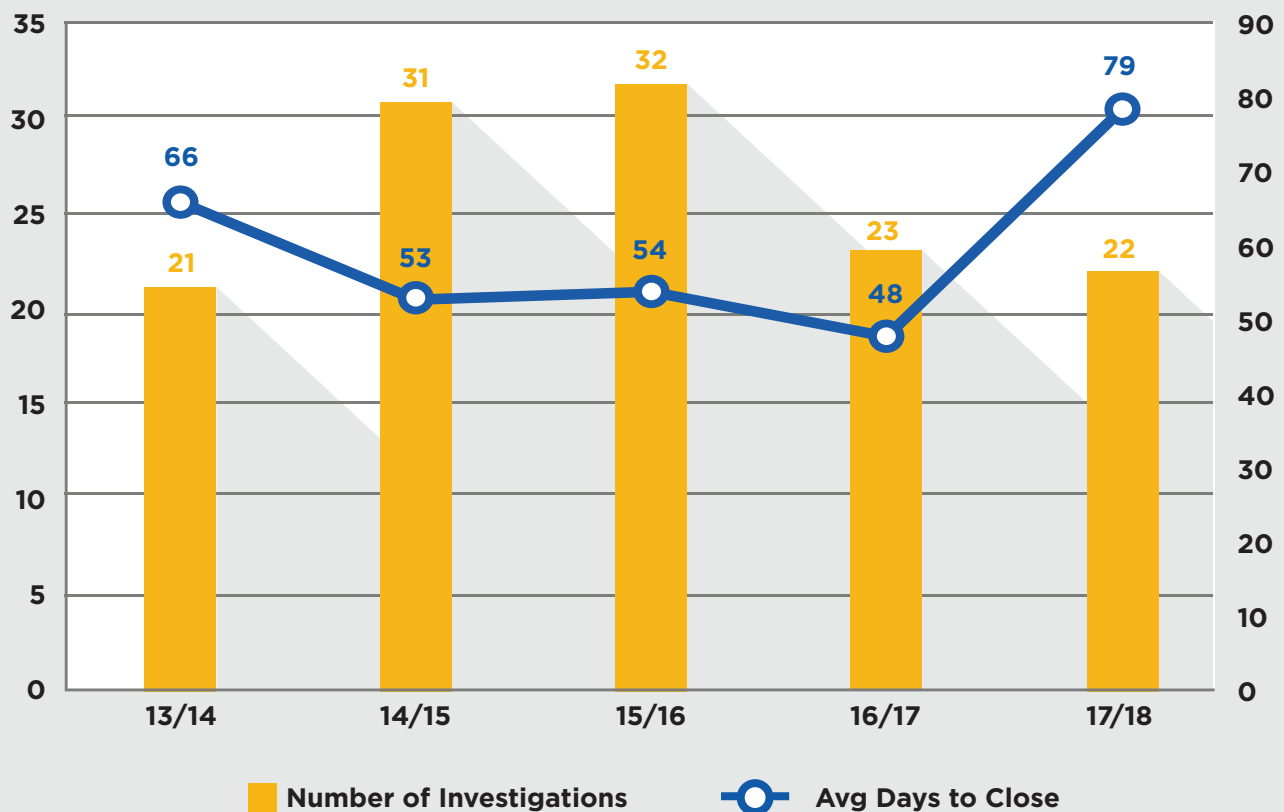
The OIG has examined over seven terabytes of digital evidence in support of internal investigations or at the request of other state agencies. This is the equivalent of 525 million pages of single spaced typed text. The amount of digital evidence stored by the OIG in support of computer forensic investigations is greater than the contents of the academic research libraries at the University of Miami, the University of Florida, and Florida State University combined.



**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

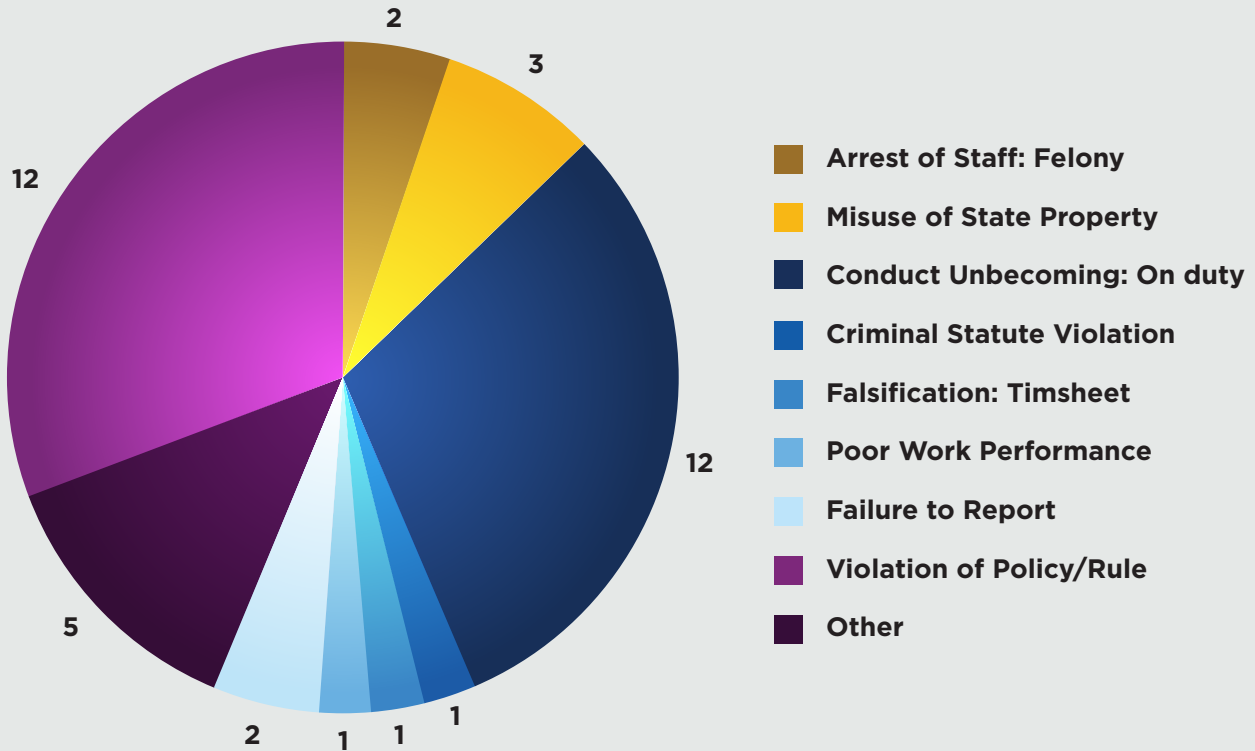
## OIG NUMBER OF INVESTIGATIONS AND DAYS TO CLOSE



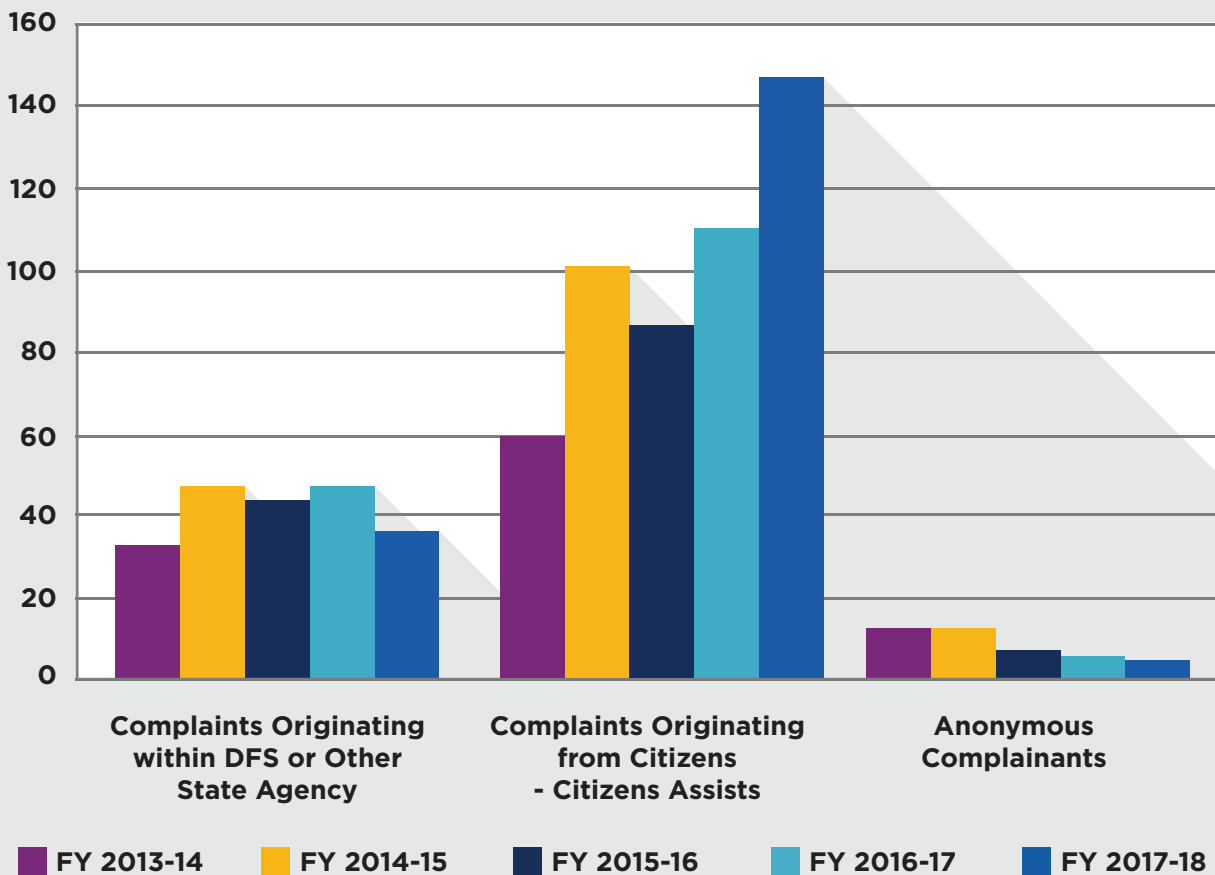
During fiscal year 2017-2018, the Investigations Section observed a significant increase in case turnaround time. This increase was due in part to leadership decisions and staffing issues which affected the unit's resources and capabilities. During this time, an OIG Investigator was temporarily assigned to the Audit Section and the Investigations Section's capability was affected by a staff member's extended medical leave. Additionally, the Investigations Section and administrative staff were tasked with the fulfillment of a discovery request from the Office of General Counsel (OGC), which took approximately two weeks to complete.



## INTAKE ALLEGATIONS BY TYPE



## COMPLAINT ORIGIN HISTORY





# 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 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, 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.

Engagements and management advisory services provided by the Internal Audit Section in Fiscal Year 2017-18 are summarized in the Audit and Consulting Engagements Overview section on page 20.

## QUALITY ASSESSMENT REVIEW:

During the fiscal year, the Office of Auditor General (AG) conducted a peer review of the OIG's internal audit activity. In December 2017, the AG published Report Number 2018-068, Department of Financial Services Office of Inspector General's Internal Audit Activity, Quality Assessment Review for the Review Period July 2016 Through June 2017. The AG found that Internal Audit's quality assurance program was adequately designed and complied with standards to provide reasonable assurance of conformance with applicable professional auditing standards. In addition, Internal Audit generally complied with the provisions of Section 20.055, F.S., governing the operation of State agencies' offices of inspectors general internal audit activities.

## RISK BASED AUDIT PLANNING:

The Internal Audit Section completes an annual risk assessment of Department programs and activities to assist in developing an Annual and Long-Term Audit Work Plan (Work Plan). In 2018, the OIG surveyed 58 bureaus and offices within the Department 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. Once approved, the Work Plan will identify planned internal audits and consulting engagements for the period July 1, 2018, through June 30, 2020.

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

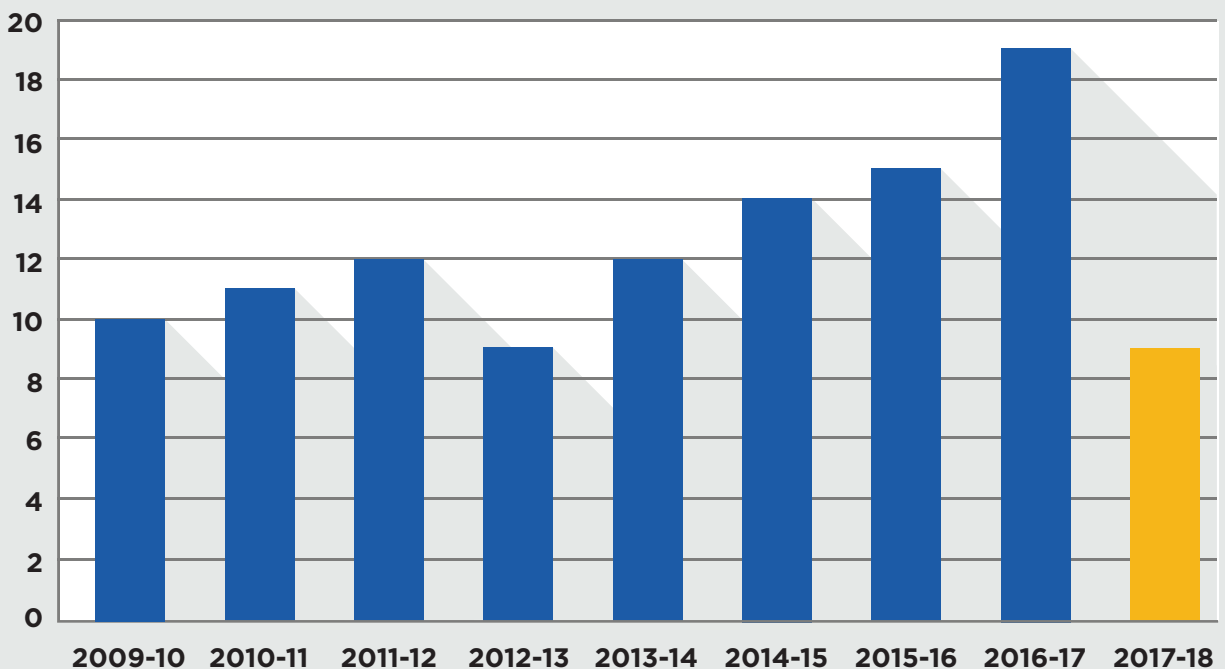
## COORDINATION WITH EXTERNAL ENTITIES:

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 AG, OPPAGA, and various federal and regulatory entities. Internal Audit is responsible for coordinating with these external reviewers.

In Fiscal Year 2017-18, Internal Audit coordinated the Department's response to findings and recommendations made in five reports published by external entities (Appendix B). Additionally, the Section coordinated audit activities for four other external audits/reviews that were ongoing as of June 30, 2018, (see Appendix B).

In the past eight years, DFS, on average, was the subject of 12.75 external audits/reviews per year. In the current fiscal year, the number of external audits/reviews coordinated was 29% lower than the average.

## NUMBER OF ACTIVE EXTERNAL AUDITS/REVIEWS



## REPORTS ON STATUS OF IMPLEMENTATION OF CORRECTIVE ACTION:

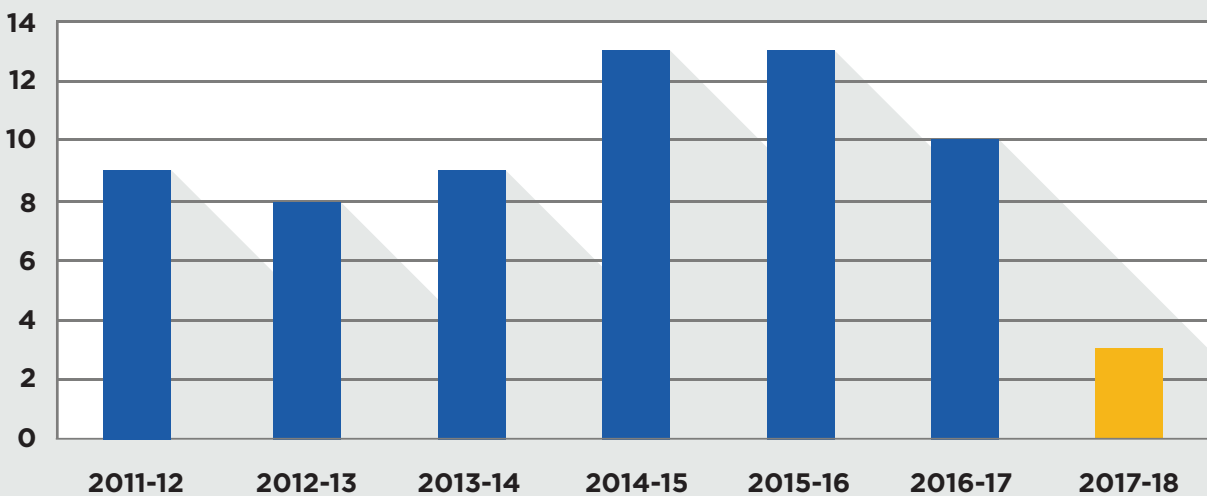
Section 20.055, F.S., requires the Inspector General to monitor implementation of corrective action the Department takes in response to findings and recommendations in reports published by the AG and OPPAGA. Internal Audit prepares a written report to the Chief Financial Officer and Joint Legislative 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 six years, Internal Audit completed, on average, 10.3 follow-up reviews per year. In the current fiscal year, to meet resourcing constraints, the monitoring interval was temporarily increased, which resulted in fewer follow-up reviews being completed. Three follow-up reviews were conducted during 2017-18.

As of June 30, 2018, there is no significant corrective actions were identified from prior annual reports.

## NUMBER OF FOLLOW-UP REVIEWS COMPLETED BY YEAR



# Audit and Consulting Engagements Overview

## PROJECT NO. IA 16-502

Operational Audit: Administration of Department Financial Services' Purchasing Card (PCard) Program

The overall objective of this audit was to evaluate whether internal controls over the PCard Program are adequate and operate effectively.

**FINDING:** The Bureau of Financial Services' (BFS) PCard training procedures were not always sufficient to ensure Approvers completed the requisite training and the training was completed prior to the Approver processing PCard transactions.

**RECOMMENDATION:** The BFS should strengthen its training procedures to ensure Approvers complete the requisite training prior to granting them the ability to process PCard transactions.

**FINDING:** Spending limit increases did not always include the necessary approvals and were often not justified.

**RECOMMENDATION:** The BFS should strengthen controls to ensure Cardholder spending limits are properly authorized, documented and commensurate with the purchasing requirements of the Cardholder's position. Changes in spending limits should be requested via a new Cardholder Profile form and contain a proper justification, effective dates, group codes and approval signatures, among other necessary items. PCard policies and procedures should be updated to include all significant PCard Program requirements and to require a periodic review of Cardholder spending limits that are higher than the Department's default limits.

**FINDING:** The BFS's PCard charge review procedures did not always identify potential procurement and other violations of Department policy.

**RECOMMENDATION:** The BFS should enhance its post-audit/review procedures to ensure reviews of PCard transactions are thorough and properly and timely identify/address any exceptions. The BFS should coordinate with the Department's Purchasing Section to strengthen controls so PCards are not used for recurring purchases and violations are detected and addressed appropriately.

**FINDING:** Year-end financial statement preparation processes did not include procedures to verify the completeness of PCard transactions for financial reporting purposes.

**RECOMMENDATION:** The BFS should enhance its year-end processes to include a review of PCard activity that may need to be accrued for financial reporting purposes.

**FINDING:** The BFS's Florida Accounting Information Resource (FLAIR) PCard access review procedures were not sufficient to ensure quarterly access reviews were completed and performed by an appropriate supervisor.

**RECOMMENDATION:** The BFS should enhance its application access review procedures to ensure access reviews are timely and properly completed, consistent with AP&P 4-05. The BFS should enhance its administration of access to the PCard system to ensure its listing of supervisors for Cardholders and Approvers is timely updated.

## PROJECT NO. IA 18-203

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

The OIG conducted a risk assessment of DFS's 58 bureaus and offices. In addition to assessing operational risk factors, the assessment identified:

- Information technology needs;
- Opportunities to increase efficiency, reduce costs and improve operational effectiveness;
- Necessary regulatory updates; and
- Measures to increase automation and customer-driven focus, and reduce costs to Floridians.

# Appendix A

## Investigative Case Summaries

### INTERNAL AFFAIRS

**16062 IA** – This complaint was received from a citizen who was the subject of a prior insurance fraud investigation. The citizen alleged that a DIFS Bureau of Insurance Fraud detective asked witnesses to lie or make false statements against the complainant. The complainant also alleged that the detective told various individuals that there was a warrant for the arrest of the complainant, when no such warrant existed. The case had a finding of **UNFOUNDED**.

**17034 IA** – This complaint was received from a former DIFS employee. The former employee alleged that the sustained findings of perjury against a current Division employee contained within a previous OIG Investigation (case number 16035 IA) had not been reported to the Florida Department of Law Enforcement Criminal Justice Standards & Training Commission (CJSTC) as required by law. The investigation determined that the failure of the Division to report the sustained findings of perjury against the former employee to the CJSTC was not the result of an intentional disregard for the law or rule. This resulted in findings of **POLICY FAILURE**.

**18002 IA** - This complaint was received from a former DIFS employee. It was alleged that the Division Director was being complicit with a Columbian or Ecuadorian cartel and taking money from insurance companies in exchange for prioritizing Division cases. It was also alleged that an Deputy Chief Financial Officer was involved in corrupt behavior. The complainant also alleged that a DIFS Lieutenant associated with drug dealers. The case had findings of **UNFOUNDED**.

### INVESTIGATIONS

**16007 I** - This complaint was received from a subject of a Division of Public Assistance Fraud (PAF) investigation. It was alleged that a PAF investigator was unprofessional and conducted an improper and incomplete investigation of the complainant. It was also alleged that a PAF investigations manager was unprofessional during the investigation. The allegation that the investigator had conducted an improper investigation was determined to be **UNFOUNDED**. The allegations that the investigator was rude and unprofessional were determined to be **NOT SUSTAINED/INCONCLUSIVE**. The allegation that the investigations manager was unprofessional was determined to be **EXONERATED**.

**17001 I** – This complaint was received from an Office of Information Technology (OIT) supervisor. It was alleged that a computer programming analyst was extensively using his Department computer to visit non-work-related websites and download non-work-related files, exposing the Department to potential embarrassment. It was also alleged that this employee was not performing his job duties in a competent and adequate manner. The supervisor alleged that the employee's direct manager was negligent by failing to ensure that the subject employee was adequately performing his job duties and following Department policy. The investigation determined the allegations were **SUSTAINED**.

**17006 I** – This complaint was received from a citizen alleging that a Division of Workers' Compensation (DWC) Bureau of Compliance investigator failed to properly identify himself when he went to the citizen's business to conduct an investigation. It was also alleged that the investigator made threatening comments, falsely claimed to have a subpoena for the business, and damaged a door stop at the business. The investigation determined that the allegations concerning the investigator being rude, discourteous and dishonest were **SUSTAINED**. The allegation that the investigator caused damage to a door stop was **INCONCLUSIVE**.

**17024 I** – This complaint was received from a former DWC employee who alleged that during her employment she witnessed various acts of misconduct committed by several Division employees. The investigation resulted in **UNFOUNDED** findings for five employees, **NOT SUSTAINED/INCONCLUSIVE** findings for three employees, and **SUSTAINED** findings for three employees.

**17027 I** – This complaint was received from the Division of Accounting and Auditing (A&A), alleging that an employee used marijuana while employed by the Department. During the investigation, the OIG discovered the employee smoked tobacco in non-smoking hotel rooms while on work-related trips, and failed to be truthful during his sworn statement to the OIG. The investigation determined the allegations were **SUSTAINED**.

**17029 I** – This complaint was received from an A&A employee who alleged that a supervisor was grading his work product more harshly than his co-workers, and was yelling at and degrading employees. It was also alleged that supervisors within the Division were encouraging Caucasian employees to apply for promotional positions, but not encouraging African-American employees to apply for the same positions. The investigation resulted in findings of **UNFOUNDED**.

**17033 I** – This complaint was received from the OIG forensic examination of an OGC computer for case number 17009 TA. During the examination, evidence was found indicating that a current employee had used the computer to conduct inappropriate web searches and download associated inappropriate content. The investigation determined the allegations were **SUSTAINED**.

**17036 I** – This complaint was received from the Department's Bureau of Human Resource Management (HR), concerning allegations of misconduct on the part of a Division of Funeral, Cemetery and Consumer Services (FCCS) employee. It was alleged that the employee made inappropriate comments to a co-worker, accepted gifts from an entity doing business with the Department, smoked in fleet and rental vehicles, and drove for Department business with a suspended license. The investigation determined the allegations were **SUSTAINED**.

**17041 I** – This complaint was received from a Division of Consumer Services (CS) employee alleging that his supervisor was violating public records law by not maintaining records of "feedback" sessions with employees. The investigation determined the allegations were **UNFOUNDED**.

**18006 I** – This complaint was received from OIT who requested the OIG monitor the activities of an employee who was suspected of missing from his office and falsely recording hours worked on his timesheet. The employee resigned Department employment during the investigation and the case was **ADMINISTRATIVELY CLOSED**.

**18007 I** – This complaint was received from the Director of CS who alleged that an employee had surreptitiously recorded supervisors during a promotional interview. The investigation determined the allegations were **NOT SUSTAINED/INCONCLUSIVE**.

**18009 I** – This complaint was received from the OGC and HR. It was alleged that a Department employee had not reported her arrest for both felony and misdemeanor charges as required by policy. The investigation determined the allegations were **SUSTAINED**.

**18012 I** – This complaint was received from an employee who alleged that another employee had asked to purchase some of the complainant's prescription medication while in the workplace. The investigation determined the allegations were **NOT SUSTAINED/INCONCLUSIVE**.

**18016 I** – This complaint was received from the Office of Finance and Budget, concerning allegations that an employee might be using marijuana in the workplace. The investigation could not determine if the employee reported to work under the influence of marijuana, resulting in a finding of **NOT SUSTAINED/INCONCLUSIVE**. The investigation did determine that the employee smoked and possessed marijuana at the employee's home, resulting in a **SUSTAINED** finding.

**18017 I** – This complaint was received from HR alleging that an employee may be submitting false timesheets and generating email messages remotely to make it appear the employee was at the office. The investigation determined the allegations were **SUSTAINED**.



## PRELIMINARY INQUIRIES

**17016 PI** – This complaint was received from a citizen who alleged that unidentified staff within the CS and Agent & Agency Services (A&AS) violated Florida Administrative Code and Department policy by failing to fairly and adequately address the concerns alleged by the citizen regarding a residential closing of a property. The investigation determined the allegations were **UNFOUNDED** and **UNFOUNDED/EXONERATED**.

**17032 PI** – This complaint was received from the Division of Unclaimed Property (DUP) alleging that an employee may have fraudulently altered data provided by the City of Naples. The OIG determined there was no evidence to suggest the employee was engaged in any type of fraud and the issue was **REFERRED** to management for review and action deemed appropriate.

**17042 PI** – This complaint was received from a citizen who alleged that DUP employees were rude, gave the citizen incorrect information, and were treating him differently due to his race. The OIG determined that the allegations were baseless and the case was **ADMINISTRATIVELY CLOSED**.

**18004 PI** – This complaint was derived from information received during OIG case number 17036 I. It was alleged that a former FCCS employee was now working for a funeral home. It was determined that the former employee did not hold an active license and was not in violation of any applicable statute or rule. This case was **ADMINISTRATIVELY CLOSED**.

## TECHNICAL ASSISTANCE

**17009 TA** – This complaint was received from the OGC who requested a forensics examination of a computer used by a former employee. It was suspected that the former employee may have been conducting inappropriate activity on the computer. While the examination discovered no evidence of inappropriate activity, evidence was found showing that a different employee had conducted inappropriate web searches and viewed inappropriate content for the workplace. This resulted in the initiation of OIG case number 17033 I.

**17023 TA** – This case was assisting the Department of Education in the forensic examination of a desktop computer and flash drive.

**17025 TA** – This case was assisting the Department of Management Services in the forensic examination of a desktop computer.

**17031 TA** - This case was assisting the Department of Management Services in the forensic examination of an iPad.

**18000 TA** - This case was assisting the Palm Beach County OIG in the forensic examination of a desktop and a laptop computer.

# Appendix B

## External Audit Coordination

---

In Fiscal Year 2017-18, Internal Audit coordinated the Department's response to the external audits listed below.

- Auditor General Report No. 2018-025 *Florida Accounting Information Resource Subsystem (FLAIR) and Origami Risk Insurance Management System (Origami)*, published October 24, 2017
- Auditor General Report No. 2018-068 *Office of Inspector General's Internal Audit Activity*, published December 18, 2017
- Auditor General Report No. 2018-189 *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published March 30, 2018
- Auditor General Report No. 2018-210 *Unclaimed Property Management Information System*, published June 6, 2018
- Auditor General Report No. 2018-211 *Division of State Fire Marshal and Information Technology Controls*, published June 6, 2018

The following external audits were on-going as of June 30, 2018.

- 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, 2018
- Auditor General Statewide Federal Awards Audit for the fiscal year ended June 30, 2018
- Auditor General Statewide Financial Statement Audit for the fiscal year ended June 30, 2018

# Appendix C

## Follow-Up Responses

---

In Fiscal Year 2017-18, Internal Audit prepared reports regarding the status of implementation of corrective action for the following audits.

- **Project No. IA 16-605-6** Six-Month Status Report regarding Auditor General Report Number 2017-089: Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR), published July 6, 2017.
- **Project No. IA 16-604-6** Six-Month Status Report regarding Auditor General Report Number 2017-180: State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards, published September 28, 2017.
- **Project No. IA 16-609-6** Six-Month Status Report regarding Auditor General Report Number 2018-025: Department of Financial Services Florida Accounting Information Resource Subsystem (FLAIR) and Origami Risk Insurance Management System (Origami), published April 23, 2018.

