



DEPARTMENT *of* FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL
ANNUAL REPORT 2019



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) 2018-2019 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.

Upon completion of my first year as the Inspector General, I'd like to express how proud I am of our team in its efforts to serve the Department and the public. I am 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.

During this FY, the OIG team completed 26 audit activities, as well as 143 investigative activities. The OIG was also reaccredited by the Commission for Florida Law Enforcement Accreditation, which was primarily the result of the culmination of focused efforts of the Investigations and Professional Services teams, but also included the support of the Audit Section – truly a “One Team, One Fight” mindset.

The OIG team underwent several changes this FY, with a newly appointed Inspector General, and newly assigned Audit Director, Administrative Professional, and Senior Auditor.

As the FY closed, the office was on the cusp of obtaining automated systems to process and manage audits and investigations. These systems will enhance the capability of the OIG to streamline processes, capture the full benefits of increased data handling, and better use limited resources with the goal of becoming 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, with a large initial "D" and "H".

David T. Harper, Inspector General



ACCOUNTABILITY
INTEGRITY
EXCELLENCE

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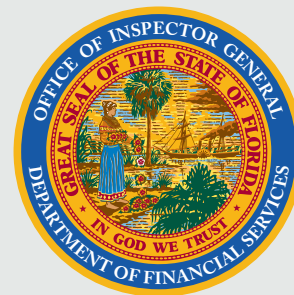
Mission

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*. 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 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...”

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

COMPLAINT PROCESS:

During the 2018-19 fiscal year, the DFS OIG received 143 complaints. These complaints are logged into a tracking system which assigns a complaint 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 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.

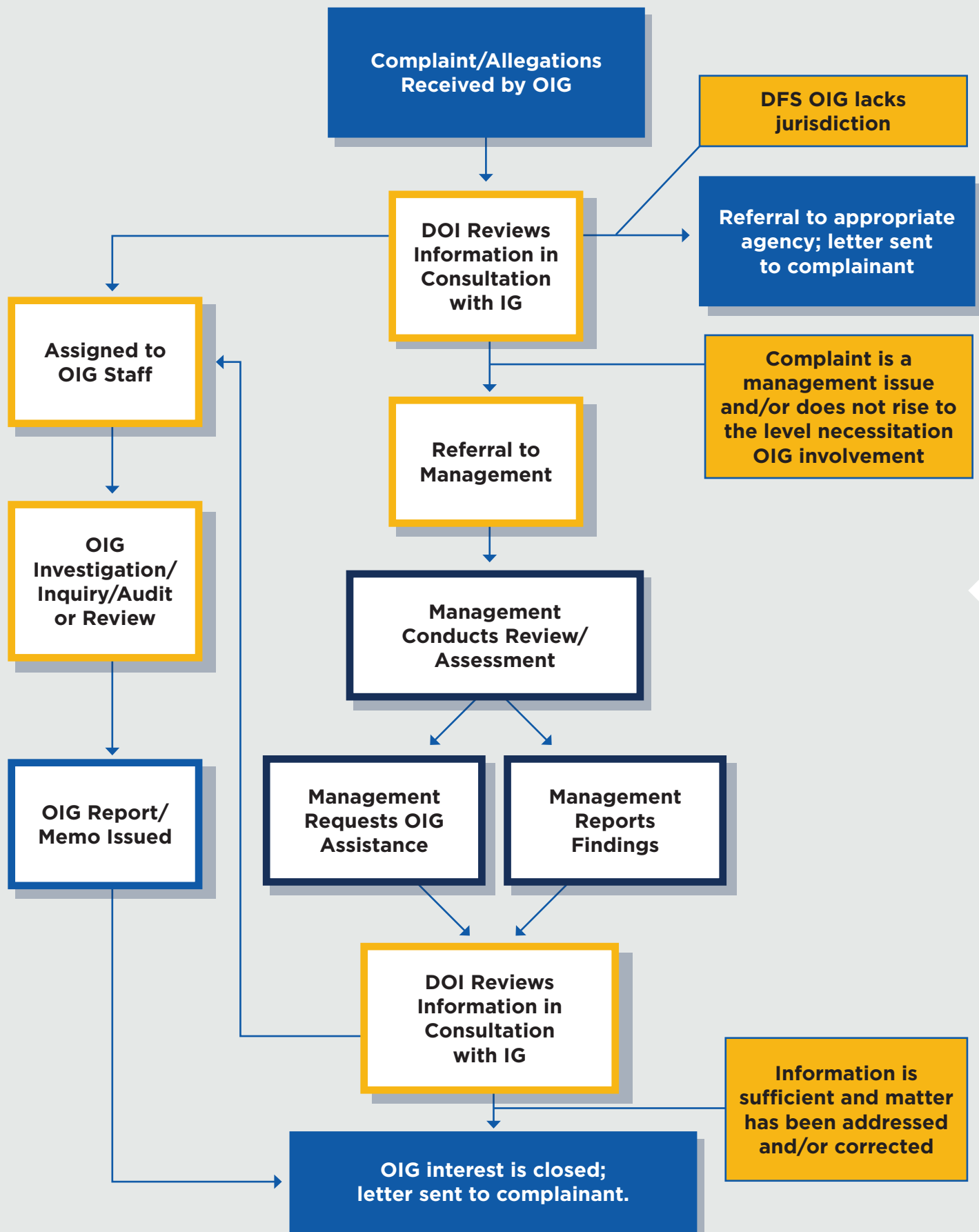
Investigations attempt to determine the validity or extent of reported allegations and incidents, the amount of loss, and any weaknesses that may have contributed to the allegations and incidents. Investigative reports may recommend corrective actions to avoid similar problems in the future.

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 (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/



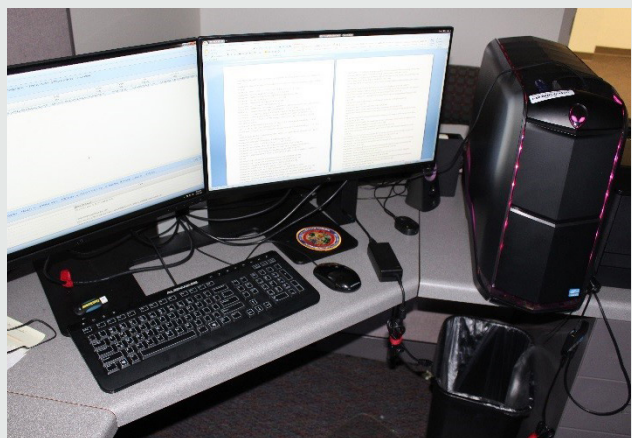
OIG COMPUTER FORENSICS

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 534 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 Department of Management Services, and the Office of Financial Regulation.

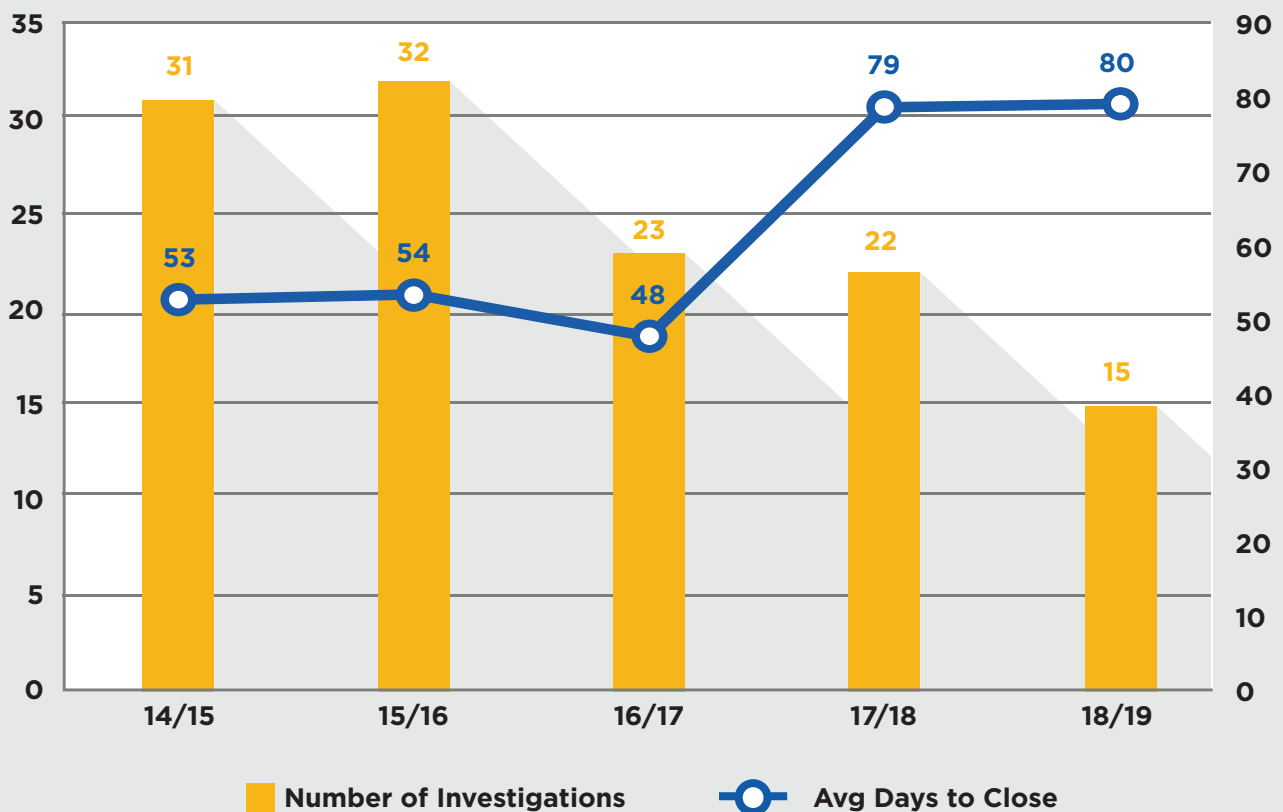
The OIG has examined over nine terabytes of digital evidence in support of internal investigations or at the request of other state agencies. This is the equivalent of over 1,280 ultra-high-definition movies. The amount of digital evidence stored by the OIG in support of computer forensic investigations is greater than the contents of over 9,000 published 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

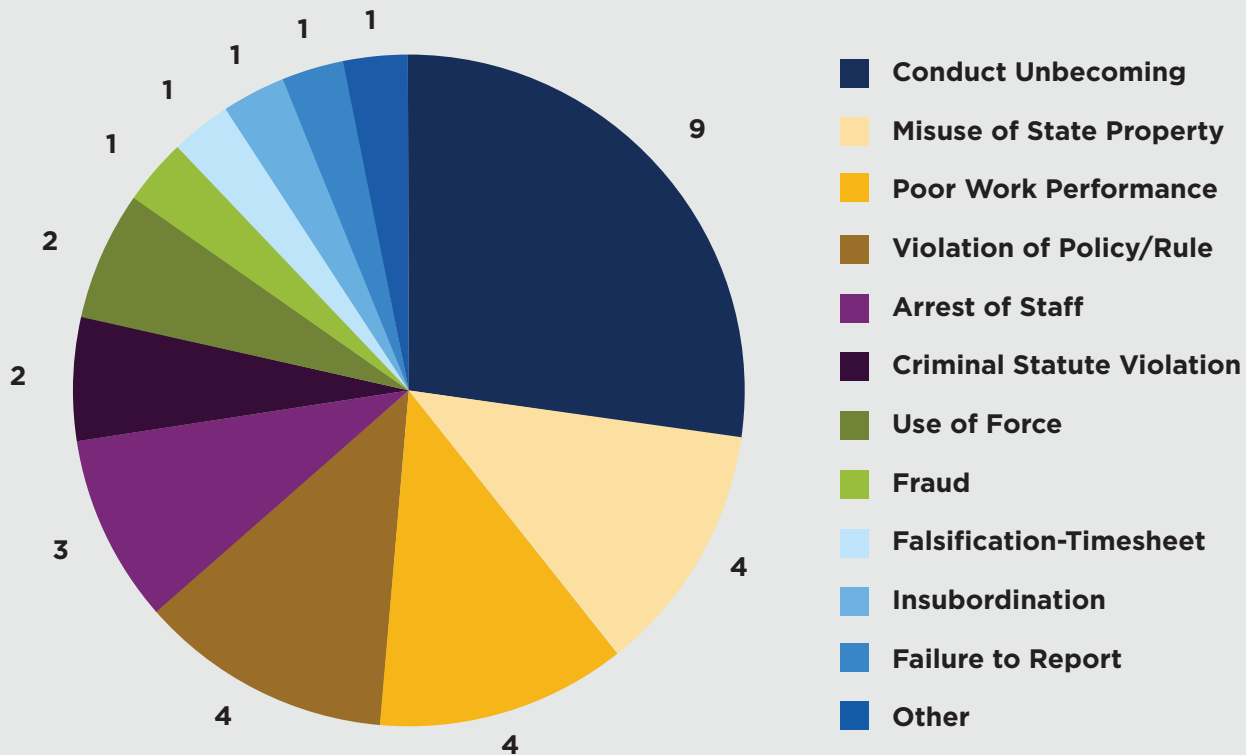
OIG NUMBER OF INVESTIGATIONS AND DAYS TO CLOSE



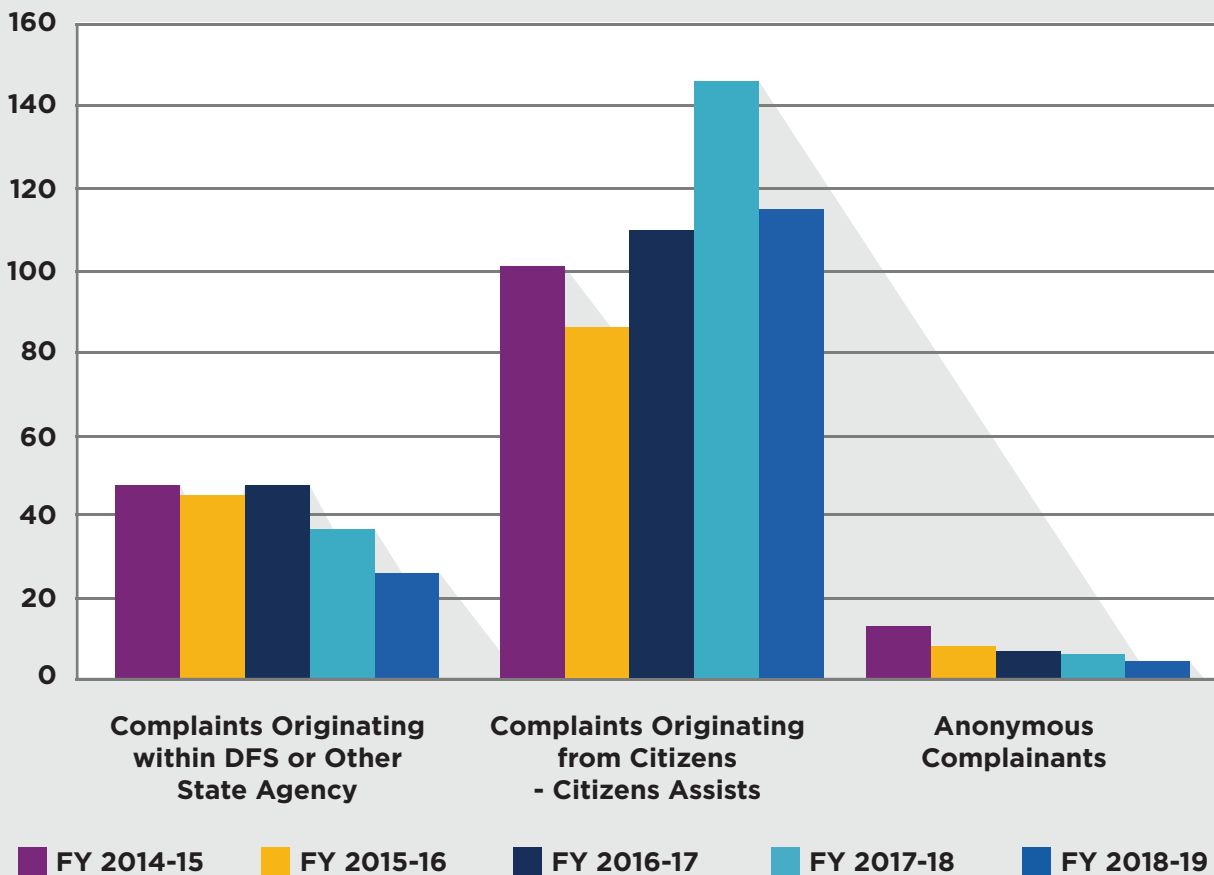
During fiscal year 2018-2019, the Investigations Section and administrative staff were tasked with assisting the Office of General Counsel (OGC) with a court-ordered discovery request for a completed investigative case file. The case file contained approximately two gigabytes of data and over 9,000 pages that required the redaction of confidential information. Fulfillment of the discovery request required the combined effort of 12 employees from the OIG, OGC, and Division of Investigative and Forensic Services, some of whom were dedicated full-time to the redaction effort. The project took approximately three months and 1,500 man-hours to complete. As a result, other investigative functions were delayed, leading to a longer average case turnaround time.

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.

INTAKE ALLEGATIONS BY TYPE



COMPLAINT ORIGIN HISTORY



Investigative Case Summaries

INTERNAL AFFAIRS

16043 IA – The OIG initiated this investigation after receiving a complaint from a citizen alleging that two DIFS detectives had subjected him to discrimination, stereotyping, and harassment. The OIG did not discover any evidence showing that the detectives had violated any policy, rule, or statute, and the allegations were determined to be **UNFOUNDED**.

18038 IA – The OIG initiated this investigation after the Director of the Division of Investigative and Forensic Services notified the OIG that a DIFS detective may have improperly stored his Department-issued firearm in his personal vehicle. During the course of the investigation, the OIG also discovered information indicating that the detective may have violated multiple policies regarding the storage of his firearm, the handling and use of his firearm, the loss or theft of his firearm, secondary employment, and radio communications. All allegations against the subject were **SUSTAINED**.

18041 IA – The OIG initiated this investigation after being informed by the Director of DIFS that two DIFS detectives were in an officer-involved shooting that resulted in the death of a citizen. Based upon the review of the statements and evidence in the case, along with the findings of a related criminal investigation conducted by the Florida Department of Law Enforcement, which was subsequently reviewed by the 14th Judicial Circuit Office of the State Attorney, the use of deadly force by the detectives was within policy and state statutes. The case had findings of **EXONERATED**.

18049 IA – The OIG initiated this investigation after a citizen made allegations that a DIFS detective had engaged in threatening behavior, misused her State-issued vehicle, and misused the DAVID system. The OIG found that the allegations that the detective had engaged in threatening behavior were **NOT SUSTAINED/INCONCLUSIVE**. The allegation that the detective misused her State-issued vehicle was **SUSTAINED**. The allegation that the detective misused the DAVID system was **UNFOUNDED**.

INVESTIGATIONS

18032 I – The OIG initiated this investigation after a Division of Workers' Compensation (DWC) employee disclosed that she had not properly reported an arrest that occurred in 2010 while she was a DFS employee. DWC leadership became aware of the employee's failure to report her arrest during a promotional process and subsequently ensured the information was reported to the OIG as required by policy. The allegation was **SUSTAINED**.

18035 I – The OIG initiated this investigation after receiving a complaint from an employee in the Division of Insurance Agent and Agency Services. The employee alleged that another division employee had engaged in insubordination by failing to get the required supervisory approval before utilizing the Driver and Vehicle Information Database (DAVID) system and had violated a law or agency rule by sharing protected personal information maintained in the DAVID system with unauthorized persons. The OIG determined that the allegation of insubordination was **SUSTAINED**, and the violation of law or agency rule was **NOT SUSTAINED/INCONCLUSIVE**.

18051 I – The OIG initiated this investigation after receiving a complaint from a Florida Highway Patrol lieutenant. The complaint alleged that a Division of Consumer Services employee, who was a prospective renter of a home co-owned by an FHP sergeant, had identified herself as working for CFO Jimmy Patronis and had sent a text message to the home's other co-owner asking if the co-owner had "blunts," possibly referring to marijuana. During the course of the investigation, the OIG also discovered information indicating that the employee had smoked marijuana at a "bonfire party." The employee resigned from employment with the Department while under investigation. The allegation that the employee was referring to marijuana when she mentioned "blunts" was **NOT SUSTAINED/INCONCLUSIVE**, and the allegation that the employee smoked marijuana at a "bonfire party" was **ADMINISTRATIVELY CLOSED**.

19011 I – The OIG initiated this investigation after a Division of Consumer Services employee filed a complaint that another employee had struck her in the mouth to prevent her from completing a sentence. The OIG determined that the allegation was **SUSTAINED**.

PRELIMINARY INQUIRIES

18015 PI – The OIG initiated this preliminary inquiry after receiving multiple complaints from citizens regarding the blasting activities taking place at a quarry in the Miami area. The complainants alleged that the CFO and the Division of State Fire Marshal failed to provide proper oversight of the blasting activities. The OIG determined that appropriate action had been taken by the Department to ensure the blasting was in accordance with applicable laws, and the SFM has a process in place to address complaints made by citizens. The preliminary inquiry was **ADMINISTRATIVELY CLOSED**.

18031 PI – The OIG initiated this preliminary inquiry after receiving a citizen complaint alleging two investigators within the Division of Insurance Agent and Agency Services had taken a bribe from an entity regulated by the Department. The OIG determined that the allegation was **UNFOUNDED**.

18033 PI – The OIG initiated this preliminary inquiry after possible policy violations were discovered during an OIG internal audit. During the audit, concerns arose relating to the approval process for repairs made to the Division of State Fire Marshal Director's State-issued vehicle after it was involved in a traffic accident. The OIG determined that there was no deceptive or malicious behavior on the Division's part and that the issue would be adequately addressed by the OIG as part of Internal Audit #16-502. The case was **ADMINISTRATIVELY CLOSED**.

18036 PI – The OIG initiated this preliminary inquiry after receiving a citizen complaint alleging the citizen's family was being harassed by the Division of Public Assistance Fraud (DPAF). After making contact with the complainant, the OIG discovered that the complainant believed the Escambia County Early Learning Coalition had used DPAF to harass his family; the complainant did not have any complaints regarding a DPAF employee. The case was **ADMINISTRATIVELY CLOSED**.

18042 PI – The OIG initiated this preliminary inquiry after the Office of General Counsel requested assistance to determine whether an employee had submitted accurate timesheets. Based on the information gathered and reviewed, the OIG determined that additional investigation into the matter was not warranted at the time. The case was **ADMINISTRATIVELY CLOSED**.

18043 PI – The OIG initiated this preliminary inquiry after receiving a citizen complaint alleging employees within the Division of Investigative and Forensic Services Office of Fiscal integrity had committed perjury, were unqualified for their positions, failed to be impartial and objective, and/or were negligent in their duties. The OIG referred the perjury allegations to the appropriate Office of the State Attorney for criminal consideration, and that allegation was **ADMINISTRATIVELY CLOSED**. The OIG determined that all other allegations were **UNFOUNDED**.

19000 PI – The OIG initiated this preliminary inquiry after receiving a citizen complaint alleging the Division of Investigative and Forensic Services had sent her a "letter of deception" concerning the Division's decision not to hire her for a position. The complainant also alleged the letter was preventing her from being hired by other agencies. The OIG determined there was no evidence indicating any Department employee violated any applicable policy or procedure, and the case was **ADMINISTRATIVELY CLOSED**.

TECHNICAL ASSISTANCE

18025 TA – The OIG initiated this case after the Division of Administration Bureau of Personnel Management requested the forensic examination of a former employee's DFS computer. After the employee's termination, it was discovered that she had been deleting files from her computer. The OIG concluded that it was logical to assume that an overt action by an unknown user caused the deletion of the files and recommended that employees' network and computer access be restricted when they are notified of the Department's intent to terminate their employment.

18029 TA – The OIG initiated this case after the Department of Management Services Office of Inspector General requested technical assistance with the forensic examination of a DMS computer.

19002 TA – The OIG initiated this case after the Office of Financial Regulation Office of Inspector General requested technical assistance with the forensic examination of an Office of Financial Regulation (OFR) computer.

19008 TA – The OIG initiated this case after the Department of Children and Families Office of Inspector General requested technical assistance with the forensic examination of a DCF computer.

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 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 2018-19 are summarized in the Assurance Audit Overview section on page 14.

Assurance 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 (In process)

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

PROJECT NO. IA 19-501

Consulting Activity: 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 2019-20.

PROJECT NO. IA 16-502

Operational Audit: The Office of Finance and Budget, Bureau of Financial Services, Administration of 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. The PCard audit report was issued during fiscal year 2019. The OIG performed a six-month follow up on the Bureau of Financial Services' (BFS) corrective actions, which found that significant progress has been made towards implementing corrective actions. The OIG will continue monitoring until full implementation of corrective actions is reached. A summary of the six-month OIG assessment of BFS' corrective actions is listed below.

FINDING: BFS PCard training procedures were not always sufficient to ensure Approvers completed the requisite training prior to the Approver processing PCard transactions.

OIG Assessment: BFS has initiated corrective actions to strengthen its PCard training procedures prior to approvers processing PCard transactions. Specifically, BFS has introduced two requirements for PCard holders to have access to Works. Works is a web-based application, hosted by the Bank of America and used by the State of Florida to enable management of PCard program participation in real time. The two requirements to have access to Works are:

- A completed User Profile
- Completed PCard holder and approver training

BFS reported that the only pending element to complete its corrective action is a proactive report query, to reconcile all the cardholders and approvers with Works access to those who have completed the training, and the User Profile Form. The OIG will continue monitoring this finding until full implementation of corrective actions.

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

OIG Assessment: BFS has initiated corrective action to strengthen controls over PCard holder spending limit increases, approvals, and justification. Additionally, BFS is in the process of updating the PCard manual, program requirements, and procedures. The OIG will continue monitoring the finding until full implementation of corrective actions is achieved.

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

OIG Assessment: BFS worked with the Division of Administration and the Office of Purchasing and Contractual Services (OPCS) to issue guidance on proper PCard purchases versus recurring contractual services. The OIG will continue monitoring this finding until these process changes are effective in the new fiscal year.

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

OIG Assessment: BFS has developed a new year-end task checklist by division and trust fund. Also, BFS updated its Certified forward procedures to include special instructions for PCard processing. The bureau plans to review the year-end data of posted unpaid transactions to assess the need for creating payables. BFS has initiated corrective actions and plans to implement them at year-end. The OIG will continue monitoring this finding until its year-end procedures for PCard financial reporting are fully implemented.

FINDING: The BFS' "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.

OIG Assessment: The OIG will continue monitoring this finding until BFS fully implements the quarterly Work Access Verification part of its new procedure for all DFS PCard holders and approvers.

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 a strategy 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 electronic tools that will facilitate the performance of audits in a more effective and efficient manner. During the latter part of the fiscal year, the OIG began the process to purchase electronic audit software to further increase the efficiency and effectiveness of audit projects.

The International Standards for the Professional Practice of Internal Auditing (Standards) 2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*” require that in order to use the following language, indicating that engagements are “conducted in conformance with the International Standards for the Professional Practice of Internal Auditing” is appropriate only 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 2019, the OIG surveyed 73 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. Once approved, the Work Plan will identify planned internal audits and consulting engagements for the period July 1, 2019, through June 30, 2021.

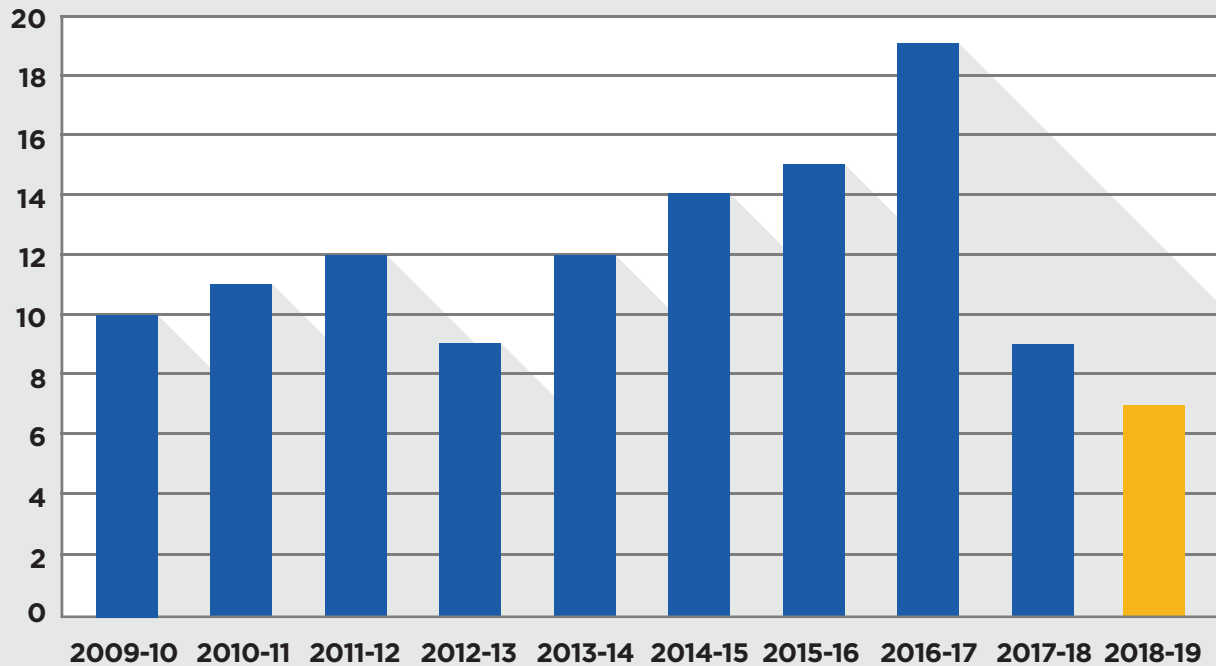
During the fiscal year, Audit also carries out on-going risk assessment activities to identify and assess areas of emerging risk. The OIG will revise the approved Work Plan as necessary to address emerging risks.

EXTERNAL AUDIT COORDINATION AND FOLLOW-UP REVIEWS:

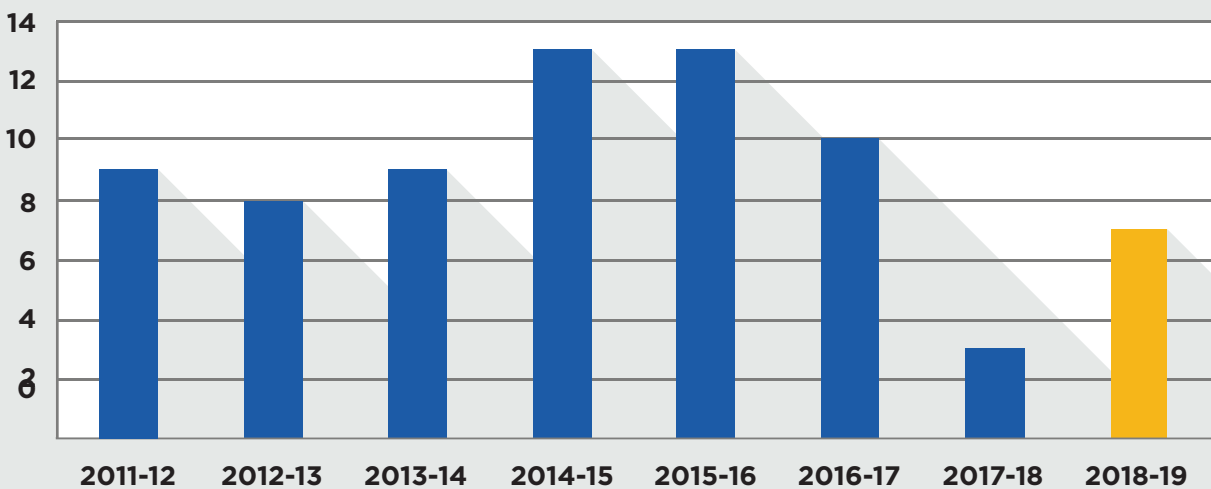
In addition to audits conducted by the Audit Section, DFS programs and operations are subject to audit by various external entities, such as the AG, OPPAGA, and various federal and regulatory entities. The Audit Section is responsible for coordinating with these external reviewers.

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 AUDIT COORDINATIONS



NUMBER OF FOLLOW-UP REVIEWS BY 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. 2019-068 *Florida Accounting Information Resource Subsystem (FLAIR)*, published December 10, 2018
- Auditor General Report No. 2019-028 *Local Government Financial Reporting System (LOGGER)*, published September 27, 2018
- Auditor General Report No. 2019-186 *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, published March 28, 2019

Audit coordinated the following Auditor General audits that were in process as of June 30, 2019:

- Auditor General Division of *Treasury Information Technology Operational Audit*
- Auditor General *Department of Financial Services Operational Audit*
- Auditor General *Department of Financial Services FLAIR Information Technology Operational Audit*
- Auditor General *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards Audit*, fiscal year ended June 30, 2019

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 24 months from the audit report issuance date.

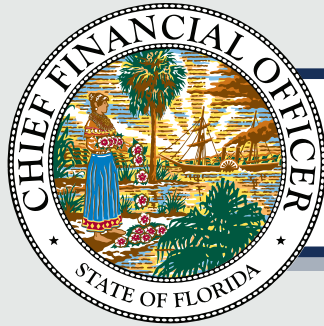
Audit prepared the following Audit Follow-up reports on the status of the implementation of management's corrective actions:

- Project IA 17-606 Six-Month Status Report – Auditor General Report Number 2018-211: *Division of State Fire Marshal and Information Technology Controls*, published December 12, 2018
- Project IA 18-601 Six-Month Status Report – Auditor General Report Number 2018-210: *Unclaimed Property Management Information System (UPMIS)*, published December 12, 2018
- Project IA 17-608 Six-Month Status Report – Auditor General Report Number 2019-028: *LOGGER*, published March 26, 2019
- Project IA 16-602 Six-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 April 22, 2019
- Project IA 18-602 Six-Month Status Report – Auditor General Report Number 2019-058: *FLAIR*, published June 10, 2019

The following reports on Follow-up Reviews were in process as of June 30, 2019:

- Project IA 18-606 Twelve-Month Status Report – Auditor General Report Number 2018-211: *Division of State Fire Marshal and Information Technology Controls*
- Project IA 18-601 Twelve-Month Status Report – Auditor General Report Number 2018-210: *UPMIS*

Organizational Chart Office of Inspector General



Jimmy Patronis
Chief Financial Officer

David T. Harper
Inspector General

Sheryl Cosson
Administrative Assistant III

Captain Mike Shoaf
Director of Investigations

Sheila Walton Moore
Director of Audit

Giulia DeMello
Administrative Assistant II

Andrew Blimes
Investigator

Chuck Brock
Investigator/Forensic Examiner

Eva Samaan
Lead Senior Auditor

Helene Muth
Senior IT Auditor

Crista Hosmer
Auditor

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 (4)
- Certified Financial Crimes Investigator (1)
- Certified Fraud Examiner (3)
- Certified Information Systems Auditor (1)
- Certified Inspector General (1)
- Certified Inspector General Auditor (3)
- Certified Inspector General Investigator (3)
- Certified Inspector General Inspector/Evaluator (1)
- Certified Internal Auditor (3)
- Certified Law Enforcement Officer (1)
- Certified Public Accountant (1)
- Certified Public Manager (1)
- Certified Supervisory Manager (1)
- Six Sigma Green Belt (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
- EEO Investigator Training
- FLA-PAC Training Conference
- Fraud & Financial Crimes
- Internal Affairs Policies & Practice
- The Dark Web & Open Source Intelligence
- Virtual Currency Investigations

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.



SHEILA WALTON-MOORE

DIRECTOR OF AUDIT

Sheila Walton-Moore is the Director of Audit and Chief Audit Executive for the DFS OIG and formerly, the Audit Director for the OFR OIG, where she also served as the Chief Audit Executive. Walton-Moore worked approximately 10 years in accounting and finance management prior to working the last 20+ years in internal audit, including serving as Audit Director in the corporate offices of Walmart and PNC Financial Services Group. As Audit Director, she was responsible for employee engagement, talent management, communications, diversity and inclusion, and served as the Human Resources liaison for large internal audit departments. She also directed audits and led training in China, Europe, and South America. Walton-Moore earned a BSBA in Accounting from the University of Arkansas, at Fayetteville, and an MBA in Finance and International Business from Drexel University. She is a licensed CPA, a Certified Internal Auditor, a Certified Inspector General Auditor, a Florida Certified Contract Manager, and a Six Sigma Green Belt.



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 12 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

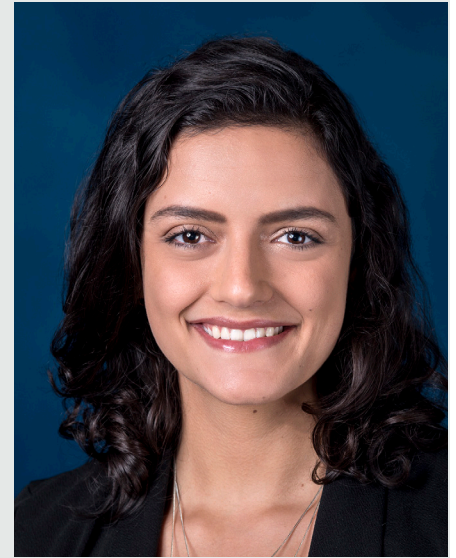
OFFICE MANAGER

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.

GIULIA DEMELLO

ADMINISTRATIVE ASSISTANT II

Giulia DeMello graduated summa cum laude from Florida State University in 2018 with a Bachelor of Science in International Affairs and minors in Public Administration and Russian. As an undergrad, DeMello earned certificates in Emergency Management & Homeland Security and US Intelligence Studies. While in school, she worked as an external affairs intern at the Florida Division of Emergency Management and participated as a volunteer in two hurricane activations. She completed study abroad programs in Russia and Nepal, furthering her language and emergency management studies, respectively, and engaged in the community as a volunteer outreach coordinator for the Center for Leadership and Social Change at FSU. In September 2018, DeMello joined the OIG as Administrative Assistant II. Currently, she is attending graduate school full time pursuing a master's degree in international affairs at Florida State University and serving as president of the International Studies 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.



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

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 Florida Certified Contract Manager.



HELENE MUTH

LEAD 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 17 years' OIG experience. Prior to joining the State of Florida, Muth served 20 years in the U.S. Navy, focusing primarily on Information Technology. Her diverse exposure to various Florida agencies and OIG leaders has provided Muth with an opportunity to learn and grow into a valuable resource for state government operations and Internal Audit practice. Muth is a Certified Internal Auditor and Certified Information Systems Auditor, with a bachelor's degree in management.



EVA SAMAAAN

LEAD SENIOR AUDITOR

Eva Samaan joined the DFS OIG in December 2015. Samaan is a Certified Internal Auditor and possesses a bachelor's degree in accounting and a Master of Business Administration from Florida State University. She earned her Certified Inspector General Auditor accreditation in March of this year. Samaan served approximately six years on the Board of Governors of The Institute of Internal Auditors. She is an active member of the Institute of Internal Auditors, and the Association of Certified Fraud Examiners. Samaan has 17 years of progressive professional audit experience in the public and private sectors where she performed operational and compliance audits/reviews and management consulting projects.

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. The OIG continually solicits informal and formal feedback, in an effort to improve services and, through its involvement in the OIG community, identifies best practices, which may benefit the Department.

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



