

Florida Department
of Financial Services



Jeff Atwater
Chief Financial Officer

Office of Inspector General

Ned Luczynski
Inspector General

ANNUAL REPORT

FISCAL YEAR 2011-12

Promoting accountability, integrity and efficiency in government



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

September 28, 2012

The Honorable Jeff Atwater
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Atwater:

In accordance with section 20.055, Florida Statutes, I am submitting the Office of Inspector General's *Annual Report*, which summarizes accountability activities during Fiscal Year 2011-12.

We look forward to continuing to serve you, our Department of Financial Services colleagues, and the citizens of Florida with objectivity, professionalism, and integrity.

Respectfully submitted,

A handwritten signature in blue ink that reads "Ned Luczynski".

Ned Luczynski
Inspector General

NL:sc

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Message from the Inspector General

Fiscal Year 2011-12 was a transitional year for the Office of Inspector General (OIG). Early into the year, we had no audit or investigative staff and much of the year was spent recruiting new employees. We are now fully staffed with highly qualified and motivated professionals. We also devoted significant time to the planning, renovation, and setup of additional office space to accommodate our new responsibilities for strategic planning and formation of a consulting team focused on business process improvement and enterprise risk management.

In July 2011, we hired a new Director of Internal Auditing. Our audit director spearheaded the establishment of a systematic, structured methodology for conducting the *Business Process Improvement/Enterprise Risk Management Initiative*. The overall objective of this multi-phase, multi-year consulting engagement is to provide the Chief Financial Officer and departmental managers with a tool for strategic decision-making. In lieu of lengthy and static written reports, the *Initiative's* deliverables are available to management in electronic format via the Department's Intranet. This reporting format allows us to update our deliverables as divisions change their business processes in response to the *Initiative's* recommendations for process improvements or reengineering.

Major accomplishments of the Investigations Section included investigation of a significant computer security incident reported by the Department's Computer Security Incident Response Team. In addition, on August 2, 2011, we received a request from Attorney General Pam Bondi for an independent review of the circumstances surrounding the employment terminations of two attorneys from Department of Legal Affairs. The review required extensive fact gathering and resulted in an 85-page report finding no evidence of wrongdoing on the part of anyone involved in the matter. In total we opened 23 internal investigations and completed 16.

During Fiscal Year 2011-12, the Department established the Office of Strategic Planning (OSP) within the Office of Inspector General. I directed OSP operations until the employment of an OSP director in March 2012. Office of Strategic Planning accomplishments in Fiscal Year 2011-12 included development of an electronic format for reporting and updating the results of division performance measures. We also advised division management in the identification of key performance indicators and development of performance measures and standards.

We are pleased with the framework established in Fiscal Year 2011-12 for accomplishing the varied responsibilities of the Office of Inspector General. We look forward to continuing to promote accountability, integrity, efficiency, and transparency within the Department of Financial Services.

Ned Luczynski, Inspector General

INTRODUCTION

BACKGROUND

Section 20.055, Florida Statutes, establishes the Office of Inspector General to provide a central point for coordination of, and responsibility for activities that promote accountability, integrity, and efficiency within the Department. The section defines the duties and responsibilities of agency inspectors general, and requires inspectors general to submit an annual report to their respective agency heads by September 30 each year. The purpose of this report is to provide the Chief Financial Officer and other interested parties with a summary of the accountability activities of the Office during the preceding fiscal year.

OFFICE OF INSPECTOR GENERAL MISSION

Our mission is to advance positive change in performance, accountability, efficiency, integrity, and transparency of programs and operations by facilitating agency planning and business process improvement, 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.

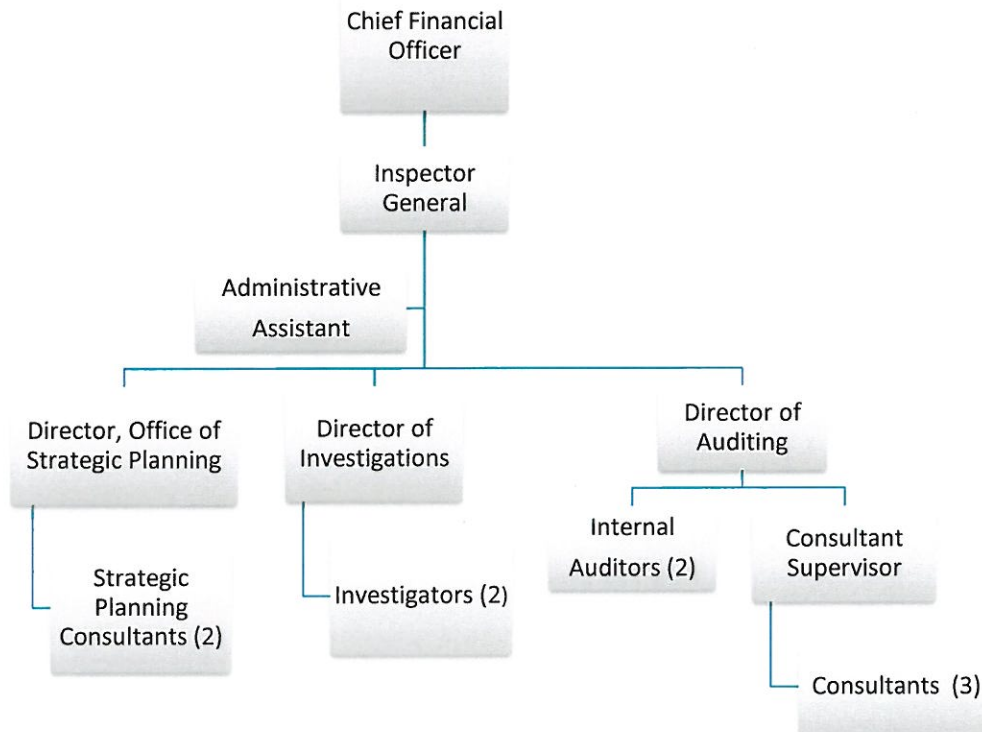
- Ensure effective coordination and cooperation between the Office of the Auditor General, federal auditors, and other governmental bodies with a view toward avoiding duplication.
- Maintain an appropriate balance between audit, investigative, and other accountability activities.
- Comply with the *General Principles and Standards for Offices of Inspectors General* as published and revised by the Association of Inspectors General.

ORGANIZATIONAL PROFILE

OFFICE OF INSPECTOR GENERAL ORGANIZATION

The Inspector General is appointed by, and reports to the Chief Financial Officer. The Inspector General directs the activities of staff within three units: the Office of Strategic Planning, the Internal Audit Section and the Investigations Section.

Office of Inspector General Organizational Chart



STAFF QUALIFICATIONS AND PROFESSIONAL AFFILIATIONS

Office staff brings diverse educational backgrounds and expertise to the Department. Advanced degrees and certifications held by OIG staff during the reporting period included:

- Juris Doctor (2)
- Master of Business Administration (3)
- Certified Inspector General (1)
- Certified Public Accountant (1)
- Certified Internal Auditor (2)
- Certified Government Auditing Professional (1)
- Certified Information Systems Auditor (1)
- Certified Fraud Examiner (1)
- Certified Inspector General Investigator (2)
- Certified Law Enforcement Officer (2)
- Criminal Justice Standards Training Certified Field Training Officer (1)
- Criminal Justice Standards Training Commission Certified General Instructor (1)
- Criminal Justice Standards Training Commission Certified Firearms Instructor (1)
- Criminal Justice Standards Training Commission Certified Driving Instructor (1)
- Certified Public Manager (1)
- Project Management Professional (3)
- Six Sigma Black Belt Certification (1)
- Certification in Organizational Change Management (1)

Office staff belongs to a variety of professional associations to maintain professional competence, establish and advance professional networks, and participate in professional community activities. The following are professional association affiliations:

- Association of Inspectors General (AIG)
- Florida Chapter of the AIG
- Institute of Internal Auditors (IIA)
- Tallahassee Chapter of the IIA
- Association of Certified Fraud Examiners
- Association of Government Accountants (AGA)
- Tallahassee Chapter of the AGA
- ISACA

CONTINUING PROFESSIONAL EDUCATION AND STAFF DEVELOPMENT

The *General Principles and Standards for Offices of Inspector General* as published by the Association of Inspectors General specifies that each staff person who performs investigations, audits, inspections, evaluations, or reviews shall receive at least 40 hours of continuing

professional education every two years that directly enhances the person's professional proficiency.

As required by statute, the OIG performs internal audits in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by The Institute for Internal Auditors, Inc. or government auditing standards, as appropriate. These standards require internal audit staff to maintain professional proficiency through continuing professional education and training. Pursuant to these standards, each internal auditor must receive at least 80 hours of continuing professional education every two years.

In Fiscal Year 2011-12, two investigative staff achieved the Certified Inspector General Investigator designation. The Office of Inspector General staff accomplished continuing professional education and staff development requirements through attendance at locally sponsored conferences, webinars, and audio conferences.

OIG FUNCTIONS AND ACTIVITIES

OFFICE OF STRATEGIC PLANNING

The Office of Strategic Planning works with division leadership to analyze operations, identify program goals and objectives, and develop performance measures for the reporting and evaluation of operations. A significant duty of the office is directing the development of the agency's Long-Range Program Plan (LRPP), a tool that aids management in the alignment of division operations with the Chief Financial Officer's goals. The plan is policy based, priority driven, accountable, and developed through careful examination and justification of all agency programs and services. The LRPP provides the framework for the development of budget requests and legislative agenda. As part of its duties and responsibilities, the office:

- Drafted a proposed Strength, Weakness, Opportunities, and Threats (SWOT) Analysis Instruction for use throughout the agency. Currently, the office is conducting a pilot project with one of the agency's divisions to review and implement the instructions. This instruction will be used to assist the divisions in researching and writing Trends and Conditions Statements that provide a narrative summary of their SWOT Analysis.
- Began the development of division operational plans. Draft instructions for these plans, along with the SWOT Analysis Instruction, are in the review and approval process.
- Reviewed the agency's performance management system. The review found some inconsistencies and uncertain linkages with plans and performance measures at all levels. Currently, we are assessing all performance measures for relevance and validity.
- Began reviewing the requirement of section 216.1827, Florida Statutes, to maintain a comprehensive performance accountability system containing, at a minimum, a list of performance measures and standards adopted by the Legislature. Currently, the agency

performance management system is not centralized. A performance ledger system is under consideration. We plan to consider the development of a centralized system for maintaining performance measures and standards within the next year.

- Began reviewing the activity-based planning and budgeting requirement of section 216.1826, Florida Statutes. The Office is reviewing the best means to standardize the linkage of agency plans, budgets, and performance accountability measures. We envision that division plans will be the vehicle that links agency goals and objectives with division services and activities and their associated budgets. Performance measures will be associated with various levels of the plan to include LRPP objectives and service level outcomes, critical success factors and their key performance indicators, and activity outputs and unit cost measures.
- Began reviewing the best means to provide standardized performance reports to executive and senior management staff.
- Provided post-deliverable support to division management and select staff for the *Business Process Improvement/Enterprise Risk Management Initiative*.

INTERNAL AUDIT SECTION

The Internal Audit Section performs independent and objective audit 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. The OIG also provides management advisory services to assist management with issues that do not require extensive audit or consulting services. The OIG provides management advisory services through various alternative methods such as counsel, advice, facilitation, inspection, reviews, and training.

The OIG performs audit and consulting engagements in accordance with the *International Standards for the Professional Practice of Internal Auditing* published by The Institute of Internal Auditors, Inc.

Types of Engagements

- Financial audits provide reasonable assurance about the reliability of financial information and involve a review of procedures used to record, classify, and report financial information. These audits often include a determination of compliance with applicable legal and regulatory requirements.
- Compliance engagements evaluate whether a program or process is operating in compliance with applicable laws, rules, and regulations. Compliance auditing is generally a component of financial, information systems, and performance audits.

- Information systems audits evaluate the organization's internal controls over its management, administration, and operation of electronic systems and applications.
- Performance audits analyze the economy, efficiency, and effectiveness of departmental programs, functions, or activities. Performance audits generally include an evaluation of the adequacy and effectiveness of controls established to help ensure the achievement of goals and objectives. Performance engagements generally include elements of financial, compliance, and/or information systems audits.
- Consulting engagements are carried out at management's request. The nature and scope of such engagements are agreed upon with the client and are generally intended to help improve the Department's governance, risk management, and control processes.

Engagements and management advisory services provided by the Internal Audit Section in Fiscal Year 2011-12 are summarized in Exhibit A.

Quality Assessment Review

During the reporting period, the Auditor General conducted a peer review of our Office's internal audit activity. In December 2011, the Auditor General published Report Number 2012-050, *Department of Financial Services Office of Inspector General's Internal Audit Activity, Quality Assessment Review for the Review Period July 2010 Through June 2011*. The Auditor General found the internal audit activity's quality assurance program was adequately designed and complied with to provide reasonable assurance of conformance with applicable professional auditing standards. In addition, the OIG generally complied with those provisions of section 20.055, Florida Statutes, 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 departmental programs and activities to assist in developing an *Annual and Long-Term Audit Work Plan*. In 2012, the OIG surveyed 53 auditable entities within the Department to assess the extent of risk associated with a range of operational factors, such as the extent of use of confidential information, reliance on information technology, maintenance of appropriate levels of segregation of duties, operations at highest risk for fraudulent activity, etc. The risk assessment also included input from each division or office director and from executive management. The *Work Plan*, which is approved by the Chief Financial Officer, identifies planned internal audits and consulting engagements for the period July 1, 2012, through June 30, 2014.

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

Coordination with External Audit Entities

In addition to internal audit, departmental programs and operations are subject to audit by various external entities, such as the Office of the Auditor General, the Office of Program Policy Analysis and Government Accountability (OPPAGA), and various federal and other regulatory entities. The Internal Audit Section is responsible for coordinating with these external reviewers. In Fiscal Year 2011-12, the Section coordinated the Department's response to findings and recommendations made in seven reports published by the Office of the Auditor General (see Exhibit B).

Follow-up Responses

Section 20.055, Florida Statutes, requires the Inspector General to monitor implementation of corrective action the Department makes in response to findings and recommendations in reports published by the Auditor General and OPPAGA. Pursuant to this law, the Internal Audit Section prepares a written response 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 Exhibit C). In accordance with internal auditing standards, the Section 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.

Outstanding Corrective Actions from Prior Annual Reports

As of June 30, 2012, no corrective actions remained outstanding from prior annual reports.

INVESTIGATIONS SECTION

During Fiscal Year 2011-12, the Investigations Section opened 18 investigations of non-law enforcement employees and completed 11. Of the 11 completed investigations, four were opened during Fiscal Year 2010-11. Of the non-law enforcement employee investigations completed, nine were categorized as proved; one was disproved; none were inconclusive; and one had no applicable findings because the case was closed prior to obtaining all the evidence necessary to make a categorization; e.g., employee resigned prior to conclusion of investigation. A summary of these investigations can be found in Exhibit D.

Law enforcement officer investigations stem from complaints involving alleged misconduct by a sworn law enforcement employee (Division of Insurance Fraud; Division of State Fire Marshal; Bureau of Fire and Arson Investigations; or Office of Fiscal Integrity). These investigations require the Office of Inspector General to comply with the Law Enforcement Officers' Bill of Rights, the Firefighters' Bill of Rights, and, in some cases, with the Police Benevolent

Association Union Contract, or the Florida State Fire Service Agreement. By law, these cases are confidential in nature until the investigative report is published or disciplinary action occurs, whichever is later.

During Fiscal Year 2011-12, five law enforcement officer investigations were opened and five were completed. Two of the completed cases were opened in Fiscal Year 2010-11. Of the five investigations completed, two were categorized as proved and three were disproved. A summary of these investigations can be found in Exhibit D.

Management Referral cases are opened when the Office of Inspector General receives complaints which do not rise to the level of significance to warrant an investigation (including law enforcement officer investigations). These complaints are referred to the management of the appropriate division and are monitored until an outcome is received, reviewed, and approved by the OIG. During Fiscal Year 2011-12, the OIG referred 17 complaints to division management.

Investigative Support cases are opened when the Bureau of Human Resource Management (HR) contacts the Office of Inspector General indicating staff has received a complaint regarding allegations of unlawful discrimination. The Office of Inspector General assists in these cases by taking sworn statements from involved parties and forwarding them to HR to determine whether acts of unlawful discrimination occurred. During Fiscal Year 2011-12, the OIG received and completed two requests for assistance from HR.

Management Support cases are opened in response to requests for assistance, generally received from DFS management, with issues that normally do not give rise to an OIG case of any type. During Fiscal Year 2011-12, the OIG completed eight requests for assistance.

Monitoring cases involve issues monitored by the Office of Inspector General to receive and report the outcome to management. For example, the Office of Inspector General may monitor an employee's case in the criminal court system after an arrest. During Fiscal Year 2011-12, the OIG opened four monitoring cases.

Memorandum to File cases arise when the Office of Inspector General receives a complaint and the subject of the complaint is not within the purview of the Department of Financial Services. The complaints are referred to the agency having jurisdiction over the matter, if any. During Fiscal Year 2011-12, the OIG opened 31 such cases.

Preliminary Inquiry cases are opened when the Office of Inspector General receives complaints with insufficient facts to warrant a full investigation. In these cases, some fact gathering is conducted and a determination is made whether to proceed with an investigation (facts indicate a substantive violation may have occurred) or to end the inquiry (facts indicate a substantive violation did not occur). In some instances another type of case may be opened when the inquiry ended without a substantive investigation being pursued, e.g., a management referral. During Fiscal Year 2011-12, 16 Preliminary Inquiry cases were opened.

OTHER OFFICE OF INSPECTOR GENERAL ACTIVITIES

- Get Lean Hotline: The OIG's Internal Audit Section coordinates the Department's response to suggestions to improve the efficiency and effectiveness of Departmental operations offered by citizens via the Hotline.
- New Employee Orientation: Office of Inspector General managers brief all new employees on their role in following internal controls and reporting opportunities to enhance internal controls and improve operating effectiveness and efficiency. Office staff also discusses standards of conduct and how to report suspected violations of law, rule, or policy.
- Basic Supervisory Training: As part of the Department's required basic supervisory training program, the Inspector General emphasizes ethical conduct and stresses the significance of supervisors as role models.
- Computer Security Incident Response Team: The Inspector General is a core member of the Department's Computer Security Incident Response Team.
- Criminal Justice Information System Compliance Working Group: The Inspector General is a core member of the working group.

EXHIBIT A

INTERNAL AUDIT SECTION PROJECTS

Project No. IA 12-201—Consulting Engagement: *Business Process Improvement/Enterprise Risk Management Initiative*

The overall objective of this multi-year, multi-phase consulting engagement is to create a tool to assist the Chief Financial Officer and executive management in making decisions concerning the Department's strategic direction. Specific engagement objectives are to develop a decision support system that will:

- Provide senior management with relevant and meaningful information to effectively implement the Chief Financial Officer's strategic vision for the Department; and
- Provide division management with relevant and meaningful information to better align business processes with the Department's strategic objectives, improve operational effectiveness and efficiency, and reduce risk.

To achieve these objectives, the Internal Audit Section developed a structured, systematic approach to accomplish the following engagement steps:

1. Evaluate each division's core business processes to determine whether the core processes are aligned with the Department's strategic goals and objectives and identify any business processes that are not essential to achieving the Department's mission.
2. Map the business processes within each division to provide a visual representation of current operations.
3. Identify opportunities to align business processes more closely with the Department's strategic goals and objectives through process improvement or reengineering.
4. Identify opportunities to improve service delivery and achieve greater effectiveness and efficiency through process improvement or reengineering.
5. Assess the control environment and level of residual risk of each business process and identify opportunities to reduce risk through process improvement or reengineering.
6. Identify those key performance measures for each business process that would assist in assessing achievement of the Department's strategic goals and objectives.

In Fiscal Year 2011-12, the Internal Audit Section established the organizational and administrative framework necessary to perform the engagement. Project deliverables are made available to executive and division management in an electronic format available through a

SharePoint site. Project deliverables include maps of division core business processes and an electronic library of observations and recommendations, suggested performance measures, and an assessment of the residual risk associated with divisional operations.

Staff completed engagement objectives for the Division of Risk Management and began work within the Division of Workers' Compensation in Fiscal Year 2011-12. Work within the Division of Risk Management included mapping the following processes:

Core Processes	Provide Insurance Coverage	Service Claims	Loss Prevention	Financial Management
Business Processes	1. Provide Casualty Coverage 2. Provide Property Coverage	1. Service Workers' Compensation Claims 2. Service Property Claims 3. Service Liability Claims	1. On-boarding and Training & Education 2. Data reporting 3. Agency Review and Evaluation 4. Agency Awards	1. Disbursements 2. Receipts 3. Fund Management

In mapping these business processes, staff produced over 150 activity flow charts. Staff also identified more than 70 opportunities to improve or reengineer business processes. For example, staff determined that the use of multiple third-party administrators to manage medical care for workers' compensation claims had resulted in overly complex, fragmented, and inconsistent claims management practices. Staff recommended the Division consider contracting with a single third-party administrator in lieu of contracting with multiple vendors for medical case management services.

As another example, staff observed the Division was using Excel workbooks and an Access database to calculate casualty and property premiums and to generate premium invoices. As a process reengineering recommendation, staff recommended the Division evaluate the feasibility of using or enhancing its management information system to accomplish these activities. Staff further recommended that in the interim, the Division establish appropriate internal controls to ensure data integrity, accuracy of calculations and of invoices generated, as well as supervisory review and approval at key process points.

Staff also identified 57 key performance measures to assist the Division in measuring business process results. Suggested performance measures included:

- "X" percent annual decrease in average cost per claim (by claim type);
- "X" percent annual decrease in frequency of claims in areas of high loss exposure; and
- Percentage of claims settled within the first year.

Project IA 12-202—Management Advisory Services: *Receipts Processing Review*

At the request of Division of Administration management, we reviewed the viability of continuing the Inter-Agency Agreement with the Department of Revenue (DOR) for over-the-counter payment receipt processing services. We determined the agreement had not resulted in any overall cost-savings to the Department. Further, the use of DOR services had resulted in significant inefficiencies in Department business processes. We therefore recommended the Department transition the receipting functions assigned to DOR back to the Department. The Division accepted this recommendation and subsequently terminated the agreement for DOR services.

EXHIBIT B

EXTERNAL AUDIT COORDINATION

In Fiscal Year 2011-12, the Internal Audit Section coordinated the Department's response to the external audits listed below.

- Auditor General Report No. 2012-008: *DFS Treasury Investment Policies and Prior Audit Follow-up* (published September 27, 2011)
- Auditor General Report No. 2012-016: *DFS Florida Accounting Information Resource (FLAIR) Subsystem* (published October 25, 2011)
- Auditor General Report No. 2012-026: *DFS Division of Agent and Agency Services* (published November 16, 2011)
- Auditor General Report Number 2012-050: *DFS Office of Inspector General's Internal Audit Activity, Quality Assessment Review for the Review Period July 2010 Through June 2011* (published December 15, 2011)
- Auditor General Report No. 2012-067: *DFS Division of Risk Management Monitoring of Third-Party Administrators* (published January 3, 2012)
- Auditor General Report No. 2012-071: *DFS STARS Information Technology Operational Audit* (published January 5, 2012)
- Auditor General Report No. 2012-142: *State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards* (published March 20, 2012)
- Auditor General Report No. 2012-179: *DFS Special Disability Trust Fund Claims Manager 2004 System* (published June 15, 2012)
- The following external audits were on-going as of June 30, 2012:
 - Division of Emergency Management review of State Fire Marshal Homeland Security Grant program
 - Auditor General multi-agency procurement audit
 - Auditor General information technology operational audit of FLAIR
 - Auditor General audit of state of Florida compliance and internal controls over financial reporting
 - Auditor General audit of state expenditures for federal awards

EXHIBIT C

FOLLOW-UP RESPONSES

In Fiscal Year 2011-12, the Internal Audit Section prepared follow-up responses regarding the status of implementation of corrective action for the following audits:

- Project No. IA 12-401: Six-month Follow-up Response to Auditor General Report No. 2011-167, *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards* (published March 29, 2011)
- Project No. IA 12-402: Six-month Follow-up Response to Auditor General Report No. 2011-173, *Selected Division of Treasury Applications Information Technology Operational Audit* (published April 6, 2011)
- Project No. IA 12-403: Six-month Follow-up Response to Auditor General Report No. 2011-196, *Local Government Financial Reporting System* (published June 30, 2011)
- Project No. IA 12-405: Six-month Follow-up Response to Auditor General Report No. 2012-008, *DFS Treasury Investment Policies and Prior Audit Follow-up* (published September 27, 2011)
- Project No. IA 12-406: Twelve-month Follow-up Response to Auditor General Report No. 2011-173, *Selected Division of Treasury Applications Information Technology Operational Audit* (published April 6, 2011)
- Project No. IA 12-407: Six-month Follow-up Response to Auditor General Report No. 2012-016, *DFS Florida Accounting Information Resource (FLAIR) Subsystem* (published October 25, 2011)
- Project No. IA 12-408: Six-month Follow-up Response to Auditor General Report No. 2012-026, *DFS Division of Agent and Agency Services* (published November 16, 2011)
- Project No. IA 12-409: Six-month Follow-up Response to Auditor General Report No. 2012-067, *DFS Division of Risk Management Monitoring of Third-Party Administrators* (published January 3, 2012)
- Project No. IA 12-410: Six-month Follow-up Response to Auditor General Report No. 2012-071, *DFS STARS Information Technology Operational Audit* (published January 5, 2012)

EXHIBIT D

INVESTIGATIONS

Non-Law Enforcement Officer Investigations:

Case Number 11350: Four allegations were made against an employee.

Two of the allegations resulted in inconclusive dispositions. The employee displayed conduct unbecoming a public employee by intentionally damaging the gas port flap in two assigned state vehicles; and the employee intentionally altered state vehicle equipment by deliberately disconnecting the GPS in two assigned state vehicles.

The last two allegations resulted in proved dispositions:

- The employee failed to perform job duties in an efficient, timely and effective manner. The failure to not timely serve an order on an employer needlessly allowed an immediate danger to public health, safety, and welfare to continue.
- The employee displayed conduct unbecoming a public employee. The subject submitted false reports to superiors, made false entries into a division case tracking system, falsely testified under oath, and made false notations on case documentation.

The employee resigned.

Case Number 11387: Three allegations were made against an employee.

One of the allegations resulted in an inconclusive disposition. The employee displayed conduct unbecoming a public employee and violated the Department's Code of Ethics while teaching a class when by joking caused the students to believe there was an extension to the length of a presentation they were required to put on for completion of the class.

The last two allegations resulted in disproved dispositions:

- The employee displayed conduct unbecoming a public employee and violated the Department's Code of Ethics while teaching a class by failing to treat a student with courtesy and respect and by making inappropriate comments regarding the student's employer.
- The employee failed to stay focused on job-related activities during work hours and failed to exercise sound judgment in order to produce work that consistently met or exceeded expectations resulting in the employee performing poorly and failing to perform duties in a competent and adequate manner.

Case Number 11404: This case involved two subjects. The first subject was accused of unintentionally facilitating the release of social security numbers held by the agency, resulting in the numbers being posted to the Internet. The allegation was disproved.

There were two allegations made against the second subject and both were proved:

- The employee was negligent in the performance of duties. The employee carelessly and irresponsibly sent an unencrypted email containing confidential and exempt information to unauthorized persons over the Department's network, in violation of numerous laws, rules, and policies, as well as memorandums of understanding with other agencies.
- The employee violated department policies and procedures, and the public records law. The subject sent unencrypted email containing confidential and exempt information over the Department's network, resulting in the information's disclosure.

The employee was reprimanded.

Case Number 11414: Two allegations were brought against an employee arising from an accident in a state vehicle. The investigation proved the employee failed to use due care when parking a state vehicle and failed to operate the vehicle in a safe manner, resulting in the state vehicle striking a parked car and causing damage to both vehicles. The investigation also proved the employee failed to report the collision with a parked car. The employee was reprimanded.

Case Number 12301: An employee was accused of demonstrating poor work performance by engaging in idleness or non-work related Internet activities during working hours, which diverted the employee's attention from assigned duties. Further, the employee was inefficient in the performance of assigned duties by failing consistently to maintain acceptable workmanship, performance, or productivity levels. Both allegations were proved and the employee received a written reprimand.

Case Number 12317: An employee was suspected of poor job performance arising from the handling of a contractual procurement. The employee resigned from the Department prior to any substantive investigation; thus, the case was closed without a disposition.

Case Number 12349: Two allegations were made against an employee. The allegation the employee displayed violent, aggressive, or threatening behavior toward another state worker during an altercation was disproved. The second allegation, use of a racial slur towards the same state worker during the same altercation, was proved. The employee was terminated.

Case Number 12350: Two allegations, both of which were proved, were brought against an employee. First, the employee's official position was used for personal gain. The employee received a ride home in exchange for overstating community service hours reported by a worker on the worker's Salvation Army Community Service Court Referral. Second, the employee displayed conduct unbecoming a public employee by not maintaining high standards of honesty, integrity, and impartiality by submitting a falsified People First timesheet and the falsified Salvation Army Community Service Court Referral. The employee resigned.

Case Number 12366: An employee was accused of accessing confidential information on the DAVE Database for unauthorized non-business purposes by accessing an elected state official's confidential driver license information. The employee also was alleged to display conduct unbecoming a public employee by failing to protect state property from loss or abuse and using state property and equipment in a manner not beneficial to the agency, when accessing the information on the DAVE Database. Both allegations were proved and the employee resigned.

Case Number 12377: An employee was accused of failing to submit to the head of the Department of Financial Services, at least 45 days before the deadline for qualifying to run for office, a written request for authorization to run for public office and engaging in campaign related activity prior to submitting said written request. The allegation was proved. Further, it was alleged that the employee failed to notify the Chief of Human Resource Management within three days of qualification as a political candidate. The allegation was proved and the employee received a written reprimand.

Case Number 12381: An employee was accused of intentionally providing falsified documents and records to an insurance company to obtain personal injury payment benefits of \$36,756. The allegation was proved. The employee also was alleged to display conduct unbecoming a public employee by not maintaining high standards of honesty, integrity, and impartiality by forging someone's signature onto official DFS letterhead; and by misusing the employee's official position for personal gain by using DFS letterhead as part of a scheme to receive falsely acquired insurance benefits. The allegation was proved. The employee was terminated.

Law Enforcement Officer Investigations:

Case Number 11399: An employee was accused of displaying conduct unbecoming a public employee by behaving in a manner which brought discredit and embarrassment to the state and by failing to be courteous, considerate and respectful to the public. The case was closed as disproved.

Case Number 11402: An employee was accused of using excessive force on, and causing serious and permanent injury to, a subject during an arrest. The employee was also alleged to have failed to prepare a detailed written report, documented on a Bureau Use of Force form, and submit it to management within twenty-four hours of pointing a firearm at, and using force when, arresting the subject. The case was closed as disproved.

Case Number 12313: An employee was accused of using a state vehicle's emergency blue lights for a routine non-emergency passing of two vehicles. The employee also was accused of negligence, because during the passing of the two vehicles one of the vehicles had to break sharply and move to the left to avoid a collision. Both allegations were proved. The employee was suspended without pay for three days and was required to attend an advanced driver training class.

Case Number 12316: Five allegations were brought against an employee. The outcome of the allegation the employee displayed conduct unbecoming a public employee when dealing with a defense attorney in a loud, unprofessional, and unethical manner at the close of a sentencing

hearing was inconclusive. The other four allegations were disproved. Those allegations were the employee:

- displayed conduct unbecoming a public employee by allowing a person not employed with the Department to receive a fax containing a former spouse's personal financial information at a departmental office;
- displayed conduct unbecoming a public employee by attending a child visitation exchange with the intent to intimidate one of the parties as a favor for the other by appearing dressed in uniform;
- used an assigned state vehicle for other than official state business or incidental contiguous use on a regular basis; and
- displayed conduct unbecoming a public employee law enforcement officer by using profanity and threatening a civilian over the telephone as a favor for a friend.

Case Number 12333: An employee was accused of negligence in the performance of job duties by improperly holstering a firearm (finger on the trigger) causing the firearm to discharge a round into the employee's ankle. The allegation was proved and the employee was given notice of intent to suspend for three days. The employee resigned.