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STATE OF FLORIDA

REPORT IA 21-301

OFFICE OF INSPECTOR GENERAL MANAGEMENT REVIEW REPORT

REVIEW OF SELECTED FISCAL YEAR 2019-2020 PERFORMANCE MEASURES

Management review of selected performance measures reported in the Department of Financial Service's Long-Range Program Plan, Fiscal Years 2021-22 Through 2025-26, for validity and reliability

A handwritten signature in blue ink, appearing to read "David T. Harper".

David T. Harper, Inspector General
Office of Inspector General
Department of Financial Services
June 30, 2021



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EXECUTIVE SUMMARY

Section 20.055(2)(b), Florida Statutes (F.S.) requires Offices of Inspectors General (OIGs) to “assess the reliability and validity of information provided by the state agency on performance measures and standards, and make recommendations for improvement, as necessary.” To assess the reliability and validity of the Department of Financial Services’ (DFS) performance measures, the DFS OIG conducted a review of three selected performance measures reported in the *Department of Financial Services Long-Range Program Plan, Fiscal Years 2021-22 Through 2025-26* (LRPP) for Fiscal Year (FY) 2019-20 for the Division of Public Assistance Fraud (PAF), the Division of Investigative and Forensic Services (DIFS), and the Division of Workers’ Compensation (DWC).

The following three performance measures were reviewed for validity and reliability, with the following results:

Responsible Office	LRPP Performance Measure Reviewed	Valid	Reliable
1. PAF	<p>“Dollar Amount of Benefits Withheld, Saved, and Recouped as a Percentage of Public Assistance Fraud Annual Budget”</p> <p>Approved Standard FY 2019-20: 500% Actual FY 2019-20: 625%</p>	Yes	No
2. DIFS Bureau of Fire, Arson, and Explosives Investigations	<p>“Percentage of Closed Fire Investigations Successfully Concluded, Including by Cause Determined, Suspect Identified and/or Arrested or Other Reasons”</p> <p>Approved Standard FY 2019-20: 80% Actual FY 2019-20: 78.6%</p>	Yes	No
3. DWC Bureau of Monitoring and Audit	<p>“Percentage of Overall Accepted Claims Electronic Data Interchange (EDI) Form Filings”</p> <p>Approved Standard FY 2019-20: 82% Actual FY 2019-20: 82%</p>	Yes	Yes

The DFS OIG recommends that PAF and DIFS improve their desk procedures to ensure their measures’ outcomes will be reliably reported in the future.

INTRODUCTION, BACKGROUND, OBJECTIVES AND SCOPE

Introduction

Section 216.033, F.S. states, "State agencies and the judicial branch shall develop long-range program plans to achieve state goals using an interagency planning process that includes the development of integrated agency program service outcomes." Further, according to the statute, the plans must include performance measures and associated standards. Section 20.055(2)(b), F.S., directs OIGs to assess the validity and reliability of the measures and make recommendations for improvement.

Background

The PAF performance measure that was reviewed for this engagement was last evaluated by the OIG for validity and reliability in September 2019. The OIG observed an issue with the reliability of the measure's FY 2018-19 outcome due to its calculation. This measure was selected for this review as a follow-up to the FY 2018-19 measure review.

The DIFS performance measure that was reviewed for this engagement had not been previously evaluated by the OIG for reliability and validity. It should be noted that the measure was previously owned by the Division of State Fire Marshal prior to its transfer to DIFS.

The DWC performance measure that was reviewed for this engagement was evaluated by the OIG in September 2017 and was found to be both reliable and valid at the time of the assessment.

Objectives and Scope

The engagement's objectives were to:

- Determine the validity of each selected FY 2019-2020 Performance Measure based on the information and supporting documentation provided by the division and make recommendations, as appropriate.
- Determine the reliability of each selected FY 2019-2020 Performance Measure based on the information and supporting documentation provided by the division and make recommendations, as appropriate.

The scope of the review included all information and documentation related to the following three performance measures reported in the Department's 2021-20 LRPP for FY 2019-20:

Measure Number	Responsible Office	LRPP Performance Measure Reviewed
1.	PAF	"Dollar Amount of Benefits Withheld, Saved, and Recouped as a Percentage of Public Assistance Fraud Annual Budget" Approved Standard FY 2019-20: 500% Actual FY 2019-20: 625%

2.	DIFS Bureau of Fire, Arson, and Explosives Investigations	<p>“Percentage of Closed Fire Investigations Successfully Concluded, Including by Cause Determined, Suspect Identified and/or Arrested or Other Reasons”</p> <p>Approved Standard FY 2019-20: 80% Actual FY 2019-20: 78.6%</p>
3.	DWC Bureau of Monitoring and Audit	<p>“Percentage of Overall Accepted Claims Electronic Data Interchange (EDI) Form Filings”</p> <p>Approved Standard FY 2019-20: 82% Actual FY 2019-20: 82%</p>

OBSERVATIONS AND RECOMMENDATIONS

Observation 1: PAF Performance Measure Reliability

PAF’s measure of a 625% outcome was correctly reported in the LRPP, when utilizing the prior year methodology. However, the division’s current desk procedures (methodology) incorrectly described the process to be used to calculate the measure’s outcome. Specifically, the provided methodology returns the division’s annual return on investment, rather than the outcome of this measure. Accordingly, the calculation methodology provided by the division would have resulted in an outcome in the amount of 985.5%, rather than 625%. As a result of this issue, the risk is increased that outcomes reported in future LRPPs may be incorrectly calculated.

Recommendation

The OIG recommends that the division improve its desk procedures by developing written procedures that correctly identify the methodology for each given performance measure, to ensure that all performance measure outcomes will be reliably reported in future LRPPs.

Observation 2: DIFS Performance Measure Reliability

The outcome for the selected DIFS measure as reported in the LRPP is incorrect, based on the supporting documentation provided by the division. The measure’s outcome was reported in the LRPP as 78.6%. However, the supporting documentation shows that the measure’s outcome was 73.3%, a 5.3 percentage point difference. Additionally, the supplied data report and the desk procedures categorize Successfully Concluded investigations in a way that does not clearly align with the description of the measure.

Recommendation

The OIG recommends that DIFS improve its desk procedures regarding the measure's data collection methodology to ensure the data being used to calculate the measure's outcome is reliable. For example, investigations Successfully Concluded after the end of the fiscal year being reported should be credited to the fiscal year in which they were concluded for LRPP reporting purposes. The OIG also recommends that the division improve its desk procedures to develop a more comprehensive definition of the term Successfully Concluded that agrees with the description of the measure.

METHODOLOGY

To accomplish this engagement's objectives, the OIG performed the following procedures:

- Conducted research to identify applicable statutes and procedures;
- Reviewed previous LRPP Exhibit IV: Performance Measure Validity and Reliability documents for each measure;
- Reviewed prior OIG performance measure review files;
- Reviewed LRPP instructional guides;
- Reviewed previously submitted *Department of Financial Services Long-Range Program Plans*
- Analyzed the *Department of Financial Services Long-Range Program Plan, Fiscal Years 2021-22 Through 2025-26*, submitted September 30, 2020;
- Requested and obtained copies of the supporting documentation for each of the three performance measures that the divisions used to demonstrate and calculate their measure's 2019-2020 outcome; and
- Analyzed and tested the available data and documentation.

MANAGEMENT'S RESPONSE

PAF and DIFS responses are provided as an attachment and the DFS OIG agrees with the responses.

ACKNOWLEDGEMENTS

The OIG would like to thank PAF, DIFS, and DWC leadership and staff for their input, cooperation, and assistance throughout the performance of this engagement.

The Office of Inspector General performs audits, consulting activities, and reviews of Department of Financial Services' programs, activities, and functions to promote accountability, integrity, and efficiency in state government.

This management review was conducted in conformance with the *Principles and Standards for Offices of Inspectors General*, published by the Association of Inspectors General. This engagement was conducted by Crista Hosmer, CIGA, FCCM, Senior Auditor, under the supervision of Debbie Clark, CPA, CISA, CIGA, Director of Audit.

Please address inquiries regarding this report to the DFS Office of Inspector General at 850-413-3112.

DISTRIBUTION LIST

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ATTACHMENT

RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

Observation 1: PAF Performance Measure Reliability

PAF's measure of a 625% outcome was correctly reported in the LRPP, when utilizing the prior year methodology. However, the division's current desk procedures (methodology) incorrectly described the process to be used to calculate the measure's outcome. Specifically, the provided methodology returns the division's annual return on investment, rather than the outcome of this measure. Accordingly, the calculation methodology provided by the division would have resulted in an outcome in the amount of 985.5%, rather than 625%. As a result of this issue, the risk is increased that outcomes reported in future LRPPs may be incorrectly calculated.

Recommendation:

The OIG recommends that the division improve its desk procedures by developing written procedures that correctly identify the methodology for each given performance measure, to ensure that all performance measure outcomes will be reliably reported in future LRPPs.

Response: Due to a transition in leadership, the method for calculating the LRPP performance measure was not communicated to current DPAF staff. When asked to provide a methodology, the known performance measure "Return on Investment" was assumed to be the same measure, just with a different title. Thus, the provision of the incorrect methodology. The proper methodology has been recovered and will be added to the Division's monthly performance measures calculations and report.

Expected Completion Date for Corrective Action: July 15, 2021

Observation 2: DIFS Performance Measure Reliability

The outcome for the selected DIFS measure as reported in the LRPP is incorrect, based on the supporting documentation provided by the division. The measure's outcome was reported in the LRPP as 78.6%. However, the supporting documentation shows that the measure's outcome was 73.3%, a 5.3 percentage point difference. Additionally, the supplied data report and the desk procedures categorize Successfully Concluded investigations in a way that does not clearly align with the description of the measure.

Recommendation:

The OIG recommends that DIFS improve its desk procedures regarding the measure's data collection methodology to ensure the data being used to calculate the measure's outcome is reliable. For example, investigations Successfully Concluded after the end of the fiscal year being reported should be credited to the fiscal year in which they were concluded for LRPP reporting purposes. The OIG also recommends that the division improve its desk procedures to develop a more comprehensive definition of the term Successfully Concluded that agrees with the description of the measure.

Response:

DIFS's report system tracks activity as it occurs, resulting in statistical changes as updates are made to cases. Going forward, DIFS will save all raw data files used to update LRPP measures. This will allow for the verification and duplication of methodology used to calculate outcomes.

A review of the LRPP definition revealed that it relied on old categories no longer used by the Division. The LRPP will be reworded to properly reflect the parameters being used.

Expected Completion Date for Corrective Action:

Tracking changes will be made and implemented starting June 30, 2021.

New wording of LRPP measure has been drafted and will be forwarded to DFS Office of Policy & Strategic Initiatives by July 9, 2021.