



CHIEF FINANCIAL OFFICER
JIMMY PATRONIS
STATE OF FLORIDA

April 27, 2021

The Honorable Jimmy Patronis
Chief Financial Officer
The Capitol, PL-11
Tallahassee, Florida 32399-0301

Dear CFO Jimmy Patronis:

As required by Section 20.055, Florida Statutes, I am providing the Department's six-month status report of corrective actions taken in response to Auditor General Report Number AG 2021-046, *Department of Financial Services Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up*, published October 26, 2020.

If you have any questions, please do not hesitate to contact me.

Very Respectfully,

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

David T. Harper
Inspector General

DTH:hm

Attached

cc: Peter Penrod, Chief of Staff
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee
Mary Schwantes, Director of Funeral, Cemetery, and Consumer Services
Scott Stewart, Chief Information Officer
Simon Blank, Director of Investigative & Forensic Services

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

**SIX-MONTH FOLLOW-UP REPORT
STATUS OF CORRECTIVE ACTION**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 1	The Division of Funeral, Cemetery, and Consumer Services (Division) had not established policies and procedures for preneed and cemetery licensee examinations. Additionally, Division records did not always evidence the specific procedures performed or all necessary information to support examination results, and the Division did not utilize a documented risk-based approach to select licensees for examination.		
Recommendation	We recommend that Division management establish policies and procedures for the preneed and cemetery examination process and enhance controls to ensure that Division records evidence the specific procedures performed and all necessary information to support examination results. We also recommend that Division management develop and document a risk-based approach for selecting licensees for examination.		
Responsible Division	Division of Funeral, Cemetery, and Consumer Services		
Original Response	<p>The audit correctly points out the staffing shortages, database inefficiencies, and other issues experienced by the Division in recent years. The Division is comprised of 25 FTE and 2 OPS positions. From February 2017 to the end of the audit period in January 2019, approximately 11 of these positions became vacant through normal attrition or internal promotions, requiring the hiring and training of new employees in those positions. The staffing shortage particularly impacted the Division's Examination Team, which experienced vacancies in three of the four positions on the team and the unfortunate death of one of the former employees, thus significantly reducing the Division's ability to fully respond to some of the auditor's concerns regarding records or other issues on examinations previously performed by that individual. Fully staffed since December 2018, the four-member Examination Team also includes a supervisory position.</p> <p>From FY18-19 through FY19-20, the Division's Examination Team completed 162 trust account compliance examinations, as required by statute, for preneed and cemetery licensees, including the complex examination of a single, large corporate licensee with multiple locations. Based upon experiences gained during these examinations and the prior experience and knowledge gained in these matters by long-term employees, Division staff combined, revised, and significantly updated numerous older versions of Division policies and procedures relating to examinations. Since the period of the audit, the Division implemented a single comprehensive examination policy. Additionally, Division staff are in the final stages of implementing a separate, modernized desk procedure for examinations.</p> <p>The approved pdf version of the policy is currently posted in the Division's shared drive. Upon its completion, the examination desk procedures will also be posted in that location. All Division field staff have been made aware of these documents and members of the Division's Examination Team specifically trained in the policy and procedures for the examinations.</p>		

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

	<p>The majority of the Division's utilized information systems, including the ES1 system used for scheduling examinations, are Microsoft Access databases which are significantly outdated and no longer supported by the Department's Office of Information Technology other than for limited services necessary to maintain the systems. While the Division agrees that a more risk-based approach to selecting licensees for examination would add to the overall efficiencies of the examination process, it is not feasible to modify the ES1 system to add the fields necessary to implement such an approach. It is similarly not feasible to modify the Division's other systems at this time to incorporate a scheduling module/process. The Division currently does not have available funds to replace these outdated systems and it is unknown when such funds might become available. However, as funds become available and the Division is able to contemplate the replacement of these systems, the Division will consider adding to its requirements for any new system the fields/information necessary to implement a risk-based approach to selecting licensees for examination.</p>
<p>Six-month Follow-up: April 26, 2021</p>	
<p>Reported Status</p>	<p>As previously reported, the Division implemented an internal policy on examinations. The policy is posted on the Division's shared drive for easy access and use by all Division employees, particularly the Examination Team. Division staff continue to work on revisions to the draft of the updated desk procedures to be used in the conduct of the examinations. There is no change to the Division's prior response regarding a risk-based approach to selecting licensees. The Division's systems used for this purpose are still outdated with no funds currently available or anticipated for system replacements.</p>
<p>Expected Completion Date for Corrective Action</p>	<p>September 30, 2021</p>
<p>OIG Assessment</p>	<p>Based on the information provided, the Division initiated corrective action to address the finding. The OIG will continue monitoring the Division's efforts until documentation is provided that demonstrates that the desk procedures are finalized and implemented.</p>

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 2	Division records did not always evidence that differences in the reported number of preneed sales contracts were appropriately investigated and resolved.		
Recommendation	We recommend that Division management establish procedures to reconcile the annual reported number of preneed contracts sold by licensees to the number of preneed contracts reported sold in licensee quarterly reports.		
Responsible Division	Division of Funeral, Cemetery, and Consumer Services		
Original Response	<p>The Division's staffing shortage referenced in the response to Finding No. 1 also impacted the Division's Licensing Team during the audit review period, significantly affecting four of the team's six positions and necessitating training in the newly assigned responsibilities, including those involving the reconciliation of reported preneed contracts. While the staffing changes certainly contributed to the delay in the annual reconciliation between the quarterly and annual reports filed by preneed licensees, however, the primary reason for any delay involves the automation of the processes.</p> <p>In 2017, the Division and the Department's Office of Information Technology began work on an internally developed replacement for the prior Microsoft Access database system and manual procedures which were used to report information obtained from the quarterly reports which were mailed to the Division by preneed licensees to report the preneed contracts they sold. The purpose of the newly automated system was to eliminate potential errors caused by multiple data entry points and provide licensees with the ability to both report and pay applicable fees online for the preneed contracts they sold.</p> <p>The new Preneed Remittance System ("PNRS") went into effect in late July 2018. PNRS is an online web application that allows both the licensee and the Division to report and monitor the quarterly preneed contracts that are sold by each preneed licensee. PNRS sends out a notice to the licensees each quarter reminding them that they need to report their quarterly contract sales. The system also allows the preneed licensees a way to report and pay their Preneed Quarterly contracts sales fees through the online web application. Based on the number of contracts reported as sold, the system automatically calculates the fee amount that is due. The system further allows the preneed licensees the ability to make adjustments to any count that has been reported for any prior quarter. Finally, PNRS provides Division staff with ways to see what has been reported by the licensees, including the ability to generate reports that were not previously available.</p> <p>Since the audit review period, the Division implemented a policy regarding Preneed Quarterly Reporting and Remittances. This policy and any applicable procedures will be updated as necessary as the automated reconciliation processes of PNRS are deployed and the annual reconciliations are brought up to date.</p>		
Six-month Follow-up: April 26, 2021			
Reported Status	The Division has completed its responsibilities in response to Finding #2 of the AG 2021-046 report. As explained in the initial response to the report, the Division previously implemented an internal policy relating to Preneed Quarterly Reporting and Remittances. Additionally, the Division recently automated its processes for		

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

	reconciling the annual reported number of preneed contracts sold by licensees to the number of preneed contracts reported sold in licensee quarterly reports. The automated reconciliation for calendar years 2017, 2018, and 2019 was completed in early December 2020. The Division has reviewed the results of the automated reconciliation for these years and will continue to follow-up with our licensees to offer assistance with the reconciliation of their preneed filings and/or coordinate disciplinary issues with the Department's Office of the General Counsel as may be necessary.
Expected Completion Date for Corrective Action	Complete
OIG Assessment	Based on the information provided, the Division implemented corrective action to address this finding.

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 3			
	Certain security controls related to user authentication for the Automated Licensing Information System (ALIS), the Electronic Appointment System (eAppoint), and the Funeral and Cemetery Services Department of Insurance Continuing Education system need improvement to ensure the confidentiality, integrity, and availability of Department data and related information technology resources.		
Recommendation	We recommend that Department management enhance certain security controls related to ALIS, eAppoint, and FACS-DICE system user authentication to ensure the confidentiality, integrity, and availability of Department data and related IT resources.		
Responsible Division	OIT		
Original Response	The Office of Information Technology will take the recommendation under consideration and will evaluate the cost-benefit of meeting the minimum requirements of the security controls under industry standards and requirements per NIST SP 800-53 and Rule Chapter 60GG-2, F.A.C.		
Six-month Follow-up: April 26, 2021			
Reported Status	OIT management has determined it is necessary to retain the current controls for these systems. Currently, other security measures prevent direct external access to internal systems. Strengthening the user authentication is a possibility; however, due to the cost-benefit analysis and budget restrictions, it is not an option at this time. Rewrites of the systems will be determined upon budget approval.		
Expected Completion Date for Corrective Action	July 30, 2021		
OIG Assessment	Based on the information provided, OIT has evaluated corrective action. The OIG will continue to monitor this finding until OIT has addressed the finding or accepts the related risk.		

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 4	Certain administrative access privileges to ALIS were inappropriate and the Division had not established policies and procedures for controlling access to ALIS or periodically reviewed the appropriateness of ALIS administrative access privileges.		
Recommendation	We recommend that Division management establish policies and procedures for controlling access to ALIS, including the periodic review of user access privileges, and ensure that Division records evidence the conduct of such reviews and the necessity for and appropriateness of all assigned user access privileges.		
Responsible Division	Division of Funeral, Cemetery, and Consumer Services, OIT		
Original Response	<p>The Division concurs with the audit finding and will work with the Department's Office of Information Technology to ensure the period review framework is in-place. The Division will develop policies and procedures to control access to ALIS, including the periodic review of user access privileges, and to ensure that Division records evidence the conduct of such reviews and the necessity for and appropriateness of all assigned user access privileges.</p> <p>OIT concurs. Our primary goal is researching two options for the best method of remediation. We are researching tracking and monitoring for the specified account, as well as, specific user accounts for developers with defined and controlled privileges.</p>		
Six-month Follow-up: April 26, 2021			
Reported Status	<p>The Division has implemented an internal policy, <i>Application Access Controls 50-1.1 – 2021</i>, to address the concerns raised in this finding. The internal policy establishes policies and procedures for the quarterly review of user access privileges for ALIS, FACS-DICE, and eAppoint and an annual audit of the process. Division staff are currently conducting the initial quarterly review (for the 4th quarter of FY20-21) under this policy. With assistance from OIT, the Division has obtained a list of all individuals who currently have access to these applications. Division management will review and address the access and role of each individual listed. As necessary, access to the applications will then be updated to adjust the roles/privileges of individuals who will retain access and remove individuals who should no longer have access to these applications. The first annual audit of the procedures will take place after July 2021.</p> <p>OIT has removed the shared account and individual accounts for the OIT users/developers needing the ALIS access have been created.</p>		
Expected Completion Date for Corrective Action	Not provided		
OIG Assessment	Based on the information provided, OIT implemented corrective action to address this finding. The Division needs to address one exception for this finding and the OIG will continue to monitor the corrective actions.		

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 5			
	Division controls for timely removing ALIS and eAppoint access privileges need improvement.		
Recommendation	We recommend that Division management promptly remove access privileges to ALIS and eAppoint upon an employee's separation from Department employment or when the access privileges are no longer required. Additionally, we recommend that Division management establish policies and procedures for controlling access to eAppoint and ensure that Division records evidence the conduct of periodic reviews of access privileges to ALIS and eAppoint.		
Responsible Division	Division of Funeral, Cemetery, and Consumer Services		
Original Response	The Division agrees with the audit finding and will work with the Department's Office of Information Technology to ensure the access control framework is in-place. The Division will develop policies and procedures to promptly remove access privileges to ALIS and eAppoint upon an employee's separation from Department employment or when the access privileges are no longer required. Additionally, the developed policies and procedures will address controlling access to eAppoint and ensure that the Division's records evidence the conduct of periodic reviews of access privileges to ALIS and eAppoint.		
Six-month Follow-up: April 26, 2021			
Reported Status	The Division has implemented an internal policy and procedures for the periodic review and audit of user access privileges for the ALIS, FACS-DICE, and eAppoint applications.		
Expected Completion Date for Corrective Action	Complete		
OIG Assessment	Based on the information provided, the Division implemented corrective action to address this finding.		

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 6			
	Contrary to State law, the Department's Information Security Manager did not report directly to the Chief Financial Officer. A similar finding was noted in our report No. 2018-211.		
Recommendation			
	We again recommend that Department management take steps to ensure that the Department ISM reports directly to the Chief Financial Officer in accordance with State law.		
Responsible Division			
	OIT		
Original Response			
	OIT is continuing with the current process of having the ISM organizationally report to the CIO. The ISM provides monthly reports to both the CFO and the COS. Additional notifications are provided as needed related to security concerns and trends. Further discussions will take place with the new OIT management and the CFO's Office regarding this recommendation.		
Six-month Follow-up: April 26, 2021			
Reported Status			
	In discussions with executive leadership, it was determined that the current process of having the ISM organizationally report to the CIO is appropriate. The ISM currently provides monthly reports directly to the CFO and COS to fulfill the statutory requirements per subsection 282.318 F.S. (4) (a).		
Expected Completion Date for Corrective Action			
	Addressed		
OIG Assessment			
	OIT has accepted the risks associated with the current reporting structure.		

**DEPARTMENT OF FINANCIAL SERVICES
OFFICE OF INSPECTOR GENERAL**

Reviewing Entity	Report	Title	Issued
Auditor General	AG 2021-046	Division of Funeral, Cemetery, and Consumer Services and Prior Audit Follow-Up	October 26, 2020
Finding 7			
	As similarly noted in our report No. 2016-069, Augmented Criminal Investigative Support System data processing controls need improvement to provide for the proper accounting for referrals and investigative cases.		
Recommendation	We recommend that the (Division of Investigative & Forensic Services DIFS) management strengthen controls to ensure that all data gaps in ACISS are identified and appropriately documented and the deletions log is periodically reviewed by personnel independent of the referral and investigative case deletion process.		
Responsible Division	Division of Investigative & Forensic Services		
Original Response	In addition to the changes already made, the division has implemented a process designating an independent third party appointed by the Director to review and audit on a quarterly basis, the deletion log and data gaps in ACISS [Section IV (D) of ACISS Access Control Procedures]. Report and review findings will be submitted to the Assistant Director and Director for additional review.		
Six-month Follow-up: April 26, 2021			
Reported Status	Changes were made to procedures and implemented.		
Expected Completion Date for Corrective Action	Complete		
OIG Assessment	Based on the information provided, DIFS implemented corrective action to address this finding.		