



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

August 7, 2014

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

Dear Mr. Atwater:

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 2014-103, *Department of Financial Services Division of Public Assistance Fraud* (published February 14, 2014).

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

Sincerely,

A handwritten signature in blue ink that reads "Teresa Michael".

Teresa Michael
Inspector General

TM:rlg

Attached

cc: Robert Kneip, Chief of Staff
Kathy DuBose, Coordinator, Joint Legislative Auditing Committee
Jay Etheridge, Deputy CFO
Jack Heacock, Director of Public Assistance Fraud

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

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2014-103	Department of Financial Services Division of Public Assistance Fraud Operational Audit	February 14, 2014
Finding No. 1	The Division had not established policies and procedures addressing the Division's operations and unique responsibilities or periodically analyzed its regional office investigative staffing needs. Additionally, the Division's investigative process could be enhanced by providing a staff training program specific to public assistance fraud investigations and by engaging individuals with training and experience in complex financial data analysis.		
Recommendation	We recommend that Division management establish policies and procedures that adequately address its operations and unique responsibilities and periodically analyze its regional office investigative staffing needs and, as appropriate, reassign staff. In addition, to enhance the Division's investigative process, we recommend that the Division provide a training program specific to public assistance fraud investigations and consider engaging individuals with training and experience in complex financial data analysis.		
Original Response	<p>Concur.</p> <p>TRAINING: The Division training program has been developed through the efforts of the repurposed supervisor position designated as Chief of PAF Operations. A Division training directive was issued on October 18, 2013 mandating a minimum of 20 hours of annual in-service training for investigative staff; 8 hours of skill enhancement training annually for administrative staff; 24 hours of training for first-year Financial Crime Investigators; and 8 hours of leadership and management training for supervisors.</p> <p>PROCEDURES: The Division's Investigations and Operational Procedures Manual is currently being rewritten using repurposed manpower and is about 75% complete. In advance of its completion, Technical Bulletins were posted to standardize specific investigative activities across the state. These bulletins are sent via email to all Division staff and then posted to the Division's SharePoint site.</p> <p>DIVISION POLICIES: The Division updated certain policies and those policies have been approved by DFS management. The policies will be posted on the Division's SharePoint site before the end of the second quarter of calendar year 2014. Additional policies will be developed, staffed for approval and added to the SharePoint site as needed.</p> <p>STAFFING QUALIFICATIONS: Public assistance fraud investigations referred to the Division seldom involve a complex scheme or require a financial analysis. Division management is skeptical that individuals with the recommended advanced technical skills or degrees would apply for a position offering an</p>		

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

	<p>\$11.82 hourly wage. However, on future vacancy announcements, these will be listed as desired skills for recruitment.</p> <p>STAFFING ANALYSIS: Whenever a vacancy occurs within the Division, an analysis of need is done. When determining where best to employ our limited resources, many data elements are considered such as current trends, recipient populations, suspected fraud reporting, span of control, coverage density, and availability of infrastructure to support new investigative resources.</p> <p>The Division will document the basis of our staff allocation annually.</p>
Six-month Follow-up:	July 25, 2014
Responsible Division	Public Assistance Fraud
Reported Status	<p><u>Training.</u> A training directive was published in October 2013. A Financial Crime Investigator (FCI) Academy was established and classes conducted for new FCIs in December 2013 and June 2014. Division-wide training was conducted in February 2014 for all investigative staff.</p> <p><u>Procedures.</u> The Investigations and Operational Procedures manual is currently being updated and is 90% complete. A number of Technical Bulletins were also developed. The Investigations and Operational Procedures manual is augmented by the Technical Bulletins.</p> <p><u>Policies.</u> Several policies have been developed and posted to the Division's SharePoint site. The Division continues to assess the need for additional policies and will develop additional policies as the need arises.</p> <p><u>Staffing Qualifications.</u> The Division updated its position advertisements to include preferences for individuals with financial data analysis experience or a college degree and/or previous work experience with an emphasis on data analysis, accounting or statistics.</p> <p><u>Staff Assignments.</u> The Division completed an analysis of staffing allocations across regions in March, 2014. The analysis is documented and sets forth the methodology used in performing the analysis and assigning staff.</p>
OIG Assessment	Partially Closed. The Division has made significant progress in addressing the finding. The OIG will continue to monitor the status of corrective action until all issues have been addressed.

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

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2014-103	Department of Financial Services Division of Public Assistance Fraud Operational Audit	February 14, 2014
Finding No. 2	The Division had not established controls to ensure that referral data was completely, accurately, and timely recorded in the Automated Investigation Management System (AIMS) used by the Division to track and review referrals of potential public assistance fraud.		
Recommendation	We recommend that Division management establish effective data input controls to ensure that referral data is completely, accurately, and timely recorded in AIMS. Such controls should include documented procedures for the periodic reconciliation of referrals submitted by the DCF and the OEL to those recorded in AIMS and for the comparison of source documents to manual input processing.		
Original Response	<p>Concur.</p> <p>Procedures will be developed in conjunction with the Department's Division of Information Systems (DIS) and our partner agencies with which we receive and transmit referral data. Those procedures will be implemented to address the recommendation.</p> <p>Written procedures were developed concerning documenting citizen or other agency complaints. These procedures are included within the Division's Investigations and Operational Procedures Manual that is being updated as noted in the response to Finding No. 1.</p>		
Six-month Follow-up:	July 25, 2014		
Responsible Division	Public Assistance Fraud		
Reported Status	The Division worked with the Department's Division of Information Systems (DIS) to establish procedures to reconcile file transfers of complaints/referrals transmitted by DCF and OEL to those received by the Division. In addition, the Division's Investigations and Operational Procedures manual was updated to establish procedures for documenting citizen and external agency complaints.		
OIG Assessment	Partially Closed. The Division has made significant progress in addressing the finding. The OIG will continue to monitor the status of corrective action until all issues have been addressed.		

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

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2014-103	Department of Financial Services Division of Public Assistance Fraud Operational Audit	February 14, 2014
Finding No. 3	The Division's processes for the review and disposition of referrals of potential public assistance fraud need improvement to ensure that all referrals are properly considered for investigation.		
Recommendation	<p>We recommend that Division management strengthen Division practices for processing referrals to ensure that referrals of potential fraud are properly considered for investigation. Specifically, Division management should:</p> <ul style="list-style-type: none"> ➤ Establish criteria, including a minimum overpayment amount, for IM use in determining whether a fraud referral should be investigated or rejected. ➤ Develop and communicate to referring agencies guidelines outlining the information required to be submitted for each referral and how an agency can resubmit a rejected referral. ➤ Modify AIMS to provide more detailed reason codes for rejecting referrals, including a code to indicate when a referral is rejected due to Division workload issues, and generate reports that would allow for the calculation of the average cost of a fraud investigation. ➤ Establish automated controls in AIMS to facilitate the identification of missing referral information and when the statute of limitations applies. 		
Original Response	<p>Concur.</p> <p>ESTABLISHMENT OF REFERRAL EVALUATION CRITERIA: The Division is implementing a structured review process called Pro-ACT, a quarterly in-depth review of critical performance data to identify the most productive practices in the State. Management believes this program will improve our performance and our 888% average return on investment this year. Data culled for Pro-ACT will be used to develop evaluation criteria for referrals that help managers select the largest potential dollars per investigation. That should result in an increase in the over the \$12.58 million dollars of fraud the Division identified for recovery in calendar year 2013 and reinforce the practice of assigning the largest potential cases for investigation first.</p> <p>REFERRAL INFORMATION AND REVIEW PROCESS: Where lacking, additional criteria will be documented in writing and provided to the agencies, with additional criteria to be included in Memoranda of Agreement at renewal. We have ongoing exchanges with the Department of Children and Families (DCF) and Office of Early Learning (OEL) to refine the referral criteria. These exchanges occur almost daily with DCF and every few weeks with OEL. They</p>		

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

	<p>are in the form of telephone conversations, monthly meetings, and written communications to constantly refine the referral and review processes.</p> <p>MODIFYING AIMS: We are currently in the process of updating and expanding the codes used in AIMS when screening out a suspected fraud allegation. New codes must be developed by contract information technology programmers and written into the AIM program as an enhancement. As part of the enhancement schedule, we will include the need to better identify to referring agencies what referral information is missing. The ability to do that with DPAF staff resources does not currently exist.</p>
Six-month Follow-up:	July 25, 2014
Responsible Division	Public Assistance Fraud
Reported Status	<p><u>Referral Evaluation Criteria.</u> Referral evaluation is addressed in the Division's Investigative Strategy and reinforced in the quarterly ProACT reviews. As a result of our efforts to improve case selection, the average dollars of fraud per case increased from \$3,400 in fiscal year 2012-13 to over \$4,100 per investigation in fiscal year 2013-14. The strategy requires, among other things, Division managers to select and assign the largest potential dollar cases rather than a static dollar threshold.</p> <p><u>Referral Information and Review.</u> The Division met with the Department of Children and Families and the Office of Early Learning to address referral criteria. Referral criteria were documented and distributed to the appropriate parties.</p> <p><u>Modifying AIM.</u> The Division is working with DIS programming staff, who are creating new edits in AIMS with additional 'drop codes' to better represent the reason referrals are not retained.</p>
OIG Assessment	Partially Closed. The Division has made significant progress in addressing the finding. The OIG will continue to monitor the status of corrective action until all issues have been addressed.

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

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2014-103	Department of Financial Services Division of Public Assistance Fraud Operational Audit	February 14, 2014
Finding No. 4	The Division's investigative process needs enhancement. Specifically, the Division needs to employ data analysis tools and techniques and establish procedures and AIMS edit controls to ensure that appropriate documentation is maintained in the investigation files. Such documentation should include justification to support the termination of investigations and the closing of cases, especially when cases are closed due solely to Division manpower or workload issues.		
Recommendation	We recommend that Division management enhance the Division's investigative process by employing appropriate data analysis tools and techniques and establishing procedures and AIMS edit controls to ensure that appropriate documentation is maintained in the investigation files. Such documentation should include justification to support the termination of investigations and the closing of cases, especially when cases are closed due solely to Division manpower or workload issues. We also recommend that Division management reevaluate the practice of closing investigations due solely to workload issues.		
Original Response	<p>Concur.</p> <p>DATA ANALYSIS: Division management welcomes any opportunity to enhance its investigative process. Currently, however, the Division lacks the staff resources to perform this function and implementing it would require reclassifying an occupied administrative position that is not qualified to perform data analyses. Until such time that reclassifying an administrative position becomes feasible, management will seek an alternative solution to this recommendation.</p> <p>AIMS FRAUD INVESTIGATION INFORMATION. The procedures for the Division are being updated and the mandatory information for case completion in AIMS will be identified in our Investigations and Operational Procedures Manual. Coordination will be made with DIS programmers to determine the edits needed to prevent cases from being closed without a summary report.</p> <p>TERMINATION OF FRAUD INVESTIGATIONS: Only supervisors can close a case in AIMS. When pending assignments exceed a level that can be completed by authorized staff resources, managers are directed to reduce their pending assignments, most always beginning with the oldest cases on hand. Terminating these assignments in a timely manner allows DCF to compute claims and improves their ability to collect over-issued benefit amounts. Division management will continue to work with DCF to refine referral criteria to reduce instances of assignments terminated due to workload issues.</p>		

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

Six-month Follow-up:	July 25, 2014
Responsible Division	Public Assistance Fraud
Reported Status	<p><u>Data Analysis.</u> In its recruitment efforts, the Division is seeking FCIs who have data analysis, accounting, or statistician experience or education. In addition, the Division is seeking five additional staff positions to form an analytical section through a Legislative Budget Request for the 2015-16 fiscal year.</p> <p><u>AIM Fraud Investigation Information.</u> The Division has added procedures in its draft Investigations and Operational Procedures manual that mandates completion of Non-referral Summaries for all investigations closed without a referral to an agency.</p> <p><u>Termination of Cases.</u> The Division coordinated with DIS to develop enhancements to AIMS which will prevent a case from being closed without a termination report. The DIS is currently working to implement those changes.</p>
OIG Assessment	Partially Closed. The Division has made significant progress in addressing the finding. The OIG will continue to monitor the status of corrective action until all issues have been addressed.

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

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2014-103	Department of Financial Services Division of Public Assistance Fraud Operational Audit	February 14, 2014
Finding No. 5	The Division had not established appropriate controls to ensure that Supplemental Nutrition Assistance Program (SNAP) Electronic Benefits Transfer (EBT) cards were properly accounted for and used only for valid investigative purposes.		
Recommendation	We recommend that Division management establish appropriate controls over the SNAP EBT cards. Such controls should include, but not be limited to, an appropriate separation of duties for EBT card activities, periodic inventories of EBT cards, monitoring of EBT card usage, and appropriate documentation to support EBT card return and disposal.		
Original Response	<p>Concur.</p> <p>SEPARATION OF DUTIES: The deficiency in this area was corrected. Three different parties have three separate duties: create, fund and handle/store.</p> <p>MONITORING EBT CARD ACTIVITY: This deficiency will be corrected as a new State Law Enforcement Bureau (SLEB) Assistant Coordinator is established. Until the position is filled, the monitoring will be done quarterly. Once the new assistant is in place, monitoring will occur monthly. All monitoring will be documented.</p> <p>PERIODIC INVENTORY OF EBT CARDS: EBT cards (now in the custody of the third party that handles/stores returned cards) will be inventoried quarterly as part of the Division's Line Inspection program that was implemented on January 1, 2014.</p> <p>DISPOSAL OF RETURNED CARDS: New procedures will be established for the operation of the SLEB program that requires cards to be destroyed upon return from a Local Law Enforcement Agency (LLEA). The disposal will be witnessed by an impartial person outside of the Division and documented.</p>		
Six-month Follow-up:	July 25, 2014		
Responsible Division	Public Assistance Fraud		
Reported Status	The Division implemented policies and procedures which set forth the roles and responsibilities of staff involved in the process. In addition, line inspections and quarterly monitoring is performed of the EBT cards and card activity.		
OIG Assessment	Partially Closed. The Division has made significant progress in addressing the finding. The OIG will continue to monitor the status of corrective action until all issues have been addressed.		

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

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

Reviewing Entity	Report	Report Title	Date Published
Auditor General	2014-103	Department of Financial Services Division of Public Assistance Fraud Operational Audit	February 14, 2014
Finding No. 6	The Division did not comply with certain terms and conditions set forth in the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) agreement authorizing the Division to acquire SNAP EBT benefits for investigative purposes.		
Recommendation	We recommend that Division management take appropriate steps to ensure compliance with all the terms and conditions of the USDA-FNS agreement and that documentation to demonstrate the Division's compliance be maintained.		
Original Response	<p>Concur.</p> <p>The Division will continue meeting the specified requirements and expectations of the FNS in the execution of its responsibilities as the SLEB. Division management will also continue to work with and encourage the USDA-FNS to update the SLEB Agreement consistent with its current program expectations and documentation requirements.</p>		
Six-month Follow-up:	July 25, 2014		
Responsible Division	Public Assistance Fraud		
Reported Status	The Division updated its policies and procedures to incorporate procedures relative to the USDA State Law Enforcement Bureau (SLEB) Agreement. In July 2014, the USDA signed the revised SLEB Agreement, which comports to the processes previously employed by the Division and endorsed through FNS Retailer Integrity Branch.		
OIG Assessment	Closed. Based on the documentation provided, it appears that the Division has taken appropriate action to address the finding.		