



CHIEF FINANCIAL OFFICER
JEFF ATWATER
STATE OF FLORIDA

June 28, 2016

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

Dear CFO 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 2016-069, *Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities* (published December 28, 2015).

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

Enclosure

cc: Robert Kneip, Chief of Staff
Drew Parker, General Counsel
Jay Etheridge, Deputy Chief Financial Officer
Paul Whitfield, Deputy Chief Financial Officer
Kathryn H. DuBose, Coordinator, Joint Legislative Auditing Committee

**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	2016-069	Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities	December 28, 2015
Finding 1	The Division did not always include sufficient information in the Augmented Criminal Investigative Support System (ACISS) to support the reasons referrals regarding potential insurance fraud were closed without investigation.		
Recommendation	We recommend that Division management ensure that sufficient information is included in ACISS to support decisions to close referrals without investigation.		
Original Response	Concur. In order to augment and better document the disposition of referrals, the Division will require all personnel to record a detailed explanation for their assessment and closure within the ACISS case file. This requirement will be implemented through policy and included in the ACISS training material.		
Six-month Follow-up:	May 27, 2016		
Responsible Division	Division of Insurance Fraud		
Reported Status	The ACISS manual addressing this issue was updated and released to all personnel on January 22, 2016. Training of all supervisors was conducted on February 5, 2016.		
Expected Completion Date for Corrective Action	February 5, 2016		
OIG Assessment	Partially Closed: Based on the information provided, it appears that the Division of Insurance Fraud (DIF) has taken certain corrective action to address this finding. The Office of Inspector General (OIG) will continue monitoring this finding until sufficient corrective action is taken.		

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Auditor General	2016-069	Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities	December 28, 2015
Finding 2	The Division did not ensure that all referrals received from the Office of Financial Regulation (OFR) were identified or accurately recorded in ACISS. In addition, contrary to the Division's Memorandum of Understanding with the OFR, the Department did not provide the OFR with information on the disposition of referrals.		
Recommendation	We recommend that Division management ensure that all referrals received from the OFR are accurately identified in ACISS and that referral disposition information is timely reported to the OFR as specified by the MOU.		
Original Response	Concur. As of September 2015, the Division had designated the Bureau Chief of Workers' Compensation Fraud as the point of contact for OFR. The Bureau Chief will acknowledge, track and reply to OFR on all referrals received as well as those submitted to OFR by the Division. The Bureau Chief will be responsible for ensuring that all referrals are properly identified, evaluated and handled by Division personnel. The Bureau Chief will also be responsible for submitting quarterly reports to OFR providing the status and dispositions of all referrals received.		
Six-month Follow-up:	May 27, 2016		
Responsible Division	Division of Insurance Fraud		
Reported Status	A review of the process took place with OFR on December 8, 2015. Quarterly reports resumed on December 18, 2016.		
Expected Completion Date for Corrective Action	December 18, 2016.		
OIG Assessment	Partially Closed: Based on the information provided, it appears that DIF has taken certain corrective action to address this finding. The OIG will continue monitoring this finding until sufficient corrective action is taken.		

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Auditor General	2016-069	Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities	December 28, 2015
Finding 3	Division investigations of potential insurance fraud were sometimes inappropriately closed in ACISS using a resource limitations reason code.		
Recommendation	We recommend that Division management remove <i>Closed – Due to Resource Limitations</i> as a reason code in ACISS for closing investigations. We also recommend that Division management evaluate whether any of the investigations closed using the <i>Closed – Due to Resource Limitations</i> reason code should be reopened.		
Original Response	Concur. The Division became aware of this oversight when discovered by the Auditor General in May 12, 2015. The classification was immediately removed from the system to avoid further use by personnel.		
Six-month Follow-up:	May 27, 2016		
Responsible Division	Division of Insurance Fraud		
Reported Status	The category was removed from ACISS and the ACISS manual updated on January 22, 2016. First line supervisors were tasked with auditing the cases closed under the “Closed – Due to Resource Limitations” category on January 13, 2015, and the task was completed on January 29, 2016. The ACISS training was conducted on February 5, 2016.		
Expected Completion Date for Corrective Action	February 5, 2016.		
OIG Assessment	Partially Closed: Based on the information provided, it appears that DIF has taken certain corrective action to address this finding. The OIG will continue monitoring this finding until sufficient corrective action is taken.		

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Auditor General	2016-069	Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities	December 28, 2015
Finding 4	ACISS data processing controls need improvement to provide for the proper accounting for and processing of referrals and investigative cases.		
Recommendation	We recommend that Division management establish procedures for documenting the reason and approval for deleting referral and investigative case records from ACISS. These procedures could include the establishment of logs to document and provide an explanation for all referrals and investigative cases deleted from ACISS. If established, such logs should be periodically reviewed by management to determine the significance and nature of data gaps as well as the status of any uncorrected data errors.		
Original Response	Concur. In order to improve the control process of deleted referrals and case reports, the Division has implemented a process of logging each spam or created-in-error report deleted. The log tracks the report number, type of report, sub-type of report/offense, status of referral/case, originating authority, date created, reason for deletion, date deleted and deleting authority. Each report will be saved as a PDF file and electronically stored prior to logging and deleting. Only two employees have ACISS authority to delete records. The Operational Support Services Major will conduct audits every 6 months.		
Six-month Follow-up:	May 27, 2016		
Responsible Division	Division of Insurance Fraud		
Reported Status	The agency set up a system on December 7, 2015, of documenting system deletions while keeping a copy of the deleted reports in a separate electronic format for any future audit, accountability or research purpose.		
Expected Completion Date for Corrective Action	December 7, 2015		
OIG Assessment	Partially Closed: Based on the information provided, it appears that DIF has taken certain corrective action to address this finding. The OIG will continue monitoring this finding until sufficient corrective action is taken.		

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Finding 5	ACISS controls need improvement to ensure that user access privileges are limited to only those necessary for the user's assigned job responsibilities and to demonstrate that user access privileges are timely deactivated upon an employee's separation from Department employment or when the privileges are no longer required.		
Recommendation	We recommend that Division management limit ACISS user access privileges to only those access privileges necessary for the user's assigned job responsibilities. We also recommend that Department management ensure that ACISS user access privileges are timely deactivated upon an employee's separation from Department employment or transfer to a position where the privileges are no longer required and that such deactivation be appropriately documented.		
Original Response	<p>The Division has a process in place designed to quickly and efficiently restrict access to all agency data and information when personnel separate from the agency. To ensure better tracking and documenting of the deactivation process, the Division will start maintaining a log of all personnel separating from the agency and the date their access was rescinded.</p> <p>The Division is comprised of sworn law enforcement officers, criminal intelligence analysts and administrative support personnel. As a state agency, the Division is responsible for investigating all insurance fraud violations anywhere in the state. All information received and developed is stored in ACISS, making ACISS not only a case tracking system but an extensive intelligence database of all insurance fraud activity occurring in the State of Florida as well as other locations. Experience has shown that the individuals and organizations responsible for committing such crimes often change geographical locations and have links to other criminal elements throughout the state. In order to properly and effectively investigate the referrals received, Division personnel need access to all intelligence information gathered in ACISS. In addition, it is not uncommon for personnel from one field office to provide assistance to other offices on referrals/cases.</p> <p>Officers, analysts and administrative personnel all have need to operate in the system and make entries or glean information from it. The ACISS system has security features which restrict access to information based on assignment or geographical location. In addition, ACISS has the ability to restrict access to sensitive cases to only those cleared by the overseeing authority. As previously stated, the ability to access information by agency personnel throughout the state is a critical function of the Division. Although employees do have the ability to see information entered in the system, they are unable to update or change any information or reports entered by another member. ACISS only allows information</p>		

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	<p>to be entered through the creation of reports which must be reviewed and approved by a supervisor or system administrator.</p> <p>The Division will update its access control procedures and position descriptions, as necessary, to clearly establish the level of access needed for each position type. In addition, the Division will work with the Division of Information Systems to update the Form 1820 to identify the levels of access for the ACISS system and further ensure that system logs are routinely reviewed to ensure that access to case files is properly monitored.</p>
Six-month Follow-up:	May 27, 2016
Responsible Division	Division of Insurance Fraud
Reported Status	The Division of Information Systems' Form 1820 was updated to include User Level choices of Read Only – Level 1, Modify Access – Level 5, and Administrator Access – Level 9.
Expected Completion Date for Corrective Action	February 19, 2016
OIG Assessment	Partially Closed: Based on the information provided, it appears that DIF has taken certain corrective action to address this finding. The OIG will continue monitoring this finding until sufficient corrective action is taken.

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Auditor General	2016-069	Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities	December 28, 2015
Finding 6	Certain security controls related to Department network authentication need improvement to better protect the confidentiality, integrity, and availability of Department data and information technology resources.		
Recommendation	We recommend that Department management strengthen certain security controls related to Department network authentication to ensure the continued confidentiality, integrity, and availability of Department data and related IT resources.		
Original Response	The Department is conducting comprehensive assessments of controls, including related monitoring. We are actively increasing our security account monitoring and deploying account credential protections.		
Six-month Follow-up:	May 27, 2016		
Responsible Division	Division of Information Systems		
Reported Status	The Department is continuing to evaluate and increase related monitoring. An upgrade to an existing monitoring tool was implemented as part of this effort. Related reports are functional and being reviewed to further ensure the security of accounts.		
Expected Completion Date for Corrective Action	The monitoring upgrade has been completed. Additional credential protection will be in place by December 2016.		
OIG Assessment	Partially Closed: Based on the information provided, it appears that the Division of Information Systems has taken certain corrective action to address this finding. The OIG will continue monitoring this finding until sufficient corrective action is taken.		

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Auditor General	2016-069	Department of Financial Services Division of Insurance Fraud and Selected Administrative Activities	December 28, 2015
Finding 7	The Department had not established Department-wide policies and procedures for the collection and use of social security numbers or always documented the timely evaluation of its collection and use of social security numbers to ensure compliance with State law.		
Recommendation	We recommend that Department management establish Department-wide written policies and procedures regarding the collection and use of individuals' SSNs and take appropriate steps to demonstrate compliance with applicable statutory requirements.		
Original Response	Concur. The Division of Administration will work with the Division of Legal Services to develop a Department-wide policy to address the collection of social security numbers. The policy will require and provide for the timely evaluation of the collection and use of social security numbers by the various divisions, bureaus and offices to ensure Department-wide compliance with State law. The Division of Administration, Division of Agent and Agency Services, Division of Public Assistance Fraud and Division of Accounting and Auditing will review its current practices for the collection of social security numbers to ensure compliance with statutory requirements. The Division of Workers' Compensation, State Fire Marshal and Division of Treasury reviewed their practices for the collection of social security numbers and revised/implemented procedures to ensure compliance with the applicable statutory requirements.		
Six-month Follow-up:	May 27, 2016		
Responsible Division	Division of Legal Services; Division of Administration; Division of Workers' Compensation; Division of State Fire Marshal; Division of Public Assistance Fraud; Division of Agent and Agency Services; Division of Treasury; and Division of Accounting and Auditing		
Reported Status	<p><u>Divisions of Administration and Legal Services</u> The Division of Administration continues to work with the Division of Legal Services to develop a Department-wide policy to address the collection of SSNs. The Division of Administration continues to review its current practices for the collection of SSNs to ensure compliance with statutory requirements.</p> <p><u>Division of Workers' Compensation</u> The Division of Workers' Compensation (DWC) continues to operate under the revised procedures to ensure compliance with applicable statutory requirements.</p> <p>Recent statewide assessment of the updated procedures revealed the following:</p> <ul style="list-style-type: none"> • In the Bureau of Compliance, legacy data collected prior to the implementation of the update procedure continues to display full SSNs in our internal facing CCAS business system. The DWC will pursue a change proposal to mask this data from internal end users. 		

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	<ul style="list-style-type: none"> • For sole proprietors who do not maintain a Federal ID number, SSNs continued to be collected until April 2016, when a change was implemented to only collect the last four digits of the SSN. • While DWC has transitioned to an electronic application for Exemptions, a paper application is offered to those employers receiving a Stop Work Order so they may come into compliance immediately. This form only asks for the last four digits of the SSN, but often times employers provide the entire SSN. As these records are ultimately scanned into the AITS system (internal facing), DWC has instructed intake staff to review and correct the information with the employer prior to accepting the document from the employer. As a second step, staff will be directed to black-out the first five digits prior to scanning when a paper application cannot be corrected. <p>As for the Bureau of Employee Assistance and Ombudsman, the corrected forms are still in place and operational.</p> <p><u>Division of Public Assistance Fraud</u> The Division of Public Assistance Fraud (DPAF) reviewed its current forms upon which demographic information concerning public assistance fraud targets and witnesses are captured. No forms used to collect information from individuals contain fields for the collection of SSN. In addition, DPAF secures all SSNs transmitted to the division under FS 414.411 behind a secured, firewalled, and password-protected proprietary system. Access to that system is granted only to those with duties to access information therein. That access is reviewed quarterly and when any change is made by the administrator. The DPAF does not collect SSNs from individuals in the normal course of investigations; only from agencies that transmit data in accordance with data-sharing MOUs and DPAF's authority under FS 414.411.</p> <p><u>Division of Agent and Agency Services</u> The Division of Agent and Agency Services conducted a review of its processes and updated its internal policy and procedure for the handling of sensitive information, including SSNs, on January 19, 2016.</p> <p><u>Division of Treasury</u> The Division of Treasury, Bureau of Deferred Compensation has written procedures to ensure compliance with the Florida Statutes. These procedures are reviewed annually.</p> <p><u>Division of Accounting and Auditing</u> The Division of Accounting and Auditing continues to review its current practices for the collection of SSNs to ensure compliance with statutory requirements.</p>
Expected Completion Date for Corrective Action	December 2016
OIG Assessment	Partially Closed: Based on a review of the information provided, the Divisions of Public Assistance Fraud, State Fire Marshal, Agent and Agency Services and Treasury appear to have taken appropriate corrective action to address this finding. The OIG will continue to monitor this finding until the Divisions of Administration, Accounting and Auditing, and Workers' Compensation takes appropriate corrective action to address this finding.