

**DEPARTMENT OF FINANCIAL SERVICES**

**MY SAFE FLORIDA HOME PROGRAM**

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**Operational Audit**

For the Period July 2007 Through February 2009



## CHIEF FINANCIAL OFFICER OF THE DEPARTMENT OF FINANCIAL SERVICES

Pursuant to Article IV, Sections 4(c) and 5(a) of the State Constitution, the Chief Financial Officer is an elected member of the Cabinet and serves as the chief fiscal officer of the State. Pursuant to Section 20.121(1), Florida Statutes, the Chief Financial Officer is the head of the Department of Financial Services. The Honorable Alex Sink served as Chief Financial Officer during the audit period.

The audit team leader was John E. Seibert and the audit was supervised by Frank T. Belt, CPA. Please address inquiries regarding this report to David R. Vick, CPA, Audit Manager, by e-mail at [davidvick@aud.state.fl.us](mailto:davidvick@aud.state.fl.us) or by telephone at (850) 487-4494.

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**DEPARTMENT OF FINANCIAL SERVICES**

## My Safe Florida Home Program

**SUMMARY**

**This operational audit of the Department of Financial Services (Department) focused on selected operational aspects and activities of the Department's administration of the My Safe Florida Home Program during the period July 2007 through February 2009. Our audit disclosed the following:**

**Finding No. 1: The design of the quality assurance reinspection process should be improved to provide the Department with the complete information needed to assess Program effectiveness and integrity.**

**BACKGROUND**

State law provides for the establishment of the My Safe Florida Home Program (Program) within the Department of Financial Services (Department).<sup>1</sup> The Department is responsible for providing fiscal accountability, contract management, and strategic leadership for the Program. The Program has two main components: hurricane mitigation inspections and mitigation grants. According to Department records, during the period July 2007 through January 2009, Program expenditures totaled approximately \$151.9 million.

Hurricane mitigation inspections are to be free home-retrofit inspections of site-built, single-family, residential property conducted for the purpose of determining what mitigation measures are needed, what insurance premium discounts may be available, and what improvements to existing residential properties are needed to reduce the properties' vulnerability to hurricane damage. State law requires the Department to contract with wind certification entities (WCEs) to provide these inspections. The WCEs were responsible for employing hurricane mitigation inspectors, and according to the *My Safe Florida Home 2008 Annual Report*, the Program used a workforce of more than 1,200 hurricane mitigation inspectors to perform the free inspections. As of January 30, 2009, 391,216 inspections had been completed according to Department records.

Mitigation grants are to consist of financial assistance provided to qualified homeowners to encourage the retrofit of residential properties to make them less vulnerable to hurricane damage. Such retrofit projects include, for example, protecting or replacing window and door openings and strengthening roofs by bracing gable-end walls. The Department reported that, of the 38,597 mitigation grants approved, 31,229 grants were directly administered by the Department, 2,026 grants were administered through local governments, and 5,342 grants were administered through nonprofit organizations.<sup>2</sup>

The Department utilized WINGS, a Web-based inspection management system to track and administer hurricane mitigation inspections and mitigation grants. WINGS was used by Program staff, WCEs and their subcontracted inspectors, and participating nonprofit and local governmental entities.

State law provides that the Department may seek out and leverage State, Federal, or private funds to enhance the financial resources of the Program.<sup>3</sup> The Program did not receive an appropriation for the 2009-10 fiscal year.

<sup>1</sup> Section 215.5586, Florida Statutes.

<sup>2</sup> *My Safe Florida Home – 2008 Annual Report* (<http://mysafefloridahome.com/images/MSFHAR020109.pdf>).

<sup>3</sup> Section 215.5586(5), Florida Statutes.

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**FINDINGS AND RECOMMENDATIONS**

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**Finding No. 1: Quality Assurance Reinspections**

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State law requires the Department to implement a quality assurance program that includes reinspections of a statistically valid number of completed hurricane mitigation inspections and reinspections of up to at least 5 percent of all mitigation grant retrofit projects.<sup>4</sup> The conduct of the reinspections, together with the evaluation of the results, provides the Department with information needed to assess Program design effectiveness and integrity.

As authorized by law,<sup>5</sup> the Department contracted with an outside company (Contractor) to perform reinspections of completed hurricane mitigation inspections and mitigation grant retrofit projects. The Department periodically provided the Contractor with a list of randomly selected properties, which, according to Department records, had received inspections or retrofit grants. For each completed reinspection, the Contractor was to receive payment in the amount of \$140.

Our review of Department records related to the reinspection of the selected properties disclosed that a significant number of the selected properties did not receive a reinspection from the Contractor. Specifically, based on a review of monthly invoices submitted by the Contractor for the period August 2008 through February 2009, approximately 31 percent (2,385 out of 7,600) of the hurricane mitigation inspections and approximately 9 percent (96 out of 1,093) of the mitigation grant retrofit projects included on the Department's listings were not reinspected by the Contractor. According to information provided to the Department by the Contractor, a homeowner's refusal to allow for reinspection was the most common reason a reinspection was not performed.

Our audit disclosed that the Department did not routinely follow up on those instances in which reinspections could not be completed. Further investigation of these instances to determine why initial attempts to reinspect were unsuccessful, would seem critical to the Department's ability to fully evaluate the effectiveness of Program design and controls with respect to hurricane mitigation inspection activities and retrofit grants. Follow-up activities might include, for example, attempts by Department officials to schedule the reinspections, obtaining from the homeowners written confirmation of the completion of the inspections or retrofit projects, obtaining from the applicable WCE a copy of the inspection Checklist, and electronically searching for patterns in the denied reinspections. Our audit disclosed that while the Department's written agreements with homeowners for mitigation grant retrofit projects contained provisions requiring homeowners to make their homes available for reinspection, the agreements for hurricane mitigation inspections did not include such a provision. The absence of such a provision may have contributed, at least in part, to the large number of incomplete reinspections of the hurricane mitigation inspections.

The effectiveness of quality assurance measures is adversely affected by the absence of reinspection of randomly selected properties. The exclusion of randomly selected properties from reinspection also increases the risk that the Department will not timely detect instances, if any, in which the Department may have paid for services that were not performed or for services that were not performed properly.

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**Recommendation:** As part of the quality assurance reinspection process, the Department should follow up on all selected properties that were not reinspected and determine why the reinspections were not completed. In addition, the Department should modify any future written agreements with homeowners for

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<sup>4</sup> Section 215.5586(1)(c) and (2)(c), Florida Statutes.

<sup>5</sup> Section 215.5586(10), Florida Statutes.

**hurricane mitigation inspections to include provisions requiring that homeowners make their homes available for reinspection. The Department should also reevaluate the results of prior reinspection efforts and follow up as deemed appropriate on all selected properties that were not subject to reinspection.**

## OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on selected operational aspects and activities of the My Safe Florida Home Program administered by the Department. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the validity and reliability of records and reports; and the safeguarding of assets.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the period July 2007 through February 2009. In conducting our audit we:

- Interviewed selected Department personnel.
- Obtained an understanding of internal controls and observed, documented, and tested key processes and procedures related to the Program.
- Obtained an understanding of selected Information Technology (IT) controls, assessed control risks, evaluated whether selected general and application IT controls were in place, and tested the effectiveness of the controls.
- Evaluated the adequacy of WINGS access and application controls by performing focused surveys, observations, and audit test procedures.
- Evaluated the WCE selection process to determine whether WCEs were selected in compliance with applicable laws and rules.
- Examined Department records for 60 WCE inspectors to determine whether the Department properly verified WCE qualifications including licensure, the results of level 2 background screenings and drug testing, and training.
- Examined Department records related to 60 inspections to determine whether controls were adequate to ensure the completeness of inspection records in WINGS, the proper assignment of inspections to WCEs, and the performance of inspections in accordance with applicable Department policies and procedures.

- Examined 30 monthly invoices submitted by WCEs to determine whether the Department properly reviewed WCE invoices for accuracy and appropriateness.
- Reviewed Department documentation related to 30 contractors to determine whether the Department properly verified, and documented the verification of, the applicable license, adequacy of workers' compensation insurance, and completion of required training for the contractors included on the qualified contractor list.
- Examined 30 grant applications with awards totaling \$54,155 to determine whether the Department properly considered eligibility in processing grant applications and recorded relevant application information in WINGS.
- Examined 35 grant payments totaling \$128,669 to determine whether the Department correctly processed grant payments as to type of grant and amount.
- Evaluated the quality assurance reinspection process for completed hurricane mitigation inspections and mitigation grant retrofit projects for compliance with the requirements of law. We also reviewed documentation related to 60 reinspections and considered the adequacy of any follow-up procedures.
- Evaluated the monitoring activities, including the documentation of the monitoring efforts, for grant awards managed by third parties.
- Performed various other auditing procedures, including analytical procedures, as necessary to accomplish the objectives of the audit.

**AUTHORITY**

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a biennial basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

In a response letter dated January 4, 2010, the Chief Financial Officer concurred with our audit findings and recommendations. The Chief Financial Officer's response is included as Exhibit A.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



CHIEF FINANCIAL OFFICER  
STATE OF FLORIDA

ALEX SINK

January 4, 2010

Mr. David W. Martin  
Auditor General  
State of Florida  
Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Pursuant to Section 11.45(4)(d), Florida Statutes, the enclosed response is provided for the preliminary and tentative audit findings in connection with your operational audit of the Department of Financial Services related to the My Safe Florida Home Program, for the period July 1, 2007, through February 28, 2009.

If you have any questions or would like to discuss the matter further, please contact Alan Sands, Audit Director, at (850) 413-4962.

Sincerely,

A handwritten signature in cursive script that reads "Alex Sink".

Alex Sink

Enclosures

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

**Florida Department of Financial Services**  
**Audit Response**  
**My Safe Florida Home Program**  
**Operational Audit**  
**Preliminary and Tentative Audit Findings**  
**For the Period July 2007 through February 2009**

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**Recommendation:** As part of the quality assurance reinspection process, the Department should follow up on all selected properties that were not reinspected and determine why the reinspections were not completed. In addition, the Department should modify any future written agreements with homeowners for hurricane mitigation inspections to include provisions requiring that homeowners make their homes available for reinspection. The Department should also reevaluate the results of prior reinspection efforts and follow up as deemed appropriate on all selected properties that were not subject to reinspection.

**Response:** We concur with the Auditor General's finding that Florida law under s. 215.5586 required the program to implement a quality assurance program that included random reinspections of original inspections. Florida law also required the MSFH program to reinspect at least 5 percent of completed mitigation projects for which grant funds were used.

To accomplish this statutory directive, the MSFH program competitively procured a contract with an outside vendor (Contractor) to independently perform the reinspections. The Contractor had the responsibility to contact and schedule a reinspection for those properties identified. As detailed by that Contractor, the most common reasons reinspections did not take place were homeowners either refused the reinspection or did not return phone calls. It should be noted, that at the time of the original inspection the homeowner, or a representative of the homeowner, was required to sign the checklist completed by the inspector verifying that the inspection had been completed and no damage had occurred as a result.

The MSFH programs agrees with the Auditor General's recommendation to modify future inspection applications to require homeowners to participate in a reinspection if their properties are randomly selected as part of the program's quality assurance program, should the program receive additional funding in the future. As advised by the Auditor General, the MSFH program is obtaining the signed checklists for completed inspections in which a reinspection was refused to independently verify that the original inspection was completed. In addition, the MSFH program will confirm an inspection was completed by a building official for properties retrofitted with MSFH grant funds in which the homeowner did not make their property available for reinspection.