



Follow-up Review of
“Loans at Work”
Emergency Loan Program

Office of the County Auditor
Follow-up Report

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Report No. 22-16
September 26, 2022



OFFICE OF THE COUNTY AUDITOR

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September 26, 2022

Honorable Mayor and Board of County Commissioners

We conducted a Follow-up Review of our assessment of “Loans at Work” Emergency Loan Program (Report No. 21-09). The objective of our review was to determine the implementation status of our previous recommendations.

We conclude that of the 13 recommendations in the original report, 11 recommendations were implemented, and two are no longer applicable. We commend management for implementing our recommendations.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

We hope you find this information helpful. If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads "Bob Melton".

Bob Melton
County Auditor

cc: Monica Cepero, County Administrator
Andrew Meyers, County Attorney
Kimm Campbell, Deputy County Administrator
Kevin Kelleher, Assistant County Administrator
George Tablack, Chief Financial Officer
David Kahn, Director, Human Resources Division

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IMPLEMENTATION STATUS SUMMARY

OFI NO.	PREVIOUS RECOMMENDATION	IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1A	Implement procedures to contact applicants and confirm that they applied for a loan before processing payroll deductions.	✓			
1B	Continue to facilitate and assist with any further investigation.				✓
2A	Permanently discontinue providing census data to BMG for all County employees and instead provide it on an individual applicant basis as requested by BMG.	✓			
2B	Remove general access to obtaining employee ID numbers from intranet.	✓			
2C	Redact employee ID numbers and date of birth from responses to public record requests to the extent legally permissible.				✓
3A	Ensure positive verification of employee number, gross salary and hire date provided in an application.	✓			
3B	Flag and perform additional verification procedures for applications submitted with the same browser fingerprint (IP Address) to deter digital identity theft. If possible, BMG should	✓			

	trace the IP addresses connected to fraudulent applications to identify the geographic locations where they were filed.				
3C	Place less emphasis on knowledge-based authentication for identity verification and continue the use of newly created facial recognition controls.	✓			
3D	Determine length of employment for each applicant and ensure benefit eligibility status and one year or more of continuous employment with the County prior to approval of loans.	✓			
*3A	Provide employees impacted by the fraud with complimentary credit monitoring.	✓			
*3B	Continue to facilitate and assist with any further investigation	✓			
4	Ensure that County employee records are appropriately encrypted prior to internal and external transmission.	✓			
5	Discontinue soliciting employees outside the specified periods outlined in the Agreement.	✓			

* The original report included a “further recommendation” within OFI No. 3.

INTRODUCTION

Scope and Methodology

The Office of County Auditor conducts audits of Broward County’s entities, programs, activities, and contractors to provide the Board of County Commissioners, Broward County’s residents, County management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted a Follow-up Review of our assessment of “Loans at Work” Emergency Loan Program (Report No. 21-09). The objective of our review was to determine the implementation status of our previous recommendations.

We conducted this review in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the review to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives.

Our follow-up review included such tests of records and other review procedures, as we considered necessary in the circumstances. The follow-up testing was performed as of September 20, 2022. However, transactions, processes, and situations reviewed were not limited by the review period.

Overall Conclusion

We conclude that of the 13 recommendations in the original report, 11 recommendations were implemented, and two are no longer applicable. We commend management for implementing our recommendations.

OPPORTUNITIES FOR IMPROVEMENT

This section reports actions taken by management on the Opportunities for Improvement in our previous assessment and are separated into two categories: County Opportunities for Improvement and BMG Opportunities for Improvement. The issues and recommendations herein are those of the original assessment, followed by the status of the recommendations.

County Opportunities for Improvement

1. Requested Deductions from an Employee’s Compensation Needed to be Verified with the Employee Prior to Processing.

During our prior assessment, we noted that, while BMG Money, Inc (BMG) (a for-profit corporation that provides emergency loans to benefit-eligible employees of Broward County through their “Loans at Work” program) is ultimately responsible for the Emergency Loan Program, the County needed to implement additional controls to prevent fraud. For example, County Benefits and/or Payroll personnel receiving payroll deduction requests from BMG should contact employees to verify whether they applied for a loan before approving payroll deductions. Further, the County’s process needed to require County staff to obtain authorization for deductions directly from County employees rather than relying solely upon authorizations provided by BMG. Obtaining direct confirmations from the employee would likely prevent fraudulent deductions from employee pay. These additional controls and safeguards implemented by the County do not negate BMG’s absolute responsibility for any loans under the Agreement between the County and BMG.

We recommended management:

- A. Implement procedures to contact applicants and confirm that they applied for a loan before processing payroll deductions.
- B. Continue to facilitate and assist with any further investigation.

Implementation Status:

- A. Implemented.**
- B. Not applicable.** No further investigation was required of the County.

2. Privacy Protections Over Employee Identification Numbers Needed Strengthening.

During our prior assessment, we noted that employee identification (ID) numbers were too readily available for unauthorized access. We identified the following scenarios in which employee identification numbers could be better protected:

- A. The County routinely shared employee ID numbers and identifying information for all employees with BMG, regardless of whether they were applying for a loan. BMG utilized this information to verify applicants. This information is better protected if shared only for employees that applied for loans as requested by BMG (rather than distributions of information for all employees).
- B. Employees with access to the County's intranet could obtain employee ID numbers through an internal leave balance look-up intranet page. This access was available to all employees and not limited by certain designations/job functions such as Payroll or Human Resources (HR) employees.
- C. Employee ID numbers may be included within public record requests. Employee ID numbers should be redacted from responses to public record requests, to the extent the County may legally withhold the information.

We recommended management take actions to better protect employee identification numbers including:

- A. Permanently discontinue providing census data to BMG for all County employees and instead provide it on an individual applicant basis as requested by BMG.
- B. Remove general access to obtaining employee ID numbers from intranet.
- C. Redact employee ID numbers and date of birth from responses to public record requests to the extent legally permissible.

Implementation Status:

- A. **Implemented.**
- B. **Implemented.**
- C. **Not applicable.** The County Attorney's Office advised that redaction of employee ID numbers and date of birth from responses to public record requests is not legally permissible.

BMG Opportunities for Improvement

3. BMG Needed Stronger Internal Controls

During our prior assessment, we noted that BMG approved four fraudulent loan applications and did not maintain adequate internal controls to effectively prevent approval of fraudulent and otherwise unauthorized and unallowable loans, including:

- A. In one instance, BMG approved a fraudulent loan application even though the gross salary entered by the perpetrator(s) impersonating the employee did not match County records.

- B. In two instances, BMG approved fraudulent loan applications even though both were submitted with the same browser fingerprint (IP Address).
- C. BMG internal policies required only two out of four security questions be answered correctly by loan applicants.
- D. Two ineligible employees received loans that should not have been approved because they lacked one year or more of continuous employment with the County.

We recommended management require BMG to strengthen controls and ensure that existing controls are properly functioning including but not limited to the following:

- A. Ensure positive verification of employee number, gross salary and hire date provided in an application.
- B. Flag and perform additional verification procedures for applications submitted with the same browser fingerprint (IP Address) to deter digital identity theft. If possible, BMG should trace the IP addresses connected to fraudulent applications to identify the geographic locations where they were filed.
- C. Place less emphasis on knowledge-based authentication for identity verification and continue the use of newly created facial recognition controls.
- D. Determine length of employment for each applicant and ensure benefit eligibility status and one year or more of continuous employment with the County prior to approval of loans.

Implementation Status:

- A. Implemented.**
- B. Implemented.**
- C. Implemented.**
- D. Implemented.**

We further recommended management require BMG to take the following actions:

- A. Provide employees impacted by the fraud with complimentary credit monitoring.
- B. Continue to facilitate and assist with any further investigation.

Implementation Status:

- A. Implemented.**
- B. Implemented.**

4. Personal Information Needed to be Better Protected by BMG

During our prior assessment, BMG sent to our Office, via email, four unencrypted files containing personal information of County employees. Such information needed to be better protected.

We recommended management require BMG improve its controls over personal information by ensuring that County employee records are appropriately encrypted prior to internal and external transmission.

Implementation Status: Implemented.

5. BMG Solicited County Employees in Violation of the Non-Solicitation Clause of the Agreement

During our prior assessment, several employees with active loans stated that they received automated emails from BMG encouraging them to (re)borrow the amount of their active loan that was already repaid. This activity is in violation of Paragraph 3a of Exhibit "A" in the Agreement which states: "BMG will not initiate contact with employees, except for the following periods designated by the County: (i) Open Enrollment; (ii) Financial Fairs; and (iii) other events where BMG is invited by the County."

We recommended management require BMG to discontinue soliciting employees outside the specified periods outlined in the Agreement.

Implementation Status: Implemented.