

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2025-191
April 2025

OFFICE OF FINANCIAL REGULATION

Regulation of Retail Installment Sales Entities



Sherrill F. Norman, CPA
Auditor General

Commissioner of the Office of Financial Regulation

The Office of Financial Regulation is established by Section 20.121(3)(a)2., Florida Statutes. The Office is administratively supported by the Department of Financial Services but operates under the direction of the Financial Services Commission which is composed of the Governor, Attorney General, Chief Financial Officer, and Commissioner of Agriculture. The head of the Office is the Director of the Office of Financial Regulation, who may also be known as the Commissioner of Financial Regulation. Russell C. Weigel, III, served as Commissioner of Financial Regulation during the period of our audit.

The team leader was Kimberly R. Roberts, CPA, and the audit was supervised by Barry Bell, CPA.

Please address inquiries regarding this report to Karen Van Amburg, CPA, Audit Manager, by e-mail at karenavanamburg@aud.state.fl.us or by telephone at (850) 412-2766.

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OFFICE OF FINANCIAL REGULATION

Regulation of Retail Installment Sales Entities

SUMMARY

This operational audit of the Office of Financial Regulation (Office) focused on the regulation of retail installment sales entities. Our audit disclosed the following:

Finding 1: Office controls over retail installment sales entity licensure applicant background checks need improvement.

BACKGROUND

The Office of Financial Regulation (Office), Division of Consumer Finance (Division), is responsible for licensing and regulating non-depository financial service industries and individuals and conducting examinations and complaint investigations of licensed entities to determine compliance with State law.¹ The Division is composed of two Bureaus: the Bureau of Registration, which licenses businesses and individuals, and the Bureau of Enforcement, which conducts examinations of licensed entities. Pursuant to State law,² retail installment sales entities (motor vehicle retail installment sellers, retail installment sellers, sales finance companies, and home improvement finance sellers) must be licensed by the Office. In addition, State law³ authorizes the Office to conduct investigations and examinations of retail installment sales entities. During the 2023-24 fiscal year, there were 10,606 active retail installment sales entity licensees and the Division received 2,967 retail installment sales entity license applications.

The Office utilizes the Regulatory Enforcement and Licensing (REAL) system to manage fiscal, licensing, investigation, examination, legal, and complaint functions. The REAL system is the Office's primary application used by both internal and external users for licensing and enforcement business and search functions, including legal and investigative activity for unlicensed entities.

FINDING AND RECOMMENDATION

Finding 1: Licensee Background Checks

The Division required retail installment sales entities applying for an initial license to submit a standard application form (application) and provide a non-refundable application fee. The Division also required initial applicants to disclose on the application instances of criminal conviction or prior regulatory action against the applicant. Division policies and procedures⁴ required Division licensing staff to consider any such disclosures and to search the State Clerks of Court and Comptrollers Comprehensive Case

¹ Chapters 494, 516, 520, 537, 559 (Parts V, VI, and XII), and 560, Florida Statutes.

² Chapter 520, Florida Statutes.

³ Section 520.996, Florida Statutes.

⁴ Division *Application Procedures for Chapter 520*.

Information System (CCIS)⁵ to determine whether any court records (e.g., criminal convictions) related to the applicant should be considered in assessing the application.

We examined REAL system records related to 40 initial retail sales entity license applications received and approved by the Division during the period July 2022 through January 2024 and found that CCIS record checks of applicants approved for licensure were not always appropriately conducted or documented in the REAL system. Specifically, we noted that:

- For 2 applications, Division staff comments in the REAL system indicated that the licensee had no adverse history; however, due to employee oversight, the related CCIS reports were not included in the REAL system. During our audit, the Division provided evidence that there was no adverse history for either licensee.
- For 1 application, the CCIS report attached to the REAL system was unrelated to the licensee. In response to our audit inquiry, Division management indicated that licensing staff had run the report using the incorrect birthdate. Subsequent to our audit inquiry, the Division searched court records and provided documentation evidencing that there was no adverse history for the licensee.
- For 1 application, the REAL system data field indicating the results of the CCIS check was blank and no CCIS report was attached to evidence that a CCIS check had been conducted. According to Division management, the results field was left blank due to employee error and the CCIS report was not attached because, at the time the application was processed, the Division did not require the CCIS report to be attached when the report did not contain a result that required supervisory review.

Maintaining documentation in the REAL system of the appropriate conduct and results of background checks would better evidence that Division licensing staff had ensured that retail installment sales entity licensure applicants had not committed disqualifying offenses.

Recommendation: We recommend that Division management ensure that all required background checks of retail installment sales entity licensees are conducted and appropriately documented in REAL system records.

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 from February 2024 through September 2024 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.

⁵ The CCIS is a secured, single point of search for Statewide court case information and, pursuant to Section 28.2405, Florida Statutes, all clerks of the circuit court must submit electronic case data to the CCIS based on the case types designated by the Florida Supreme Court.

This operational audit of the Office of Financial Regulation (Office) focused on the regulation of retail installment sales entities. For those areas, the objectives of the audit were to:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- To examine internal controls designed and placed into operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; instances of noncompliance with applicable governing laws, rules, or contracts; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Office policies and procedures, and other guidelines, and interviewed Office personnel to obtain an understanding of retail installment sales entities regulatory processes and responsibilities.

- Inquired of Office management regarding whether the Office made any expenditures or entered into any contracts under the authority granted by an applicable state of emergency during the period July 2021 through February 2024.
- Obtained an understanding of selected Office information technology (IT) controls, assessed the risks related to those controls, evaluated whether selected general and application IT controls for the Regulatory Enforcement and Licensing (REAL) system were in place, and tested the effectiveness of the selected controls.
- From the population of 2,522 retail installment sales entity initial license applications received and approved by the Division of Consumer Finance (Division) during the period July 2022 through January 2024, examined Division records for 40 selected initial license applications to determine whether the Division conducted initial retail installment sales entity licensing activities in accordance with State law, Office rules, and Division policies and procedures.
- From the population of 5,954 retail installment sales entity license renewal applications received and approved by the Division during the period July 2022 through January 2024, examined Division records for 40 selected license renewals to determine whether the Division conducted retail installment sales entity license renewal activities in accordance with State law, Office rules, and Division policies and procedures.
- For the period July 2022 through January 2024, analyzed information from the REAL system, the Florida Accounting Information Resource Subsystem, and Department of Financial Services cash deposit records to determine whether the amount of fees and fines collected from retail installment sales entity licensees, as recorded in the REAL system, materially agreed to the amounts deposited in the Regulatory Trust Fund, and to determine whether the Division had issued refunds of license application fees although prohibited by State law.
- Examined Office records for the 16 Division employees with REAL system user access privileges who separated from Office employment during the period July 2022 through January 2024 to determine whether the Office timely deactivated REAL system user access privileges upon an employee's separation from Office employment.
- Analyzed REAL system records related to initial retail installment sales entity branch license applications received and approved by the Division during the period July 2022 through January 2024 to determine whether branch licenses were issued only to entities that were branches of licensed retail installment sales entities.
- From the population of 434 complaints related to retail installment sales entity licensees received by the Division during the period July 2022 through January 2024, examined Division records for 25 selected complaints to determine whether the Division timely and appropriately investigated complaints and documented complaint activities in the REAL system.
- From the population of 73 Division examinations of retail installment sales entity licensees conducted and closed during the period July 2022 through January 2024, examined Division records for 15 selected examinations to determine whether examinations were timely and appropriately conducted and documented in the REAL system.
- Reviewed applicable laws, rules, and other State guidelines to obtain an understanding of the legal framework governing Office operations.
- Observed, documented, and evaluated the effectiveness of selected Office processes and procedures for the administration of Office travel in accordance with State law and other applicable guidelines. Specifically, from the population of 6,335 travel expenditure transactions, totaling \$731,605, made by the Office during the period July 2022 through January 2024, examined Office records for 77 selected travel expenditure transactions totaling \$30,391 to determine whether Office travel was conducted and expenditures incurred and documented in accordance with applicable State law, rules, and other guidelines.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the finding and recommendation included in this report which describes the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Commissioner Russell C. Weigel, III

April 15, 2025

Sherrill F. Norman, CPA
Auditor General – State of Florida
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Response to Preliminary and Tentative Audit Finding – Regulation of Retail Installment Sales Entities

Dear Ms. Norman:

This letter is in response to the Finding and Recommendation contained in the Preliminary and Tentative Audit Finding. As stated, the operational audit focused on the regulation of retail installment sales entities. Your Finding and Recommendation is listed below along with the Division's response.

Finding 1: Licensee Background Checks

Auditor General Recommendation: We recommend that Division management ensure that all required background checks of retail installment sales entity licensees are conducted appropriately and documented in REAL system records.

OFR Response to Recommendation: The Division of Consumer Finance concurs with the recommendation.

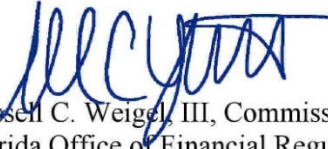
The Division will update and implement procedures to ensure that all required background checks of retail installment sales entity licensees are conducted appropriately and documented in REAL system records. The Division will accomplish this by performing the following:

- Conduct training with all staff that utilizes Comprehensive Case Information System (CCIS) by September 1, 2025.
- Implement specific procedures that require staff to double-check data entered in CCIS prior to submission to ensure it is correct by September 1, 2025.
- Conduct training with all staff regarding updating both the REAL system data field and attachments by September 1, 2025.

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Please let me know if you have any questions related to this response.

Best Regards,

A handwritten signature in blue ink, appearing to read 'Russell C. Weigel, III', with a stylized, cursive script.

Russell C. Weigel, III, Commissioner
Florida Office of Financial Regulation
200 East Gaines Street
Tallahassee, FL 32399-0376

Cc: Pury Santiago, Chief Operating Officer
Bonnie Deering, Inspector General
Gregory Oaks, Director of Consumer Finance