

**AGENCY FOR HEALTH CARE
ADMINISTRATION**

Statewide Medicaid Managed Care Program
and Prior Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Secretary of the Agency for Health Care Administration

The Agency for Health Care Administration is established by Section 20.42, Florida Statutes. The head of the Agency is the Secretary who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Secretary:

| | |
|-----------------|---|
| Justin Senior | From January 11, 2017 Interim, October 3, 2016, through January 10, 2017 |
| Elizabeth Dudek | Through October 3, 2016 |

The team leader was Nick Pappas, CPA, and the audit was supervised by Lisa Norman, CPA. Please address inquiries regarding this report to Lisa Norman, CPA, Audit Manager, by e-mail at lisanorman@aud.state.fl.us or by telephone at (850) 412-2831.

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AGENCY FOR HEALTH CARE ADMINISTRATION

Statewide Medicaid Managed Care Program and Prior Audit Follow-Up

SUMMARY

This operational audit of the Agency for Health Care Administration (Agency) focused on the Agency's administration of the Statewide Medicaid Managed Care program. The audit also included a follow-up on findings in our report Nos. 2014-057 and 2014-193 and on selected findings in our report Nos. 2014-001 (finding Nos. 7 and 8) and 2015-011 (finding Nos. 4 and 5). Our audit disclosed the following:

Statewide Medicaid Managed Care Program

Finding 1: The Agency's monitoring of managed care organizations (MCOs) did not adequately encompass all key contract provisions. In addition, the Agency had not established sufficient procedures to fully assess the accuracy or completeness of MCO reports used as the basis for certain monitoring conclusions.

Finding 2: Agency records did not always demonstrate the basis for the amount of liquidated damages imposed against MCOs or that the Agency obtained the information necessary to appropriately determine liquidated damages. Additionally, liquidated damage payments were not always accurately recorded in Agency accounting records.

Selected Administrative Activities

Finding 3: As similarly noted in our report No. 2015-011, the Agency had not established policies and procedures to review Agency social security number (SSN) collection activities or conducted periodic reviews of Agency SSN collection activities. Additionally, Agency forms did not always include the appropriate statutory authority for collecting individuals' SSNs.

Finding 4: Agency controls over employee access to the Florida Accounting Information Resource Subsystem (FLAIR) continue to need improvement to help prevent and detect any improper or unauthorized use of FLAIR access privileges.

Finding 5: As similarly noted in our report No. 2014-057, Agency procedures did not adequately ensure that current background screenings were maintained for health care facility providers during the facility's licensure period.

Finding 6: The Agency did not make or obtain an independent and periodic assessment of the effectiveness of relevant service organization controls for the VERSA Regulation system.

Finding 7: Agency tangible personal property controls continue to need enhancement to ensure proper accountability for and safeguarding of State-owned property.

Finding 8: As similarly noted in prior audit reports, most recently in our report No. 2014-001, the Agency did not always timely or accurately record tangible personal property acquisitions in Agency property records.

BACKGROUND

State law¹ designates the Agency for Health Care Administration (Agency) as the chief health policy and planning entity for the State and provides that the Agency is responsible for:

- Licensing, inspecting, and regulating health care facilities.
- Investigating consumer complaints related to health care facilities and managed care organizations.
- Implementing the certificate of need program.
- Operating the Florida Center for Health Information and Transparency.
- Administering the Medicaid program and contracts with the Florida Healthy Kids Corporation.
- Certifying health maintenance organizations and prepaid health clinics.

For the 2015-16 fiscal year, the Legislature appropriated approximately \$25.4 billion to the Agency and authorized 1,563 positions.

FINDINGS AND RECOMMENDATIONS

STATEWIDE MEDICAID MANAGED CARE PROGRAM

In 2011, the Legislature directed² the Agency to establish a Statewide Medicaid Managed Care (SMMC) program. Under the SMMC program, most Medicaid recipients are enrolled in a health plan that is to coordinate care, manage chronic disease, and prevent the need for more costly services. The Agency completed implementation of the SMMC program in 2014.

Pursuant to State law,³ the Agency selected a limited number of managed care organizations (MCOs) to participate in the SMMC program using invitations to negotiate. The Agency established 5-year contracts with each MCO selected through the procurement process and, as of November 2016, the Agency had contracts with 16 MCOs.

Finding 1: Monitoring of MCOs

State law⁴ provides that State agencies are responsible for enforcing the terms and conditions of all contractual services contracts and ensuring that contract deliverables are appropriately satisfied. Effective contract management requires the monitoring of contractor performance to determine compliance with contract provisions and to provide a means for early detection of potential noncompliance and timely corrective action.

As depicted in **EXHIBIT A** to this report, to monitor MCO contracts, the Agency used a “spoke and hub” or distributed compliance monitoring approach where Agency functional units served as the “spokes” and the contract manager served as the “hub.” The approach was designed for subject matter experts within

¹ Section 20.42(3), Florida Statutes.

² Chapter 2011-134, Laws of Florida.

³ Sections 409.966(2) and 409.967(1), Florida Statutes.

⁴ Section 287.057(14), Florida Statutes.

the functional units to oversee specific contract areas and each designated MCO contract manager to serve as the primary point of contact with the MCO. While each functional unit conducted regular, sometimes daily, monitoring activities, our evaluation of Agency monitoring activities disclosed key contract provisions that were not subject to adequate Agency monitoring. Specifically, we noted that the Agency's contracts with the MCOs required the MCOs to establish and maintain a fraud investigative unit to investigate possible acts of fraud, abuse, and overpayment. However, while Agency monitoring activities included on-site visits and inquiries of MCO management and investigators, the activities did not include specific reviews of MCO fraud investigative units and related records to determine whether the MCOs appropriately investigated potential acts of fraud, abuse, or overpayment and took appropriate actions, where necessary.

Additionally, certain Agency monitoring activities relied on reports, such as lists of grievances received, prepared by the MCOs. However, the Agency had not established sufficient procedures to fully assess the accuracy or completeness of the reports received and used as the basis for monitoring conclusions.

Effective monitoring of the MCOs provides greater assurance that noncompliance with contract terms and conditions will be identified and serves as a means for early detection of potential noncompliance and timely corrective action. Additionally, establishing sufficient procedures to fully assess the accuracy and completeness of MCO reports used for certain Agency monitoring activities would enhance the reliability of Agency monitoring conclusions.

Recommendation: We recommend that Agency management ensure that MCO monitoring activities are adequately designed to assess compliance with all key contract provisions. We also recommend that Agency management enhance monitoring procedures to fully assess the accuracy and completeness of MCO reports used as the basis for certain monitoring conclusions.

Finding 2: Compliance Actions

Agency contracts with the MCOs required the MCOs to comply with all contract terms and conditions, including MCO performance standards. Contract terms provided that when the Agency identified a contract violation or other noncompliance the Agency could sanction the MCO pursuant to State law,⁵ Agency rules,⁶ and Federal regulations.⁷ Additionally, if an MCO breached its contract, the Agency was entitled to monetary damages, including liquidated damages that represented reasonable estimates of the Agency's projected loss and damage resulting from the breach. In addition to imposing sanctions for a contract violation or other noncompliance, the Agency could require an MCO to submit to the Agency a performance measure action plan as well as a corrective action plan, or could terminate the contract.

When a potential contract violation or other noncompliance was identified, the Agency functional unit that identified the possible violation or other noncompliance was to alert the contract manager of the issue using a *Request for SMMC Plan Compliance Action* form. If the contract manager determined that a compliance action was appropriate, the contract manager was to draft a compliance action letter and route the letter to the Medicaid Bureau of Plan Management Operations for initial review and approval

⁵ Sections 409.912(6), 409.91212, and 409.967, Florida Statutes.

⁶ Agency Rule 59A-12.0073, Florida Administrative Code.

⁷ Title 42, Section 438, Subpart I, Code of Federal Regulations, and Sections 1903(m) and 1932, of the Social Security Act.

and then to the Assistant Deputy Secretary for Medicaid for final review and approval. If the compliance action required the payment of monetary sanctions or liquidated damages, the MCO had 30 days to submit payment to the Bureau of Health Quality Assurance. The Bureau of Health Quality Assurance was responsible for verifying the payment amount, recording the payment in Agency records, and then forwarding the payment to the Bureau of Financial Services for deposit in the appropriate SMMC program account.

As part of our audit, we examined Agency records related to 24 of the 203 compliance actions imposed by the Agency during the period July 2014 through February 2016. Our examination disclosed that:

- Agency records did not always demonstrate the basis for the amount of liquidated damages imposed or that the Agency obtained the information necessary to appropriately determine liquidated damages. The MCO contracts required liquidated damages totaling \$1,000 be assessed for each failure to comply with transportation contract provisions and liquidated damages totaling \$2,500 be assessed for each failure that resulted in a missed appointment for the enrollee. However, for one compliance action, while the MCO's response to an ad hoc Agency request for information indicated 71 late trips by an MCO subcontractor, the Agency only assessed the MCO liquidated damages totaling \$55,000 related to 55 late trips and Agency records did not evidence the basis for the difference. For another compliance action, the MCO's response to an ad hoc request from the Agency indicated several late or missed trips. However, the MCO's response did not include, and the Agency did not follow up to obtain, the information necessary to determine the nature and extent of the late or missed trips and whether the instances resulted in late or missed appointments. For this compliance action, the Agency only assessed the MCO liquidated damages totaling \$2,500 for one missed appointment that was confirmed by the MCO.
- Of the 21 payments received related to compliance actions that required payments, we noted 15 payments, totaling \$65,750, where the Agency incorrectly coded the payments in the Agency's accounting system, the Florida Accounting Information Resource Subsystem (FLAIR). Specifically:
 - 12 payments were coded to the incorrect organizational code.
 - 2 payments were coded to the incorrect organizational code, fund, budget entity, category, and object code.
 - 1 payment was coded to the incorrect object code.

Adequately documenting the basis for and obtaining the information necessary to impose liquidated damages promotes the proper compensation of the Agency for any projected financial loss and damage resulting from MCO nonperformance and the accurate recording of payment information in FLAIR ensures the proper accounting for funds received.

Recommendation: We recommend that Agency management enhance procedures to ensure that Agency records demonstrate that liquidated damages are appropriately imposed against MCOs and that the related payments are appropriately recorded in FLAIR.

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we also evaluated selected Agency administrative activities and controls, including those related to the collection and use of social security numbers, FLAIR access privileges, health care provider background screenings, service organization controls, and tangible personal property.

Finding 3: Collection of Social Security Numbers

The Legislature has acknowledged in State law⁸ that a person's social security number (SSN) was never intended to be used for business purposes. However, over time the SSN has been used extensively for identity verification and other legitimate business purposes.

Recognizing that an SSN can be used to perpetrate fraud against an individual and acquire sensitive personal, financial, medical, and familial information, the Legislature specified⁹ that State agencies may not collect an individual's SSN unless the agency is authorized by law to do so or it is imperative for the performance of that agency's duties and responsibilities as prescribed by law. Additionally, State agencies are required to provide each individual whose SSN is collected written notification regarding the purpose for collecting the number, including the specific Federal or State law governing the collection, use, or release of the number. The SSNs collected may not be used by the agency for any purpose other than the purposes provided in the written notification. State law further provides that SSNs held by an agency are confidential and exempt from public inspection and requires each agency to review its SSN collection activities to ensure the agency's compliance with the requirements of State law and to immediately discontinue SSN collection upon discovery of noncompliance.

In our report No. 2015-011 (finding No. 4), we noted that the Agency had not established policies and procedures for the collection and use of SSNs or evaluated its collection and use of SSNs to ensure compliance with State law, and could not provide a complete listing of all forms and information systems used by the Agency to collect SSNs. As part of our audit follow-up procedures, we noted that, effective August 2014, the Agency revised Agency forms management policies and procedures to require that, upon the creation of a new form or revision to an existing form, the form be approved by the Office of the General Counsel and designated Agency management. To document form approvals, Agency policies and procedures required the Agency Forms Coordinator to prepare a *Form Number Request (Request)* that was to include the applicable Office of the General Counsel and management signatures and dates of approval. The *Request* was also to identify whether the form would require the collection of individuals' SSNs and, if so, include a reference to the Agency's statutory authority for collecting the SSNs or the reason that collection was imperative to perform the Agency's duties as prescribed by law.

Our evaluation of Agency controls for collecting and utilizing SSNs disclosed that the Agency had not established written policies and procedures to review Agency SSN collection activities, nor had the Agency conducted periodic reviews of SSN collection activities. As part of our audit, we also examined Agency records related to the six forms which requested individuals' SSNs and that had an effective or revision date of August 2014 or later to determine whether Agency controls for the collection and use of individuals' SSNs adequately promoted compliance with applicable statutory requirements. Our examination disclosed that:

- Two of the forms did not include the statutory authority for collecting SSNs. For both forms, the related *Request* also did not include the statutory authority for collecting SSNs or a reason that collection was imperative to perform the Agency's duties as prescribed by law and, for one of these forms, the Agency was unable to demonstrate that the *Request* had been approved by the

⁸ Section 119.071(5)(a)1.a., Florida Statutes.

⁹ Section 119.071(5)(a)2., Florida Statutes.

Office of the General Counsel. In addition, one other form included a statutory reference that did not provide the required authority for collecting SSNs and the Agency was unable to provide the related *Request*.

- One of the forms was marked by the Agency as obsolete in 2014. However, as of April 2016, the form remained available on the Agency's Web site. In response to our audit inquiry, Agency management indicated that the form had been previously used by two different Agency licensure units and that, while the form was obsolete for one unit, the form was not obsolete for the other unit. Additionally, although the form indicated that it had been revised in July 2015, the Agency was unable to provide a *Request* for the revision. Agency management indicated that an earlier version of the form was incorporated in Department of Elder Affairs (DOEA) rules and that they would work with the DOEA to revise the form to include a SSN statement and incorporate the revised version in rule.

Effective controls, including written policies and procedures addressing the periodic review of the Agency's collection of individuals' SSNs and periodic assessments of SSN collection activities, would better ensure and demonstrate Agency compliance with statutory requirements and reduce the risk that SSNs may be unnecessarily collected or utilized for unauthorized purposes.

Recommendation: We recommend that Agency management establish written policies and procedures regarding the review of Agency SSN collection activities and conduct periodic reviews of such activities. We also recommend that Agency management strengthen controls to ensure that all Agency forms requesting individuals' SSNs include the appropriate statutory authority for collecting the SSN and are supported by appropriately completed *Requests*.

Finding 4: FLAIR Access Controls

The Agency utilizes FLAIR to authorize payment of Agency obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR access. Accordingly, FLAIR access should be: (1) limited to properly authorized employees, (2) appropriate for the employee's assigned duties and responsibilities, (3) promptly deactivated when employees separate from Agency employment or when the access privileges are no longer required, and (4) periodically reviewed for continued appropriateness.

In our report No. 2015-011 (finding No. 5), we noted that Agency controls over employee access to FLAIR needed improvement. Effective September 2014, the Agency implemented procedures that required Agency supervisors to submit a *FLAIR/DACA Access Request* form to request an employee's initial access privileges to FLAIR or to request changes to an employee's access privileges. Agency procedures also required the Bureau of Financial Services to conduct biannual reviews of FLAIR access privileges to ensure employee access privileges were appropriate.

As part of our audit follow-up procedures, we evaluated Agency controls for granting FLAIR user access privileges and periodically reviewing FLAIR user access privileges to ensure the continued appropriateness of the access. Our audit procedures disclosed that Agency controls still needed enhancement to ensure that FLAIR user access privileges were periodically evaluated, documented in accordance with Agency procedures, and appropriately granted. Specifically:

- Although reviews of FLAIR access privileges were to be conducted biannually, the Agency conducted only two reviews during the period September 2014 through May 2016. In addition, the documentation provided to Agency supervisors to conduct the reviews did not identify the

FLAIR access privileges assigned to each employee and, as a result, did not provide the supervisors the information needed to determine whether the access privileges were necessary and appropriate for each employee. In response to our audit inquiry, Agency management indicated that biannual reviews were not always conducted due to workload issues.

- The Agency was unable to provide *FLAIR/DACA Access Request* forms to support the nine requests for and approvals of initial or revised FLAIR access privileges for eight employees that were made during the period September 2014 through February 2016 and subject to testing.
- Our examination of FLAIR access records for the Agency's 33 active FLAIR user accounts with update privileges as of March 2016 disclosed that 7 user accounts (assigned to 7 employees) were granted update capabilities to incompatible functions in FLAIR. We found that:
 - 2 user accounts had update capabilities to both the disbursement and cash receipts functions.
 - 4 user accounts had update capabilities to the fixed assets accounting and fixed assets custodial functions.
 - 1 user account had update capabilities to the disbursement and vendor employee functions.

Subsequent to our audit inquiry, the Agency removed the incompatible access privileges for 1 of the 7 user accounts. Additionally, Agency management indicated in response to our audit inquiry that future biannual reviews of FLAIR access privileges would include reviews of the transactions created by the user accounts with update capabilities to incompatible functions in FLAIR.

The effective separation of incompatible duties, documentation identifying and demonstrating the approval of FLAIR access privileges, and periodic and timely reviews of employee access privileges enhance management's assurances that improper or unauthorized use of FLAIR access will be prevented or timely detected.

Recommendation: We recommend that Agency management ensure that:

- **Periodic reviews of FLAIR access privileges are appropriately conducted to aid in the identification and resolution of any instances where excess or incompatible FLAIR user access privileges have been granted.**
- **Agency records demonstrate the request for and approval of all employee FLAIR access privileges.**
- **Compensating controls, such as supervisory review of applicable transactions, are established to minimize the risks associated with user accounts with update capabilities to incompatible functions in FLAIR.**

Finding 5: Health Care Provider Background Screenings

State law¹⁰ requires all health care licensees, administrators, financial officers, and any person seeking employment with a health care facility who is expected to, or whose responsibilities may require them to, provide personal care or services directly to clients or have access to client funds, personal property, or living areas, to undergo a level 2 background screening.¹¹ Additionally, State law requires that every

¹⁰ Section 408.809(1) and (2), Florida Statutes.

¹¹ Pursuant to Section 435.04, Florida Statutes, a level 2 background screening is to include, but need not be limited to, fingerprinting for Statewide criminal history records checks through the Department of Law Enforcement, national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

5 years following licensure, employment, or entry into a contract, each covered individual (provider) submit to a level 2 background rescreening as a condition of retaining their license or continuing their employment or contractual status.

State law¹² tasks the Agency, in consultation with the Department of Law Enforcement, with developing the Care Provider Background Screening Clearinghouse (Clearinghouse), a secure, Web-based system that would allow the results of criminal history checks to be shared among participating agencies when a provider applied to volunteer with, be employed or licensed by, or enter into a contract with a health care facility. The Agency implemented the Clearinghouse on January 1, 2013, which allowed participating agencies to share screening results, view arrest information for current employees, and track background screenings from the time a screening request was initiated through the Clearinghouse until the screening result was received and the provider was determined eligible or ineligible.

For providers screened through the Clearinghouse, background screenings will begin to expire January 1, 2018, and according to Agency management, system changes will be completed by June 30, 2017, that will allow the fingerprints on file to be used for updated background screenings and to create alerts and e-mail notifications to health care facilities to initiate the rescreenings. In response to our audit inquiry, Agency management indicated that the screening results for providers screened prior to January 2013 were imported into the Clearinghouse and the providers were marked as eligible. However, while the Clearinghouse status of those providers was to change to “needs rescreening” upon the expiration of their screenings, the Clearinghouse did not notify the Agency or the health care facility when updated screenings are required. According to Agency records, approximately 275,000 individual providers were screened prior to the implementation of the Clearinghouse.

Additionally, as similarly noted in report No. 2014-057 (finding No. 1), while Agency procedures required the Agency to determine whether provider background screenings were current and free of disqualifying offenses at the time of the health care facility’s application for licensure, the procedures did not require the Agency verify that the background screenings remained current throughout the period of licensure. In response to our audit inquiry, Agency management indicated that health care facilities have the responsibility to ensure that all applicable employees have a current background screening and health care facilities must attest that they are in compliance with the background screening requirements specified by State law.¹³

Performing procedures to ensure health care provider level 2 background screenings are current during the health care facility’s licensure period would provide the Agency greater assurance that individuals providing personal care or services directly to clients have appropriate backgrounds. In addition, a Clearinghouse control to provide advance notice to the Agency and health care facility when an updated background screening is required would better ensure that providers are timely rescreened.

Recommendation: We recommend that Agency management enhance Agency procedures to require verification that health care facility provider background screenings remain current throughout the licensure period. We also recommend that Agency management enhance

¹² Section 435.12(1), Florida Statutes.

¹³ Section 435.05(2) and (3), Florida Statutes.

Clearinghouse controls to give advance notice to the Agency and health care facilities when an updated health care provider background screening is required.

Finding 6: Service Organization Controls

The Agency used the VERSA Regulation system to manage health care facility licensure, registration, inspection, and enforcement activities. The Agency contracted with a service organization for VERSA Regulation system operation and maintenance support services. As the Agency relies on VERSA Regulation system data to execute its regulatory responsibilities, it is incumbent upon the Agency to take steps to reasonably ensure the integrity, reliability, and security of VERSA Regulation system data. Such steps may include requiring the service organization to provide a service auditor's report¹⁴ on the effectiveness of the controls established by the organization for the VERSA Regulation system or, alternatively, Agency monitoring of the effectiveness of relevant service organization controls.

Our examination of Agency agreements with the service organization for the 2015-16 and 2016-17 fiscal years disclosed that the agreements did not include a provision requiring the service organization to provide a service auditor's report, nor had the Agency requested or received such a report. In addition, our audit procedures disclosed that the Agency had not monitored the effectiveness of relevant service organization controls.

In response to our audit inquiry, Agency management indicated that the provision of a service auditor's report was not a standard procurement requirement and Agency staff were unaware of the requirement. Absent an evaluation of relevant service organization controls, Agency management has reduced assurance that relevant internal controls supporting the operation and maintenance of the VERSA Regulation system are in place and functioning effectively.

Recommendation: Because of the critical nature of VERSA Regulation system data, we recommend that Agency management make or obtain an independent and periodic assessment of the service organization's relevant internal controls.

Finding 7: Tangible Personal Property Controls

Effective controls for the management of tangible personal property¹⁵ require that property items be adequately controlled, safeguarded, and accounted for by Agency management. Department of Financial Services (DFS) rules¹⁶ require State agencies to record all tangible personal property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more in the FLAIR Property Subsystem.

¹⁴ A service auditor's report, as described by the American Institute of Certified Public Accountants, Statement on Standards for Attestation Engagements No. 18, *Attestation Standards: Clarification and Recodification, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, provides information and auditor conclusions related to a service organization's controls. Service organizations make service auditor's reports available to user organizations to provide assurances related to the effectiveness of the service organization's relevant internal controls.

¹⁵ Property is defined in applicable laws and rules as State-owned equipment, fixtures, and other tangible personal property of a nonconsumable or nonexpendable nature, the value or cost of which is \$1,000 or more and the projected useful life of which is 1 year or more.

¹⁶ DFS Rule 69I-72.002, Florida Administrative Code.

To promote the proper accountability for and safeguarding of tangible personal property, DFS rules¹⁷ require State agencies to complete a physical inventory of all tangible personal property at least once each fiscal year and that the State agencies' property records include detailed information¹⁸ for each property item. DFS rules also require that, upon completion of a physical inventory, the information from the inventory be compared to the individual property records. Noted differences are to be investigated and corrected in the property records, as appropriate. Items not located during the physical inventory process are to be promptly reported to the appropriate custodian and a thorough investigation made.

In accordance with DFS rules, Agency procedures specified that, in coordination with the Agency's property custodian, Agency personnel were to conduct annual physical inventories of all tangible personal property. In addition, Agency personnel were to investigate and resolve any differences identified during the physical inventory. To accomplish this, the Agency Property Administrator e-mailed each property delegate a property inventory worksheet that listed the accountable property for their Bureau or organizational unit. The e-mail also included instructions for completing the worksheet and the forms required to be completed and submitted for items not counted during the physical inventory.

According to Agency property records, as of April 29, 2016, the Agency was responsible for 1,388 items of tangible personal property with acquisition costs totaling \$5,788,156. To determine whether the Agency appropriately conducted and reconciled the results of annual physical inventories, we examined Agency records related to the 2015-16 fiscal year physical inventory for 3 of the Agency's 76 organizational units, as well as Agency records related to items marked as not counted or transferred. As of April 29, 2016, the recorded acquisition costs for the 564 active property items assigned to these 3 organizational units totaled \$3,009,493. As similarly noted in our report No. 2014-001 (finding No. 7), our examination disclosed that Agency management did not always ensure that a complete physical inventory of tangible personal property was timely performed and the results appropriately reconciled to Agency property records, property transfer forms were completed, as applicable, for items not counted, and Agency property records were accurately maintained. Specifically, we found that:

- Agency property records listed the condition of the 564 property items as "new." However, 558 of the 564 property items were acquired prior to the 2015-16 fiscal year. Our audit procedures also disclosed that neither Agency procedures nor the Agency Property Administrator e-mail to property delegates required the condition of property items be updated in Agency property records based on observations during the physical inventory and property item condition was not included as a property inventory worksheet field.
- 57 of the 539 items assigned to 2 of the organizational units were not included in the 2015-16 fiscal year physical inventory. In response to our audit inquiry, Agency staff indicated that the inventory sheets for 54 of the 57 items were not returned with the other inventory sheets and the other 3 items were inadvertently left out of the original inventory. Subsequent to our audit inquiry, the Agency inventoried 54 of the items in July and August 2016.
- Agency property records for 22 of the 25 items assigned to the third organizational unit were not updated to reflect that the items were inventoried during the 2015-16 fiscal year. In response to

¹⁷ DFS Rules 69I-72.003 and 69I-72.006, Florida Administrative Code.

¹⁸ The detailed property item information is to include, for example, the property item identification number, date acquired, cost or value at acquisition, description, physical location, serial number (if applicable), and date last physically inventoried and condition as of that date.

our audit inquiry, Agency staff indicated that this was an oversight and Agency staff subsequently updated Agency property records to reflect the correct inventory dates.

Periodic physical inventories of tangible personal property, appropriate reconciliations of inventory results to Agency property records, and accurate updates of all applicable property record fields are necessary to ensure proper accountability for and safeguarding of State-owned property.

Recommendation: We recommend that Agency management ensure that complete physical inventories of tangible personal property are timely performed, the inventory results are appropriately reconciled to Agency property records, and Agency property records are properly updated in accordance with DFS rules and Agency procedures.

Finding 8: Tangible Personal Property Records

As previously noted, DFS rules¹⁹ require State agencies to record all tangible personal property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more in the FLAIR Property Subsystem. The acquisition cost recorded for each tangible personal property item is to include the invoice price plus all costs necessary to get the property in place and ready for use, less any discounts. According to Agency records, during the period July 2014 through February 2016, the Agency made tangible personal property purchases totaling \$966,568.

We examined Agency property records and noted that the Agency had not correctly recorded acquisition costs for 189 tangible personal property items acquired during the period July 2014 through February 2016. The recorded acquisition costs for the 189 property items totaled \$879,255. For example, we found that:

- For 14 items purchased together with varying costs totaling \$37,906.06, the Agency recorded \$0.27 as the cost of an item with an actual cost of \$2,718.48 and recorded the same cost (\$2,915.83) for each of the other 13 items. Additionally, the Agency did not assign the costs of additional items necessary to get the property items in place and ready for use or other charges, such as labor and shipping, to each respective item.
- The Agency recorded the incorrect acquisition cost for 73 tablets purchased together, including 1 tablet for which the Agency recorded a cost of \$33.

We also examined Agency property management procedures and the records for 10 tangible personal property items acquired during the period July 2014 through February 2016 to determine whether the 10 items, with recorded acquisition costs totaling \$90,249, had been timely recorded in the Agency property records. As similarly noted in our prior audit reports, most recently in report No. 2014-001 (finding No. 8), our audit procedures disclosed that Agency controls for timely and accurately recording purchases of tangible personal property in Agency property records continue to need enhancement. Specifically, we found that:

- Agency property management procedures did not specify a time frame for recording tangible personal property acquisitions to Agency property records.
- In the absence of an Agency specified time frame, we considered tangible personal property items recorded to Agency property records within 30 calendar days of receipt to be timely recorded. Our examination found that the Agency had not timely recorded 7 of the 10 tangible personal

¹⁹ DFS Rule 69I-72.002, Florida Administrative Code.

property items, with acquisition costs totaling \$71,978, to Agency property records. The 7 items were added to Agency property records 32 to 203 days (an average of 109 days) after the items were received. In response to our audit inquiry, Agency management indicated that the delays in adding the items to the property records were due to communication errors and delays in gathering property item information and installing the items.

- The Agency did not record in Agency property records the correct received date for all 10 property items. The Agency-recorded received dates for the 10 items ranged from 5 to 145 days (an average of 47 days) after the items were actually received.

Our examination of Agency property management procedures disclosed that the procedures did not address the recording of tangible personal property acquisitions to Agency records at the correct cost or whether personnel responsible for such activities were to receive training in property management, which may have contributed to the issues noted. Absent effective tangible personal property controls, Agency management cannot demonstrate compliance with applicable DFS rules and has reduced assurances regarding the accuracy and completeness of the information needed to correctly report and maintain property accountability over Agency property.

Recommendation: We again recommend that Agency management enhance tangible personal property controls to ensure that Agency property records are timely updated for tangible personal property acquisitions and accurately maintained in accordance with DFS rules. Such tangible personal property control enhancements should include a specified time frame for recording tangible personal property acquisitions to Agency property records, guidance addressing the recording of property items at the correct cost, and training requirements for personnel responsible for property management.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Agency had taken corrective actions for the applicable findings included in our report Nos. 2014-001, 2014-057, 2014-193, and 2015-011.

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 January 2016 through January 2017 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 of the Agency for Health Care Administration (Agency) focused on the Agency's administration of the Statewide Medicaid Managed Care (SMMC) program. The overall objectives of the audit were:

- 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 assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and guidelines.
- To examine internal controls designed and placed in 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.
- To determine whether management had corrected, or was in the process of correcting, the deficiencies disclosed in the applicable findings in our report Nos. 2014-001, 2014-057, 2014-193, and 2015-011.
- To 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 management's internal controls, 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; 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, abuse, or inefficiency.

In conducting our audit we:

- Reviewed applicable laws, rules, regulations, and Agency policies and procedures, and interviewed Agency personnel to gain an understanding of the SMMC program.
- Performed inquiries of Agency personnel and inspected documents and records to determine whether Agency management had adequately designed and implemented controls, including policies and procedures, for the SMMC program.

- From the population of 160 Medicaid managed care organization (MCO) financial reports due to the Agency during the period July 2014 through February 2016, examined 16 selected financial reports and related Agency records to determine whether the Agency timely reviewed the reports and documented the review results, Agency tools used to review the reports were adequate to address the financial requirements of the contract between the Agency and the MCO, Agency records evidenced supervisory review of financial monitoring efforts, financial report reviews were timely completed and the results delivered to the MCO in the event of needed compliance action, and, as applicable, issues noted in the Agency's compliance action letter were properly followed up on until resolution.
- From the population of 203 compliance actions imposed by the Agency during the period July 2014 through February 2016, examined Agency records related to 24 selected compliance actions to determine whether the compliance actions were properly initiated, documented, and imposed for instances of contractual noncompliance, MCOs were timely notified of compliance actions, and compliance actions were properly followed up on until resolution.
- Reviewed records related to 30 events, selected from the population of 664 MCO marketing, educational, and public events selected for secret shopper surveillance during the period March 2015 through February 2016, to determine whether the Agency adequately documented the results of the materials and nominal gifts review, the Agency's monitoring scope and tools were adequate to address contractual event requirements, Agency records evidenced additional review of noncompliant event activities, monitoring activities were timely completed and the results referred to the Bureau of Plan Management Operations in the event compliance action was required, and the Agency properly followed up on event violations that resulted in compliance actions until resolution.
- From the population of 402 MCO contract revisions and 61 policy transmittals that occurred during the period July 2014 through February 2016, reviewed 20 selected contract revisions and 5 selected policy transmittals that resulted in revisions to MCO contract provisions to determine whether the revisions were appropriately requested, approved, and incorporated in the MCO contracts.
- Examined 5 SMMC program contracts, selected from the population of 17 SMMC program contracts active as of February 2016, to determine whether the contracts included the contract document and program requirements specified in Section 287.057 and Chapter 409, Part IV, Florida Statutes.
- From the population of 15 MCOs that participated in marketing activities during the period October 2014 through February 2016, selected and examined 25 of the 150 individual marketing submissions received by the Agency from 8 of the MCOs to determine whether the results of the Agency's marketing materials review were adequately documented, the Agency's review scope and tools adequately addressed contractual marketing event requirements, Agency records evidenced the additional review of items that did not appear to meet marketing criteria, Agency marketing materials reviews were timely completed and the results referred to the Bureau of Plan Management Operations in the event compliance action was required, and the Agency properly followed up on any compliance actions until resolution.
- From the population of 19 MCOs active as of July 1, 2014, examined Agency records related to performance measures submitted by 3 selected MCOs and annual performance improvement plan (PIP) proposals submitted by 4 selected MCOs to determine whether the results of Agency performance monitoring activities were adequately documented, the Agency's monitoring scope and tools were adequate to address contract performance requirements, Agency records evidenced review of the PIP proposals, the Agency timely reviewed performance measure data and PIP proposals and referred required compliance actions to the Bureau of Plan Management Operations, and the Agency properly followed up on compliance actions until resolution.

- Performed inquiries of Agency personnel, observations, and inspections of documents related to the Agency's utilization of encounter data during the period July 2014 through February 2016 to determine whether the Agency analyzed MCO encounter data to detect provider fraud and abuse.
- Evaluated Agency actions to correct the applicable findings noted in our report Nos. 2014-001, 2014-057, 2014-193, and 2015-011. Specifically, we:
 - Performed inquiries of Agency personnel and examined documents and records related to the Agency's implementation of the SMMC program to determine whether the Agency developed a detailed staffing plan designed to promote the efficient and effective performance of Agency responsibilities after the complete implementation of the SMMC program.
 - Performed inquiries of Agency personnel and reviewed Agency procedures for collecting and utilizing social security numbers (SSNs) to determine the extent of Agency compliance with applicable statutory requirements for collecting and utilizing individuals' SSNs.
 - Examined Agency records related to the six Agency forms developed or revised after August 2014 that requested individuals' SSNs to determine whether Agency controls for the collection and use of individuals' SSNs provided for compliance with applicable statutory requirements.
 - Examined Agency records to determine whether the Agency had established procedures for periodically reviewing the appropriateness of FLAIR user access privileges.
 - Examined FLAIR access records for 13 of the 33 FLAIR user accounts (assigned to 33 employees) with update privileges during the period September 2014 through February 2016 to determine whether, as applicable, the access privileges were appropriate given the employees' job duties and a *FLAIR/DACA Access Request* form was appropriately completed to request new user access privileges and changes in existing users' access privileges.
 - Examined FLAIR access records for the 33 FLAIR user accounts (assigned to 33 employees) with update privileges as of March 2016 to determine whether the user account had update access to incompatible functions in FLAIR.
 - Analyzed Agency FLAIR records to identify any FLAIR user IDs utilized by more than one user and those users with update capabilities to incompatible functions. We inquired of Agency management to determine the necessity for the user IDs and incompatible access privileges identified and whether the Agency had established compensating controls.
 - Performed inquiries of Agency personnel and reviewed Agency procedures to determine whether the Agency maintained, during the licensure period for health care facilities, current background screenings for all health care facility providers.
 - Examined the Agency's nursing home application and Agency checklists to determine whether the application and checklists appropriately addressed civil verdicts or judgments related to medical negligence, violation of residents' rights, or wrongful death.
 - Observed VERSA Regulation application controls to determine whether assisted living facility, nursing home, clinical lavatory, and health care clinic renewal application late fees were calculated and applied in accordance with State law.
 - Performed inquiries of Agency personnel and reviewed Agency application time frame reports to determine whether the Agency timely reviewed assisted living facility, nursing home, clinical lavatory, and health care clinic licensing applications in accordance with State law.
 - Performed inquiries of Agency personnel and reviewed documentation related to Agency processes for reconciling VERSA Regulation deposit information to FLAIR records and posting detailed information from VERSA Regulation to FLAIR to determine whether the Agency properly classified and reported accurately in FLAIR licensing check deposits.

- Examined Agency network control settings to determine whether network passwords settings met applicable Florida Administrative Code requirements.
- Interviewed Agency personnel and reviewed Agency policies and procedures and change management documentation to determine whether the Agency had established adequate controls to ensure VERSA Regulation and Laserfiche program change duties were appropriately separated.
- From the population of 230 program changes made to VERSA Regulation and Laserfiche during the period July 2014 through February 2016, examined Agency records related to 22 selected VERSA Regulation program changes and 3 selected Laserfiche program changes to determine whether Agency controls provided for a proper separation of program change management duties.
- From the population of 76 Agency organizational units, examined Agency records for 3 selected Agency organizational units to determine whether a complete physical inventory of all property assigned to the organizational units was taken during the 2015-16 fiscal year, reconciled to Agency records, and appropriate forms were completed for any transfer, surplus, or trade-in of property items.
- Observed, documented, and evaluated the effectiveness of Agency processes and procedures for management of tangible personal property in accordance with State law, rules, and other applicable guidelines. As of June 30, 2016, the Agency was responsible for 1,273 items of tangible personal property with acquisition costs totaling \$5,258,816. Also, from the population of property purchase invoices, totaling \$966,568, made during the period July 2014 through February 2016, we selected 10 invoices and examined Agency property records for 10 property items to determine whether Agency property records had been timely and accurately updated. Additionally, we examined Agency property records for 195 property items to determine whether the Agency correctly calculated and recorded acquisition costs.
- Observed, documented, and evaluated the effectiveness of selected Agency processes and procedures for:
 - The assignment and use of motor vehicles. As of June 30, 2016, the Agency was responsible for one motor vehicle with an acquisition cost totaling \$15,737.
 - The purchase of goods and services. During the period July 2014 through February 2016, Agency expenditures related to the purchase of selected goods and services totaled \$26,258,805.
 - The administration of Agency travel in accordance with State law and other applicable guidelines. During the period July 2014 through February 2016, Agency travel expenditures totaled \$4,674,192.
- 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 findings and recommendations that are included in this report and which describe 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

EXHIBIT A

AGENCY DISTRIBUTED COMPLIANCE MONITORING OF MANAGED CARE ORGANIZATION CONTRACTS



Source: June 2015 Agency presentation materials.

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MANAGEMENT'S RESPONSE



RICK SCOTT
GOVERNOR

JUSTIN M. SENIOR
SECRETARY

June 15, 2017

Ms. Sherrill F. Norman
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Thank you for the opportunity to respond to the preliminary and tentative findings and recommendations from your operational audit of the Agency for Health Care Administration, Statewide Medicaid Managed Care Program and Prior Audit Follow-Up. In accordance with your request, we have emailed you the preliminary and tentative audit findings document with our response incorporated therein.

If you have any questions regarding our response, please contact Mary Beth Sheffield, Interim Inspector General, at 412-3978.

Sincerely,

Toby Philpot *for: Justin M. Senior*
Secretary

JMS/szg
Enclosure

2727 Mahan Drive • Mail Stop #1
Tallahassee, FL 32308
AHCA.MyFlorida.com



Facebook.com/AHCAFlorida
Youtube.com/AHCAFlorida
Twitter.com/AHCA_FL
SlideShare.net/AHCAFlorida

**Agency for Health Care Administration
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Statewide Medicaid Managed Care Program

Finding No. 1:

Monitoring of MCOs. The Agency's monitoring of managed care organizations (MCOs) did not adequately encompass all key contract provisions. In addition, the Agency had not established sufficient procedures to fully assess the accuracy or completeness of MCO reports used as the basis for certain monitoring conclusions.

Recommendation:

We recommend that Agency management ensure that MCO monitoring activities are adequately designed to assess compliance with all key contract provisions. We also recommend that Agency management enhance monitoring procedures to fully assess the accuracy and completeness of MCO reports used as the basis for certain monitoring conclusions.

Agency Response:

The Agency does not dispute that the annual monitoring of the health plans may not include case-by-case review of fraud and abuse investigations. However, the Agency believes that the review of whether a health plan is "appropriately" detecting and then investigating fraud and abuse is not necessarily a topic for all health plans' annual monitoring. Whether a health plan has appropriately investigated a matter would necessarily also include an assessment of the health plan's detection efforts (to determine whether the health plan is appropriately identifying investigative subjects) as well as the conduct of an investigation of the same subject to assess errors in the health plan's investigation. The Agency agrees that it is imperative that the health plans appropriately conduct investigations, and is poised to review this matter, whether through an annual program integrity monitoring or another engagement by either MPI or Internal Audit (which anticipates having two positions dedicated to managed care oversight activities). In addition, the current definition in Florida Statutes (see section 409.901(17), F.S.) may require amendment to ensure that, for purposes of Medicaid oversight, a "provider" also includes any person or entity participating in the Medicaid program by way of any other agreement with the agency or a Medicaid managed care plan.

Finally, MPI does assess, on an ongoing basis, the timeliness and quality of the initiation of the health plan investigations. Improving the timeliness and quality of the health plans' reports to MPI about suspected fraud and abuse was an integral first step in the process to increase the effectiveness of MCO Fraud Investigative Units. Additionally, starting last fiscal year, the Annual Fraud Abuse Activity Report (AFAAR) was amended to require more comprehensive information, which better affords a quality assurance review to verify the annual summary of fraud and abuse related activities within the health plans meet industry standards. MPI also engages in (and upon filling the two positions in Internal Audit, Internal Audit will engage in) a variety of program integrity-related projects to review health plan compliance.

Agency Contact

Kelly Bennett
OIG - Medicaid Program Integrity
(850) 412-4019

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Agency Response:

The Agency is considering additional opportunities for validation by sampling report information during MCO onsite visits, as well as automated methods by which to validate MCO reporting.

Agency Contact

*Eunice Medina
Medicaid – Bureau of Plan Management Operations
(850) 412-4053*

Finding No. 2:

Compliance Actions. Agency records did not always demonstrate the basis for the amount of liquidated damages imposed against MCOs or that the Agency obtained the information necessary to appropriately determine liquidated damages. Additionally, liquidated damage payments were not always accurately recorded in Agency accounting records.

Recommendation:

We recommend that Agency management enhance procedures to ensure that Agency records demonstrate that liquidated damages are appropriately imposed against MCOs and that the related payments are appropriately recorded in FLAIR.

Agency Response:

As part of ongoing process improvement, the Agency has improved compliance action documentation, including the addition of compliance action summaries.

Agency Contact

*Eunice Medina
Medicaid – Bureau of Plan Management Operations
(850) 412-4053*

Agency Response:

In response to the finding that relates to the accurate recording of liquidated damage payments in the Agency accounting records, the Bureau of Financial Services (BFS) has worked collaboratively with the Division of Health Quality Assurance (HQA) to make process changes and improvements. Sanctions and liquidated damage are now being batched and coded by HQA staff. In addition, liquidated damages and sanctions are being recorded in the Agency's accounting records using specific object codes for that revenue type. The Agency is now able to record these revenue types in its accounts receivable system for tracking rather than using an Excel spreadsheet.

Agency Contact

*Anita Hicks for Operations
Operations - Bureau of Financial Services
(850) 412-3815*

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Selected Administrative Activities

Finding No. 3:

Collection of Social Security Numbers. As similarly noted in our report No. 2015-011, the Agency had not established policies and procedures to review Agency social security number (SSN) collection activities or conducted periodic reviews of Agency SSN collection activities. Additionally, Agency forms did not always include the appropriate statutory authority for collecting individuals' SSNs.

Recommendation:

We recommend that Agency management establish written policies and procedures regarding the review of Agency SSN collection activities and conduct periodic reviews of such activities. We also recommend that Agency management strengthen controls to ensure that all Agency forms requesting individuals' SSNs include the appropriate statutory authority for collecting the SSN and are supported by appropriately completed Requests.

Agency Response:

The Agency will update its Forms Management Policy and Procedure (Number 4016) to include an annual Social Security Number Use Assessment. The assessment will include a review of all forms contained in the Agency's Forms Database that require collection of the Social Security Number. If a form requires the collection of the Social Security Number, the Agency Forms Administrator in the Bureau of Support Services will contact the applicable Forms Coordinator within the Agency that utilizes the form to determine if the Social Security Number is still required on the form. If the form no longer requires the collection of the Social Security Number, the form will updated according to the Agency Forms Management Policy and Procedure.

Agency Contact

Jennifer Barrett
Operations - Bureau of Support Services
(850) 412-3887

Brian Kenyon
Operations - Bureau of Support Services
(850) 412-3899

Agency Response:

The Bureau of Health Facility Regulation has made a technical correction to the AHCA Form 3180-1036, June 2016 (Adult Day Care Center Operator Identification Statement), which requires the collection of social security numbers to reference the correct statute, which provides the authority to collect this information. This form is used by adult day care centers to report changes in the center operator. In addition, facilities now have the ability to make this type of change utilizing the Agency's Online Licensing system and the Agency is moving toward requiring changes during the licensure period to be submitted through the online licensing system, which will eliminate this form altogether.

In addition, the Bureau of Central Services is initiating the rulemaking process to add the following statement that includes the authority to collect social security numbers on the Background Screening Unit's Exemption Application Form-AHCA form, #3110-0019: Section

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119.071, Florida Statutes, governs the collection of social security numbers by state agencies. The social security information requested on this form is being collected for the purpose of securing proper identification of persons listed on this application. The collection of this information is imperative for the performance of the Agency's duties and responsibilities as prescribed by law and is authorized under Section 119.071, Florida Statutes.

Agency Contact

*Laura MacLafferty
HQA - Health Facility Regulation
(850) 412-4340*

*Ryan Fitch
HQA – Bureau of Central Services
(850) 412-3797*

Finding No. 4:

FLAIR Access Controls. Agency controls over employee access to the Florida Accounting Information Resource Subsystem (FLAIR) continue to need improvement to help prevent and detect any improper or unauthorized use of FLAIR access privileges.

Recommendation:

We recommend that Agency management ensure that:

- Periodic reviews of FLAIR access privileges are appropriately conducted to aid in the identification and resolution of any instances where excess or incompatible FLAIR user access privileges have been granted.*
- Agency records demonstrate the request for and approval of all employee FLAIR access privileges.*
- Compensating controls, such as supervisory review of applicable transactions, are established to minimize the risks associated with user accounts with update capabilities to incompatible functions in FLAIR.*

Agency Response:

The Bureau of Financial Services (BFS) strives continuously to improve the prevention and detection of improper or unauthorized use of FLAIR access. After the implementation of the updated FLAIR Access Control policy and Access Reviews in 2014, there is evidence that improvements have been made in relation to previous audit findings. For example:

- 2013 audit findings reported 21 employees with incompatible Cash Receipts and Disbursements duties, whereas, in 2015 only two employees were reported; and*
- 2013 audit findings reported 16 employees with incompatible Disbursements and Vendor duties, whereas, in 2015 only one employee was reported.*

Therefore, the Bureau will continue to make improvements by ensuring that periodic reviews of FLAIR access are completed, maintaining FLAIR records in order to demonstrate the completion of FLAIR requests, and implementing supervisory reviews of applicable transactions to prevent the risks associated with user accounts with update capabilities to incompatible functions in FLAIR.

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Agency Contact

Anita Hicks
Operations - Bureau of Financial Services
(850) 412-3815

Finding No. 5:

Health Care Provider Background Screenings. As similarly noted in our report No. 2014-057, Agency procedures did not adequately ensure that current background screenings were maintained for health care facility providers during the facility's licensure period.

Recommendation:

We recommend that Agency management enhance Agency procedures to require verification that health care facility provider background screenings remain current throughout the licensure period. We also recommend that Agency management enhance Clearinghouse controls to give advance notice to the Agency and health care facilities when an updated health care provider background screening is required.

Agency Response:

Every person on file in the Clearinghouse has a status associated with them, a person whose prints have expired would have a status of "new screening required". The Agency has implemented processes to review employee rosters for compliance. These reviews are done at the time of application (renewal, initial, change of ownership and certain change applications) and they are also reviewed as part of our rap back process. The licensure staff would be looking at the roster for employees who have a status of "not eligible" or "new screening required". New screening required is the status that would be associated with someone whose prints have expired. In the rap back process, we actively search for and enforce compliance related to employees on rosters who have a status of "not eligible". The system is currently designed that the employer would be notified if a status changed to "not eligible" or "new screening required". In addition, during licensure inspection, Agency staff review a sample of employee records and assure staff are clear and on file in the Clearinghouse. These activities have been put in place to help the Agency ensure that employees have valid screenings. When the Clearinghouse prints begin to expire starting in 2018 the rap back processes will be modified to include follow-up on employees with expired prints (new screening required). We believe our current processes have mitigated the risk that employees are working at facilities when they should not be and that this final step of actively enforcing "new screening required" as we currently do with "not eligible" will result in a comprehensive Agency effort that fully addresses the audit issue identified.

Agency Contact

Taylor Haddock
HQA – Bureau of Central Services
(850) 412-4461

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Finding No. 6:

Service Organization Controls. The Agency did not make or obtain an independent and periodic assessment of the effectiveness of relevant service organization controls for the VERSA Regulation system.

Recommendation:

Because of the critical nature of VERSA Regulation system data, we recommend that Agency management make or obtain an independent and periodic assessment of the service organization's relevant internal controls.

Agency Response:

The Division of IT believes adding the Service Organization Control (SOC) reporting platform language in the contract put forth by the American Institute of CPAs (AICPA) for inclusion in our Agency contract template language should resolve the issue.

Agency Contact

*Karen Calhoun
Bureau of Information Technology
(850) 412-4849*

Finding No. 7:

Tangible Personal Property Controls. Agency tangible personal property controls continue to need enhancement to ensure proper accountability for and safeguarding of State-owned property.

Recommendation:

We recommend that Agency management ensure that complete physical inventories of tangible personal property are timely performed, the inventory results are appropriately reconciled to Agency property records, and Agency property records are properly updated in accordance with DFS rules and Agency procedures.

Agency Response:

The Agency will modify the existing Property Management Policy to include a requirement that all business units return their physical inventories within 90 calendar days of receipt. Exceptions to the 90-day deadline must be approved in advance by the General Services Director in the Bureau of Support Services.

The Property Administration Office will institute a double verification process in which two employees from the Facilities Unit in the Bureau of Support Services will sign off on each physical inventory sheet. The verification process will be completed within 30 calendar days of receipt of the completed inventory sheets. Each review will compare the completed inventories with the original inventory sheets that were sent. Each review will also ensure that the condition has been updated on the physical inventory sheets. All physical conditions will be updated in FLAIR as needed.

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Agency Contact

Jennifer Barrett
Operations - Bureau of Support Services
(850) 412-3887

Brian Kenyon
Operations - Bureau of Support Services
(850) 412-3899

Finding No. 8:

Tangible Personal Property Records. As similarly noted in prior audit reports, most recently in our report No. 2014-001, the Agency did not always timely or accurately record tangible personal property acquisitions in Agency property records.

Recommendation:

We again recommend that Agency management enhance tangible personal property controls to ensure that Agency property records are timely updated for tangible personal property acquisitions and accurately maintained in accordance with DFS rules. Such tangible personal property control enhancements should include a specified time frame for recording tangible personal property acquisitions to Agency property records, guidance addressing the recording of property items at the correct cost, and training requirements for personnel responsible for property management.

Agency Response:

The Agency will modify the existing Property Management Policy to include a requirement that all business units return their physical inventories within 90 calendar days of receipt. Exceptions to the 90-day deadline must be approved in advance by the General Services Director in the Bureau of Support Services.

The Property Administration Office will institute a double verification process in which two employees from the Facilities Unit in the Bureau of Support Services will sign off on each physical inventory sheet. The verification process will be completed within 30 calendar days of receipt of the completed inventory sheets. Each review will compare the completed inventories with the original inventory sheets that were sent. Each review will also ensure that the condition has been updated on the physical inventory sheets. All physical conditions will be updated in FLAIR as needed.

Agency Contact

Jennifer Barrett
Operations - Bureau of Support Services
(850) 412-3887

Brian Kenyon
Operations - Bureau of Support Services
(850) 412-3899

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Agency Response:

The Bureau of Financial Services (BFS) will work closely with the Support Services' Property Administration Office to ensure that the Bureau's procedures for tagging property is updated to reflect that the acquisition cost must be correlated with each assigned property tag prior to tagging the item and recording the cost of the property in FLAIR. This will prevent user errors and ensure that cost is accurately reflected in the Agency's property records.

Agency Contact

*Anita Hicks
Operations - Bureau of Financial Services
(850) 412-3815*