



RICK SCOTT  
GOVERNOR

JUSTIN M. SENIOR  
SECRETARY

September 29, 2017

Mr. Justin M. Senior, Secretary  
Agency for Health Care Administration  
2727 Mahan Drive  
Tallahassee, FL 32308

Dear Secretary Senior,

Enclosed is a six-month status report on the Auditor General's *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, Report Number 2017-180, issued March 2017. This status report is issued in accordance with the statutory requirement to report on corrective actions resulting from the Auditor General's recommendations six months from the report date.

If you have any questions about this status report, please contact me at 412-3978.

Sincerely,

Mary Beth Sheffield  
Inspector General

MBS/szg

Enclosure: Six-Month Status Report on AG Report No. 2017-180

cc/enc: Joint Legislative Auditing Committee  
Eric W. Miller, Chief Inspector General, EOG  
Beth Kidder, Deputy Secretary for Medicaid  
Anita Hicks, Acting Deputy Secretary of Operations  
Jennifer Barrett, Chief of Support Services



Florida Agency for Health Care Administration  
Auditor General FY 2015-16 Federal Awards Audit (Report# 2017-180)  
Six-Month Status Report as of September 29, 2017

Finding# 2016-002	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>The FAHCA, Bureau of Financial Services (Bureau), did not record a prior-period adjustment for the correction of an error in previously issued financial statements. In addition, the Bureau did not record a receivable for the portion of the amount due to Medicaid managed care providers that was to be reimbursed by the U.S. Department of Health and Human Services (USDHHS).</p>	<p>We recommend that the Bureau take steps to ensure that the correction of an error in previously issued financial statements be properly recorded for financial statement purposes.</p>	<p>The FAHCA Bureau of Financial Services (BFS) will continue to make every effort to ensure that corrections that impact a previously issued financial statement are properly recorded. The FAHCA BFS will create a year-end memorandum that will be provided to the Division of Medicaid, the division responsible for the identification and correction of errors in the Florida Medicaid Management Information System (FMMIS). This memorandum will ask the Division of Medicaid to provide a list of all known corrections to provider payments that may result in a correction to previously issued financial statements. For purposes of the statewide financial statements, the materiality level will be set at \$1 million.</p> <p>In regards to prior period adjustments for state Fiscal Year 2013-2014 and state Fiscal Year 2014-2015, the Agency has conferred with counsel and confirmed that capitation adjustments do not implicate the two-year timely filing rule. Rather, the two years start running from the date of expenditure, and the Department of Health and Human Services (HHS) regulations provide that</p>	<p>Fully Corrected</p>	<p>The FAHCA Bureau of Financial Services enhanced its year-end review process of Accounts Receivable and prior period expenditures to ensure all changes in Accounts Receivable and prior period expenditures were documented by the Division of Medicaid. Based upon the documentation, a determination was made regarding the need for a prior period adjustment.</p> <p>Anita Hicks (850) 412-3815</p>

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		<p>an expenditure is considered "to have been made in the quarter in which any State agency made a payment to the service provider," 42 C.F.R. section 95.13(b). Thus, the date of expenditure triggering the two-year window would be the date that the State makes the additional capitation payments in 2017.</p>		

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Finding# 2016-038	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>General information technology (IT) controls for the Florida Medicaid Management Information System (FMMIS) need improvement.</p>	<p>We recommend that the FAHCA ensure the State's fiscal agent takes timely and appropriate corrective action to resolve the deficiencies noted in the HPES SSAE 16 Type II report.</p>	<p>Concur. Corrective action implemented as of April 2016. See corrective action Plan.</p>	<p>Fully Corrected</p>	<p>Per the HPES SSAE 16 Type II audit report, the deficiencies noted were corrected and completed for 2017.</p> <p>Follow-up audit control tests were performed and there were no repeat audit findings for 2017.</p> <p>Cheryl Travis (850) 412-3416</p>

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Finding# 2016-039	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>Florida Accounting and Information Resource Subsystem (FLAIR) account codes submitted by the FAHCA to the Florida Department of Financial Services (FDFS), and used by the FDFS to develop the 2015-16 fiscal year Cash Management Improvement Act (CMIA) clearance patterns, were not always accurate or complete.</p>	<p>We recommend that FAHCA management ensure that accurate and complete CHIP FLAIR account codes are provided to the FDFS for purposes of developing average clearance patterns and accurately calculating the State's interest liability.</p>	<p>The FAHCA will make every effort to ensure that FLAIR data submitted to FDFS for CMIA clearance patterns is accurate and complete. The CMIA clearance pattern spreadsheet has been updated to include the one category that was not reported to FDFS as being related to the CHIP program and to remove the five categories that were mistakenly reported to FDFS as being related to the CHIP program. For the clearing pattern process that will be due on August 2017, a second level review will be added to this process.</p>	<p>Fully Corrected</p>	<p>For the CMIA clearance pattern spreadsheet that was submitted in August 2017, the FAHCA Bureau of Financial Services took the following steps to ensure accuracy:</p> <ol style="list-style-type: none"> <li>1. Reviewed expenditures by Other Cost Accumulators (OCAs) to determine the specific grant associated with the expenditures;</li> <li>2. Reviewed the appropriation ledger to determine if categories needed to be added or deleted;</li> <li>3. Compared the final report to the prior year report;</li> <li>4. Incorporated any audit recommendations; and</li> <li>5. Requested verification for any changes from the prior report.</li> </ol> <p>Anita Hicks (850) 412-3815</p>

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Finding# 2016-040	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>The FAHCA did not modify the subaward agreement to notify the subrecipient of CHIP funds that, as of December 2014, the terms and conditions of the Federal award had been revised.</p>	<p>We recommend that FAHCA management establish procedures to identify changes in Federal requirements and take steps to ensure that subrecipients are timely notified of changes in Federal award terms and conditions.</p>	<p>We concur. FAHCA management is implementing the following measures in response to the Auditor General's audit finding.</p> <p>To ensure the CHIP Federal subaward is clearly identified to the subrecipient at the time of the subaward and any subsequent changes, FAHCA staff developed a Federal Award Notification form addressing specified requirements identified in 2 CFR 200.331(a), Requirements for Pass-through Entities. On January 30, 2017, FAHCA notified the subrecipient of the CHIP grant award approved for the period of 10/1/2015 through 9/30/2017 under the CHIP Appropriation No. 7560515, dated March 9, 2016.</p> <p>A provision will be incorporated in the Scope of Services section of the CHIP administration contract between FAHCA and the subrecipient to ensure every CHIP federal subaward is clearly identified to the subrecipient and includes the elements identified in 2 CFR 200.331(a), Requirements for Pass-through Entities.</p>	<p>Fully Corrected</p>	<p>As previously reported:</p> <p>The Agency has notified the subrecipient (Florida Healthy Kids Corporation) of CHIP grant awards approved for the periods addressed in the audit findings. The Agency has also developed a notification process addressing specified requirements identified in 2 CFR 200.331(a) Requirements for Pass-through Entities. This completes the audit finding.</p> <p>In addition, the Florida Healthy Kids Corporation, MED140, DRAFT Contract Amendment #11 includes a provision within the Revised Project Work Plan requiring the Agency to notify the subrecipient of the receipt of CHIP federal funds and any subsequent modifications to the subaward. The Agency expects this amendment to be executed on or before October 31, 2017.</p> <p>Angela Wiggins (850) 412-4198</p>

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Finding# 2016-040	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
		<p>The CHIP contract manager has been added to FAHCA's Bureau of Financial Services CHIP Federal Grant Award distribution list to ensure notification of all new CHIP subawards and any subsequent subaward modifications.</p>		

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Finding# 2016-041	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>The FAHCA did not adequately ensure that the service organization's internal controls related to the invoicing, collection, and reporting of drug rebates were appropriately designed and operating effectively.</p>	<p>We recommend that the FAHCA ensure that service organization internal controls related to the invoicing, collection, and reporting of drug rebates are appropriately designed and operating effectively.</p>	<p>FAHCA anticipates that by the end of 2017, Molina will be replacing the Pharmaceutical Rebate Information Management System (PRIMS) with a new baseline system. Once this transition is complete, FAHCA will amend the contract to require the service organization (Molina) to obtain an SSAE-16 Audit Report that would ensure that the service organization internal controls are appropriately designed and operating effectively.</p>	<p>Partially Corrected</p>	<p>FAHCA is in ongoing discussions with the service organization (Molina) regarding amending the contract and anticipates that by the end of 2017, the contract will be amended to require the service organization to obtain an SSAE18 Audit Report. The SSAE18 Report would ensure that the service organization internal controls are appropriately designed, operating effectively and properly invoicing, collecting and reporting drug rebates and that collections are maximized.</p> <p>Estimated Completion Date: December 31, 2017.</p> <p>Paula McKnight (850) 412-4156</p> <p>Tom Wallace (850) 412-4117</p>



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Finding# 2016-042	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>The FAHCA made payments to ineligible Medicaid Program providers.</p>	<p>We recommend that the FAHCA ensure that Medicaid payments are made only to providers with Medicaid Provider Agreements in effect.</p>	<p>FAHCA initiated a Customer Service Request to modify the Florida Medicaid Management Information System (FMMIS). The system modification requests that the FMMIS be changed to require that an active Medicaid Provider Agreement be present for all providers before reimbursement of services can occur, including out-of-state providers.</p> <p>Currently, FAHCA is researching options to validate that out-of-state providers have an active Medicaid Provider Agreement with Florida Medicaid. The initial Corrective Action Plan was to automate the validation process by making FMMIS modifications. The results of the systems analysis documented that the modifications needed to automate this process will be extensive and therefore, FAHCA is exploring alternative options to meet the corrective action. In the meantime, FAHCA will institute a manual process to review provider eligibility by June 30, 2017.</p>	<p>Partially Corrected</p>	<p>FAHCA completed the research and analysis for processing Medicaid payments for out-of-state providers and has incorporated the provider screening requirements needed to support the Affordable Care Act (ACA) and the 21<sup>st</sup> Century Cures Act (Act). As a result, FAHCA is actively working on the out-of-state corrective action plan solution in conjunction with the enhancements identified as part of the FL MMIS project for the ROPA/21<sup>st</sup> Century Cures Act.</p> <p>(ROPA - Rendering, Ordering, Prescribing and Attending)</p> <p>Estimated Completion Date - June 30, 2018.</p> <p>Cheryl Travis (850) 412-3416</p>

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Finding# 2016-044	Recommendation	Previous Management Response(s)	Status of Finding as of September 29, 2017	Management Response as of September 29, 2017 and Agency Contact
<p>The FAHCA computer system used to store all Medicaid Program Integrity (MPI) complaints and cases, the Fraud and Abuse Case Tracking System (FACTS), did not appear to store all complaints received and cases established during the 2015-16 fiscal year.</p>	<p>We recommend that the FAHCA ensure that all complaints received and cases established are appropriately documented in FACTS through sequential complaint and case numbers and that the reasons for missing complaint and case numbers, if any, are appropriately documented.</p>	<p>Medicaid Program Integrity has contracted with a vendor to perform the necessary programming to the case tracking system to ensure all complaints and case numbers generated by the tracking system are sequential, identifiable, maintained by the system, and have a historical utilization audit trail. The enhancement is in testing.</p>	<p>Fully Corrected</p>	<p>Fully Corrected.  Kenneth Yon (850) 412-4637</p>