



RICK SCOTT
GOVERNOR

JUSTIN M. SENIOR
SECRETARY

January 11, 2018

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 *Operational Audit of the Agency for Health Care Administration, Statewide Medicaid Managed Care Program and Prior Audit Follow-up*, Report Number 2018-002, issued July 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. 2018-002

cc/enc: Joint Legislative Auditing Committee
Eric W. Miller, Chief Inspector General, EOG
Toby Philpot, AHCA Chief of Staff
Mallory McManus, AHCA Communications Director
Molly McKinstry, Deputy Secretary, Division of Health Quality Assurance
Beth Kidder, Deputy Secretary, Division of Medicaid
Anita Hicks, Acting Deputy Secretary, Division of Operations
Scott Ward, Chief Information Officer, Information Technology



**Florida Agency for Health Care Administration
Auditor General FY 2015-16 Operational Audit - Statewide Medicaid Managed Care Program and Prior Audit Follow-up (Report# 2018-002)
Six-Month Status Report as of January 11, 2018**

Finding# 1	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
<p>Statewide Medicaid Managed Care Program. Monitoring of MCOs. The Agency's monitoring of managed care organizations (MCOs) did not adequately encompass certain 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.</p>	<p>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.</p>	<p>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</p>	<p>Partially Corrected</p>	<p>The Agency's previous response did not fully concur with the recommendation, and thus, the matter is not corrected as recommended. That notwithstanding, as previously indicated, the issues that were recommended are being addressed by way of other activities.</p> <p>Kelly Bennett HQA - Medicaid Program Integrity (850) 412-4019</p>

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		<p>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.</p> <p>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.</p>		

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		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.	Fully Corrected	The Agency continues to explore opportunities for validating the accuracy and/or completeness of MCO reports used as the basis for certain monitoring conclusions. This is complete. Eunice Medina Medicaid – Bureau of Plan Management Operations (850) 412-4053

Finding# 2	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
Statewide Medicaid Managed Care Program. 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	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.	As part of ongoing process improvement, the Agency has improved compliance action documentation, including the addition of compliance action summaries.	Fully Corrected	As noted in the previous response to this finding, the Agency has improved compliance action documentation, including the addition of compliance action summaries. This is complete. Eunice Medina Medicaid – Bureau of Plan Management Operations (850) 412-4053

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<p>liquidated damages. Additionally, liquidated damage payments were not always accurately recorded in Agency accounting records.</p>		<p>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.</p>	<p>Fully Corrected</p>	<p>Fully corrected. Anita Hicks for Operations Operations - Bureau of Financial Services (850) 412-3815</p>

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Finding# 3	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
Selected Administrative Activities. 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.	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.	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 be updated according to the Agency Forms Management Policy and Procedure.	Fully Corrected	Support Services has requested that Form Number Request Forms be submitted for AHCA Form 3180-1036 and AHCA Form 3110-0019. Jennifer Barrett Operations - Bureau of Support Services (850) 412-3887 Brian Kenyon Operations - Bureau of Support Services (850) 412-3899
		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	Fully Corrected	Health Facility Regulation - Fully corrected as of last management update. Laura MacLafferty HQA - Health Facility Regulation (850) 412-4340

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		<p>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.</p> <p>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 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.</p>	Partially Corrected	<p>Background Screening - The rule package to implement the change identified in management's last response was emailed to the Joint Administrative Procedures Committee (JAPC) on December 11, 2017 and mailed on December 12, 2017.</p> <p>Ryan Fitch HQA – Bureau of Central Services (850) 412-3797</p>

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Finding# 4	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
<p>Selected Administrative Activities. 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.</p>	<p>We recommend that Agency management ensure that:</p> <ul style="list-style-type: none"> • 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. 	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>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</p>	<p>Fully Corrected</p>	<p>Fully corrected.</p> <p>On target to complete the review for the period of July – December 2017 during the month of January 2018.</p> <p>Anita Hicks Operations - Bureau of Financial Services (850) 412-3815</p>

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Finding# 4	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
		update capabilities to incompatible functions in FLAIR.		

Finding# 5	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
<p>Selected Administrative Activities. 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.</p>	<p>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.</p>	<p>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</p>	<p>Partially Corrected</p>	<p>The ability to renew retained prints went live in November with the first set of retained prints scheduled to expire in January. This new function included email notifications to providers at 50, 45 and 21 days prior to employees' fingerprint expiration dates. We are currently testing reports to capture "new screening required" status and will begin including that status in our "not eligible with employment history" process. In this process, the provider will be notified of the issue and that action needs to be taken. If action is not taken the Agency will initiate sanctions against the provider up to and including license revocation if the matter is not resolved.</p>

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Finding# 5	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
		<p>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.</p>		<p>In short, this process is designed to review background screening status weekly and take action against providers who have employees on their roster in a status that is something other than eligible.</p> <p>Taylor Haddock HQA – Bureau of Central Services (850) 412-4461</p>

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Finding# 6	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
<p>Selected Administrative Activities. 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.</p>	<p>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.</p>	<p>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.</p>	<p>Partially Corrected</p>	<p>The SOC language was provided to the Agency procurement office from the Division of IT in May, 2017. SOC language was included in AHCA ITN 004-16/17 – Electronic Visit Verification and the Statewide Medicaid Managed Care procurements (AHCA ITN 001-17/18 through AHCA ITN 011-17/18). The procurement office will continue to refine the SOC requirement for solicitations and the Agency standard contract. The procurement office will continue to work with the Division of IT to ensure the SOC requirement is included in future solicitations as required.</p> <p>The procurement office is currently working on a revision to its standard contract and solicitation template. The anticipated completion date is March 31, 2018.</p> <p>Jennifer Barrett Operations - Bureau of Support Services (850) 412-3887</p> <p>Crystal Demott Operations – Bureau of Support Services (850) 412-3896</p>

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Finding# 7	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
<p>Selected Administrative Activities. Tangible Personal Property Controls. Agency tangible personal property controls continue to need enhancement to ensure proper accountability for and safeguarding of State-owned property.</p>	<p>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</p>	<p>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.</p> <p>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.</p>	<p>Fully Corrected</p>	<p>Fully corrected.</p> <p>Jennifer Barrett Operations - Bureau of Support Services (850) 412-3887</p> <p>Brian Kenyon Operations - Bureau of Support Services (850) 412-3899</p>

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Finding# 8	Recommendation	Previous Management Response(s)	Status of Finding as of January 11, 2018	Management Response as of January 11, 2018 and Agency Contact
<p>Selected Administrative Activities. 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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p> <p>The Bureau of Financial Services (BFS) will work closely with the Support Services' Property Administration Office</p>	<p>Fully Corrected</p>	<p>Fully corrected.</p> <p>Jennifer Barrett Operations - Bureau of Support Services (850) 412-3887</p> <p>Brian Kenyon Operations - Bureau of Support Services (850) 412-3899</p> <p>The Bureau of Financial Services' (BFS') staff continues to be available to work with</p>

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		<p>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.</p>		<p>the Bureau of Support Services' Property Administration Office.</p> <p>Anita Hicks Operations - Bureau of Financial Services (850) 412-3815</p>