



RON DESANTIS
GOVERNOR

MARY C. MAYHEW
SECRETARY

September 25, 2020

Ms. Mary C. Mayhew, Secretary
Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, FL 32308

Dear Secretary Mayhew,

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 No. 2020-170, issued March 2020. 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 Pilar Zaki, Audit Director, at 412-3986.

Sincerely,

Mary Beth Sheffield
Inspector General

MBS/sgb

Enclosure: Six-Month Status Report on AG Report No. 2020-170

cc/enc: Joint Legislative Auditing Committee
Melinda Miguel, Chief Inspector General, EOG
Beth Kidder, Deputy Secretary, Division of Medicaid
James Miller, AHCA Acting Chief of Staff
Katie Strickland, AHCA Communications Director
Pilar Zaki, Audit Director, Office of the Inspector General



**Florida Agency for Health Care Administration
Auditor General FY 2018-19 Federal Awards Audit (Report# 2020-170)
Six-Month Status Report as of September 25, 2020**

Finding# 2019-033	Recommendation	Previous Management Response(s)	Status of Finding as of September 25, 2020	Management Response as of September 25, 2020 and Agency Contact
<p>Fee for service medical claim payments made to providers of Medicaid and REAP services were not always paid in accordance with established fee schedules.</p>	<p>We recommend that the FAHCA implement controls to ensure that all claims are paid for the correct amount and that FAHCA review the payment rates programmed in FMMIS to ensure that the payment rates are correct.</p>	<p>To ensure that future Medicaid Fee Schedules are implemented into the Florida Medicaid Management Information System (FMMIS) correctly, the FAHCA has developed a Corrective Action Plan (CAP). The CAP has two components:</p> <ol style="list-style-type: none"> 1. FAHCA will document a standard process for tracking the annual Medicaid fee schedule updates. The new procedure guide will include detailed instruction and processes for cross bureau meetings, tracking fee schedule updates, and system update verifications. 2. FAHCA will reprocess all fee-for-service claims identified in the audit as paying an incorrect rate. When the reprocessing occurs, the FMMIS will adjust the claims, and the Federal Share reduction will be automatically reported on the CMS-64. 	<p>Partially Corrected</p>	<p>To ensure that future Medicaid Fee Schedules are implemented into the Florida Medicaid Management Information System (FMMIS) correctly, the FAHCA has developed a Corrective Action Plan (CAP). The CAP has two components:</p> <ol style="list-style-type: none"> 1. The Agency will document a standard process for tracking the annual Medicaid fee schedule updates. The new procedure guide will include detailed instruction and processes for cross bureau meetings, tracking fee schedule updates, and system update verifications. 2. The Agency will reprocess all fee-for-service claims identified in the audit as paying an incorrect rate. When the reprocessing occurs, the FMMIS will adjust the claims, and the Federal Share reduction will be automatically reported on the CMS-64 <p>Due to reallocating resources in response to the COVID-19 State of Emergency, the target completion date of July 31, 2020 has been moved to March 31, 2021.</p> <p>Carla Sims (850) 412-4013</p>

Florida Agency for Health Care Administration
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Finding# 2019-034	Recommendation	Previous Management Response(s)	Status of Finding as of September 25, 2020	Management Response as of September 25, 2020 and Agency Contact
<p>The FAHCA did not adequately ensure that the service organization's internal controls related to the invoicing, collecting, and reporting of drug rebates were operating effectively.</p>	<p>We recommend that the FAHCA ensure that the service organization's internal controls related to the invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively by obtaining and reviewing a SOC 1 Type 2 report.</p>	<p>The contract between FAHCA and the service organization has been amended. The amendment required the service organization to obtain an SSAE-18 Audit Report to ensure that the service organization internal controls related to invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively. The service organization submitted an SSAE-18 Audit Report to FAHCA on May 31, 2019, pertaining to the SOC1, Type 1 audit which reported on the design of the vendor's internal controls.</p> <p>The service organization is also required to submit an SSAE-18 Audit Report by August 15, 2020 pertaining to the SOC 1 Type 2 audit that will cover the operating effectiveness of the vendor's controls.</p>	<p>Fully Corrected</p>	<p>The contract between FAHCA and the service organization has been amended. The amendment required the service organization to obtain an SSAE-18 Audit Report to ensure that the service organization internal controls related to invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively. The service organization submitted an SSAE-18 Audit Report to FAHCA on May 31, 2019, pertaining to the SOC 1, Type 1 audit which reported on the design of the vendor's internal controls.</p> <p>The service organization was required to submit an SSAE-18 Audit Report by August 15, 2020 pertaining to the SOC 1 Type 2 audit that will cover the operating effectiveness of the vendor's controls. FAHCA received the required SSAE-18 Audit, SOC 1 Type 2 dated August 11, 2020. The report was reviewed and indicates that the service organization internal controls related to invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively.</p> <p>Carla Sims (850) 412-4013</p>

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Finding# 2019-036	Recommendation	Previous Management Response(s)	Status of Finding as of September 25, 2020	Management Response as of September 25, 2020 and Agency Contact
<p>The FAHCA did not ensure that all external quality review activities were performed in accordance with Federal requirements</p>	<p>We recommend that the FAHCA incorporate the standardized compliance review tool into FAHCA monitoring activities and take actions to ensure that the 3-year compliance review and all EQR activities performed by the EQRO are timely conducted in accordance with Federal regulations.</p>	<p>FAHCA, in conjunction with its EQRO, has developed a comprehensive compliance review tool that integrates both federal and state monitoring requirements. The tool identifies the FAHCA unit that is responsible for the monitoring activity and the frequency with which monitoring must occur for every federal EQRO regulation and all state contract requirements. FAHCA is in year two of the three-year federally required review cycle. At this time, FAHCA has completed approximately 80% percent of the requirements for the federally required review and has scheduled all remaining review activities to be completed by the end of the 3-year cycle.</p>	<p>Partially Corrected</p>	<p>FAHCA is on track to complete the three-year compliance review. The three-year compliance review period began January 2019 and will end January 2022; therefore, this item cannot be “fully corrected” until SFY 2021/2022.</p> <p>The state’s external quality review organization noted the following in the June 2020 Annual Technical Report to Federal CMS:</p> <p>“As of the writing of this report, the state is on track to complete the three-year comprehensive compliance review by the federal deadline.”</p> <p>Carla Sims (850) 412-4013</p>

**Florida Agency for Health Care Administration
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Finding# 2019-037	Recommendation	Previous Management Response(s)	Status of Finding as of September 25, 2020	Management Response as of September 25, 2020 and Agency Contact
<p>The FAHCA did not ensure that inpatient hospital cost reports were periodically audited in accordance with the approved Florida Medicaid State Plan and Federal regulations.</p>	<p>We recommend that FAHCA management take steps to ensure that inpatient hospital cost reports are obtained and audited in accordance with the approved Medicaid State Plan to help evaluate payment levels within the Medicaid program and ensure compliance with Federal regulations.</p>	<p>FAHCA agrees that the State Plan could be updated to provide the clarity that the cost report audits only apply to the hospitals reimbursed on a cost basis. The State Plan effective July 1, 2019 has been updated to reflect that only the state mental health hospitals, which are paid on a cost basis, must submit cost reports for audits.</p>	<p>Fully Corrected</p>	<p>The SFY 2019-20 State Plan, effective July 1, 2019, was updated to reflect that only the state mental health hospitals, which are paid on a cost basis, must submit cost reports which will be audited.</p> <p>Carla Sims (850) 412-4013</p>

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Finding# 2019-038	Recommendation	Previous Management Response(s)	Status of Finding as of September 25, 2020	Management Response as of September 25, 2020 and Agency Contact
<p>FAHCA records did not evidence that site visits of Medicaid Program providers were conducted in accordance with Federal regulations.</p>	<p>We recommend that the FAHCA ensure that providers seeking enrollment in the Florida Medicaid Program receive site visits in accordance with Federal regulations. In addition, we recommend that the FAHCA revalidate the enrollment of providers at least every 5 years in accordance with Federal regulations.</p>	<p>FAHCA will initiate an internal workgroup to review and compare FAHCA's site visit rules with the applicable federal regulations. Any deviations will be analyzed and, where appropriate, the Florida Medicaid policy will be modified.</p> <p>FAHCA will schedule site visits for the providers identified in the audit.</p>	<p>Partially Corrected</p>	<p>FAHCA will initiate an internal workgroup to review and compare FAHCA's site visit rules with the applicable federal regulations. Any deviations will be analyzed and, where appropriate, the Florida Medicaid policy will be modified.</p> <p>FAHCA will schedule site visits for the providers identified in the audit.</p> <p>Due to reallocating resources in response to the COVID-19 State of Emergency, the target completion date of December 31, 2020 has been moved to June 30, 2021.</p> <p>Carla Sims (850) 412-4013</p>