September 23, 2013

John H. Armstrong, MD, FACS
Surgeon General & Secretary
4052 Bald Cypress Way
Tallahassee, Florida 32399

Dear Dr. Armstrong:

Pursuant to Section 20.055(5)(g), *Florida Statutes*, our office is to update you on the status of corrective actions taken since March 28, 2013 when the Office of the Auditor General published its Report Number 2013-161, *Compliance and Internal Controls over Financial Reporting and Federal Awards*. Management's assessment of the current status of corrective actions is included in the attached document.

At six months after publication, management reports they have initiated all corrective actions made in response to recommendations from the Office of the Auditor General's report. Seven corrective actions are completed and one is still in process.

If I may answer any questions, please let me know.

Sincerely,

James D. Boyd, CPA, MBA
Inspector General

JDB/kir
Attachment

cc: Michael J. Bennett, CIA
Director of Auditing
Kathy DuBose, Coordinator
Joint Legislative Auditing Committee

Status of Findings

Report # 13-161
Report Title: Compliance and Internal Controls over Financial Reporting and Federal Awards
Report Date: March 28, 2013
Six month status update as of September 23, 2013

Number	Finding	Recommendation	Management Response	Corrective Action Plan
1 FA 12-054	The Florida Department of Health (FDOH) had not implemented certain data modification controls for the Case Management System(CMDS).	We recommend that the FDOH Children's Medical Services (CMS) Headquarters ensure that, after updates for the CMDS are sent to CMS Area Offices, the CMS Area Offices confirm that the updates have been timely installed.	The FDOH CMS program amended its internal operating procedure for CMDS (HCMS-IOP 145-014-12, effective June 2012) to require local office staff to e-mail CMS central office to confirm that they have loaded CMDS updates. For FA 11 062, (prior year, same finding), CMS received an e-mail from Sidney Stanton, funding specialist with the Centers for Medicare and Medicaid, on February 1, 2013, stating that he was going to close this finding based on information provided.	N/A
2 FA 12-072	Eligibility determination procedures were not sufficient to ensure that only eligible individuals received AIDS Drug Assistance Program (ADAP) Benefits.	We recommend that the FDOH conduct periodic matches to better ensure that Medicaid eligible persons are not provided ADAP benefits.	FDOH will pursue a process to establish more frequent electronic matches with the Agency for Health Care Administration in regards to clients' access to Medicaid to ensure that ADAP is the payer of last resort. The first action step is to set up a more frequent match which is still compliant with our current Memorandum of Agreement (MOA). The second action step is to pursue a new MOA which will allow FDOH to match clients on a daily basis.	**Previously Completed.**
3 FA 12-039	The FDOH did not maintain records to support salary costs claimed for matching purposes.	We recommend that the FDOH ensure that salary costs claimed for matching for the Public Health Emergency Preparedness (PHEP) grant are supported by appropriate time and effort documentation in accordance with Federal regulations.	The Bureau of Preparedness & Response (BPR) recognized its need for tighter controls in the area of time and effort records and modified its internal processes in 2012 for identifying and documenting employee salary charged to, or used as match for, the PHEP Program.	**Previously Completed**.
4 FA 12-046	The FDOH did not always maintain appropriate documentation to support salary and benefits charged to Refugee and Entrant Assistance Program (REAP).	We recommend that the FDOH ensure that appropriate records properly support salary and benefit costs charged to REAP.	Prior to the change in FDOH policy that required the use of Employee Activity Record System (EARS) for time coding, staff at county health departments (CHDs) were instructed to complete single federal award certificates and/or manual timekeeping for Refugee Health Program staff. The Refugee Health Program had developed a program subcomponent in EARS, 04R, which was a subcomponent of the Tuberculosis Program's component, 04. While the subcomponent was available in EARS and staff at CHDs had been made aware of it in the past, the lack of its inclusion in the FDOH Time Coding Manual resulted in inconsistent coding for Refugee Health activities across CHDs. In addition, the subcomponent is not recognized in FDOH's Contract Management System (CONMAN) which allocates salary costs based on EARS time coding. As a result, CHD staff have been manually allocating salary costs to REAP.	**Completed.** All activities have been completed and ongoing tasks will continue as indicated. The Refugee Health Program has modified its process for identifying and documenting employee salaries and benefits charged to REAP. Effective July 1, 2013, the Refugee Health Program added Program Component 18 to the *Department of Health Health Management System Service and Time Code Pamphlet (DHP 50-20)* in order to accurately allocate salary costs for staff working on the REAP grant. Component Code 04R is now obsolete. Notifications are also sent out bi-annually in an effort to remind management and administrators to ensure that staff working on the REAP grant are correctly allocating time in EARS. Requirements were added to the Refugee Health Quality Improvement (QI) tool to maintain accurate EARS coding effective as of January 24, 2013. The QI tool was revised for the July 01, 2013 update of Program Component 18. The statewide adoption of Program Component 18 also allows the Bureau of Budget and Revenue Management to more easily track CHD staff time and salary allocations, and address errors or inconsistencies in a timely manner.

Status of Findings

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Report Title: Compliance and Internal Controls over Financial Reporting and Federal Awards
Report Date: March 28, 2013
Six month status update as of September 23, 2013

Number	Finding	Recommendation	Management Response	Corrective Action Plan
5 FA 12-031	The FDOH did not follow procedures for procedures for preparation and review of the Schedule of Expenditures of Federal Awards (SEFA) data form. As a result, amounts reported on the SEFA were materially misstated before adjustment.	We recommend that the FDOH ensure that amounts reported on the SEFA are accurate and complete by following FDFS instructions and FDOH procedures for the preparation and review of the SEFA.	FDOH will ensure that amounts reported on the SEFA are accurate and complete by following FDFS instructions and FDOH procedures for the preparation and review of the SEFA.	**Previously Completed.**
6 FA 12-071	The FDOH did not ensure that effective access security controls had been established for the AIDS Information Management System (AIMS).	We recommend that the FDOH proceed with its actions to enhance AIMS access security controls.	Planning to address security issues began in November 2011 but development of a new AIMS software application was not begun until July 2012. Final development is currently being completed. The new AIMS software application requires each individual to have a user name and password. Security is role-based and specific edit and add/delete functions are limited based on role. A log has been added which records user activity history.	**Completed.** The new version of AIMS is in full use. The old system will continue to be used to monitor and report on old contracts thru December 31, 2013. At that time the old system will be retired and disabled. Starting January 1, 2014 only the new version of AIMS will be used for contract monitoring and reporting. All issues have been corrected with use of the new version of AIMS.
7 FA 12-055	FDOH procedures for monitoring the reasonableness of Children's Health Insurance Program (CHIP) capitation rates were not sufficient to prevent the accumulation of a significant cash balance.	We continue to recommend that the FDOH monitor capitation rates to determine whether reductions are needed to prevent the accumulation of excess CHIP funds.	The reported June 30, 2012 balance in the CMS account for CHIP funds was $27.2 million. Section 391.026 (16), Florida Statutes, grants CMS the authority to hold a 10% reserve in order to properly manage claims payments associated with this program. The CMS CHIP legislated budget for state fiscal year 2011-12 was $131 million, which would allow for $13.1 million in reserve. In addition, CMS receives its monthly premium payment in advance (receives payment for July in June). Therefore on July 2, 2012, the program established a payable of $11.1 million to commit funds for payment of prior months' claims. Together, these account for $24.2 million of the $27.2 million balance. The remaining cash difference, $3 million, represents 2.29% overage of the annual budget.	CMS continues to monitor its balance to ensure that it does not accrue excessive funds. The cash balance on June 30, 2013 was $21,765,753. This balance includes a 10% reserve ($10.6 million) and the payables/certifieds set up at year end to cover FY2012-13 expenditures ($11.2 million).
8 FA 12-056	The Florida Agency for Health Care Administration (FAHCA) and the FDOH did not report applicable CHIP subaward data in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) pursuant to Federal regulations.	We recommend that the FAHCA and the FDOH ensure that all key data elements are timely reported in the FSRS.	The FDOH CMS concurs that the FAHCA and FDOH CMS did not report applicable CHIP subaward data in the FFATA FSRS pursuant to Federal regulations. FDOH CMS as a sub-recipient looked to the FAHCA for access to the FSRS system and the reporting timeline. FDOH has a process in place to ensure compliance with FFATA reporting requirements.	**Completed.** FFATA for fiscal year 2012-13 was filed.