



RICK SCOTT
GOVERNOR

JUSTIN M. SENIOR
SECRETARY

September 21, 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 *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*, Report No. 2018-189, issued March 2018. 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/szg

Enclosure: Six-Month Status Report on AG Report No. 2018-189

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



Florida Agency for Health Care Administration
Auditor General FY 2016-17 Federal Awards Audit (Report# 2018-189)
Six-Month Status Report as of September 21, 2018

Finding# 2017-001	Recommendation	Previous Management Response(s)	Status of Finding as of September 21, 2018	Management Response as of September 21, 2018 and Agency Contact
<p>The FAHCA understated Receivables, net; Unavailable revenue; and Grants and donations due to an error in the preparation of year-end accrual entries.</p>	<p>We recommend that the Bureau perform a supervisory review of fiscal year-end receivables balance calculations to ensure the accuracy of year-end accrual entries.</p>	<p>In preparation of the Agency's due from the Federal Government receivable, it is the Bureau's process to include all applicable transactions in the spreadsheet to ensure that the data is reconciled to the trial balance, which includes capturing the post-closing adjustments. After the data is reconciled, the post-closing adjustments are removed from the workbook to complete the calculation of the receivable. After completing the calculations, the spreadsheet is reviewed by a supervisor to ensure that the fiscal year-end balances will be accurately reflected in the Agency's accounting records.</p> <p>In preparation of the Fiscal Year 2016-2017 receivable, the Bureau completed its normal process; however, the post-closing adjustments were inadvertently left in the spreadsheet, which resulted in a reduction of the receivable and other related accounts. To prevent this error in future calculations, the Bureau will ensure that a review checklist is created and additional staff will be trained to complete a secondary level review of the due from the Federal Government receivable process.</p>	<p>Fully Corrected</p>	<p>To prevent any errors in the calculation of funds due from the federal government for fiscal year 2017-18, the Bureau of Financial Services created a checklist, conducted a two-level supervisory review, and updated our written process to document all changes.</p> <p>Anita Hicks (BFS) (850) 412-3815</p>

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Finding# 2017-039	Recommendation	Previous Management Response(s)	Status of Finding as of September 21, 2018	Management Response as of September 21, 2018 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 appropriately designed and operating effectively.</p>	<p>We recommend that the FAHCA ensure that service organization internal controls related to the invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively.</p>	<p>The contract between FAHCA and the service organization has been amended. The amendment requires the service organization to obtain an SSAE-18 Audit Report in fiscal year 2018-19. The SSAE-18 Audit Report would ensure that the service organization's internal controls related to the invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively.</p>	<p>Partially Corrected</p>	<p>The contract between FAHCA and the service organization has been amended. The amendment requires the service organization to obtain an SSAE-18 Audit Report for fiscal year 2018-19, with an estimated completion date of November 30, 2018. The SSAE-18 Audit Report would ensure that the service organization's internal controls related to the invoicing, collecting, and reporting of drug rebates are appropriately designed and operating effectively.</p> <p>Paula McKnight (Medicaid/MPF) (850) 412-4156</p>

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Finding# 2017-041	Recommendation	Previous Management Response(s)	Status of Finding as of September 21, 2018	Management Response as of September 21, 2018 and Agency Contact
<p>The FAHCA made payments to ineligible Medicaid Program providers.</p>	<p>We recommend that the FAHCA take actions to ensure that Medicaid payments are made only to providers with Medicaid Provider Agreements in effect.</p>	<p>The requirement for an out-of-state provider to have an active Medicaid provider agreement is being addressed as part of the Referring, Ordering, Prescribing and Attending (ROPA) Provider project and the 21st Century Cures Act project. These projects will address the needed changes to the Florida Medicaid Management Information System (FMMIS), Decision Support System (DSS), and Pharmacy Benefit Manager (PBM).</p> <p>Both ROPA and Cures should be implemented by the end of 2018.</p> <p>In addition, the Agency implemented a monthly system-generated report in January of 2018 identifying active providers without a current Medicaid provider agreement. The Agency has completed quality analysis of the report data and will initiate the renewal process for the providers identified in the report. The providers will receive notices of renewal in March of 2018 and will have 90 days to comply or be terminated. The Agency will send reminder notices 60 days prior to the deadline and final notices 30 days prior to the deadline.</p>	<p>Partially Corrected</p>	<p>Due to the implementation of the 21st Century CURES Act, the approach for enrollment of out-of-state providers was revisited. The new date for out-of-state provider improvements is July 31, 2019.</p> <p>Cheryl A. Travis (Medicaid/MFAO) (850) 412-3416</p>

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Finding# 2017-044	Recommendation	Previous Management Response(s)	Status of Finding as of September 21, 2018	Management Response as of September 21, 2018 and Agency Contact
<p>The Fraud and Abuse Case Tracking System (FACTS) allows staff from the FAHCA Office of Medicaid Program Integrity to track and manage audits and investigations of providers suspected of overbilling or defrauding the Medicaid Program from the time the complaint is recorded in FACTS to the time the related case is closed. In our information technology operational audit report No. 2017-093, dated January 2017, we disclosed significant deficiencies related to selected information technology controls for FACTS that continued to be significant deficiencies during the 2016-17 fiscal year. Specifically, in Findings 3 through 7, we disclosed significant security control deficiencies related to access control procedures and access privileges. In Finding 8, we disclosed significant deficiencies</p>	<p>Disclosure Finding</p>	<p>Finding #3 The FAHCA implemented a new ticketing system that addresses the documentation of user network access/transfer/termination.</p>	<p>Fully Corrected</p>	<p>Completed</p>
		<p>Date of Completion: May 2017</p>	<p>Fully Corrected</p>	<p>Completed</p>
		<p>Finding #6 The FAHCA updated the authentication policy (P&P 5002) to include this requirement.</p>	<p>Fully Corrected</p>	<p>Completed</p>
		<p>Date of Completion: August 2017</p>	<p>Fully Corrected</p>	<p>Completed</p>
<p>Finding #8 The FAHCA Division of IT's "Change Control System" allows for tracking of system releases or configuration changes when known to the AHCA Division of IT.</p>	<p>Fully Corrected</p>	<p>Completed</p>		
<p>Date of Completion: January 2018</p>	<p>Partially Corrected</p>	<p>Finding #9 The FAHCA Division of IT has procured IT Managed Security Services through the vendor Symantec (contracted in April of 2018). Current calibration and configuration</p>		
<p>Finding #9 The Agency has remediated some of the recommendations and work is in progress for the remainder. Date of completion is</p>				

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<p>related to configuration management controls. Additionally, in Finding 9, we disclosed significant deficiencies related to user authentication, logging, and access controls. Details of the findings and recommendations are included in that report. During the 2016-17 fiscal year, FAHCA made no significant changes to FACTS to correct the noted deficiencies.</p>		<p>contingent on a security-related procurement.</p> <p>Anticipated Date of Completion: July 2018</p> <p>Karen Calhoun (IT) (850) 412-4849</p> <p>Finding #3 In June 2017, MPI developed a written Internal Operating Procedure (IOP), A-16, that addressed security administration and access controls to FACTS at the application level. In conjunction with the IOP, MPI, in August 2017, finalized an access form to document authorized user access privileges. The form is maintained.</p> <p>Date of Completion: August 2017</p> <p>Finding #4 In conjunction with the IOP, MPI formalized the ongoing practice of assigning user roles and access privileges based on assigned job duties.</p>	<p>Fully Corrected</p> <p>Fully Corrected</p>	<p>is continuing and is planned to be completed by December 31, 2018. The FACTS contract is due for re-procurement so contractual IT logging and authentication requirements will be needed in the finalized contract.</p> <p>Karen Calhoun (IT) (850) 412-4849</p> <p>Completed</p> <p>Completed</p>

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		<p>Date of Completion: June 2017</p> <p>Finding #5 MPI, as indicated in the IOP and access form processes, promotes a segregation of access privileges and separation of duties.</p> <p>Date of Completion: August 2017</p> <p>Finding #6 The IOP, established procedures, a periodic review schedule to review for authorized access privileges, and implemented the periodic reviews to ensure compliance.</p> <p>Date of Completion: July 2017</p> <p>Finding #7 Implementation of MPI's IOP and access form formalized access and deactivation processes.</p> <p>Date of Completion: August 2017</p> <p>During the 2016-17 fiscal year, MPI performed the following to partially address the findings in Report No. 2017-093:</p>	<p>Fully Corrected</p> <p>Fully Corrected</p> <p>Fully Corrected</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Ken Yon (HQA/MPI) (850) 412-4637</p>

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		<ul style="list-style-type: none"> • Maintained documentation from at least March 2016 forward, which demonstrates that some access controls to FACTS were taking place. • Completed a review of the issues in the spring of 2017. • Created the IOP in June 2017 to formalize existing and new access controls. <p>Ken Yon (HQA/MPI) (850) 412-4637</p>		