



# AUDITOR GENERAL

DAVID W. MARTIN, CPA



## AGENCY FOR HEALTH CARE ADMINISTRATION ADMINISTRATIVE ACTIVITIES Operational Audit

### SUMMARY

This operational audit of the Agency for Health Care Administration (Agency) focused on administrative activities specifically related to tangible personal property, the Medicaid nursing home overpayment account, the Agency's database of Other Cost Accumulators (OCAs), background screening of Agency employees, the assessment and collection of certain hospital fees, cellular telephones, and travel. We also followed up on Finding No. 4 of audit report No. 2006-046, related to the Agency's rule making responsibilities for the Florida KidCare Program. Our audit included the period July 2005 through February 2007, and selected actions through June 2007.

With the exception of the following findings, our audit disclosed that for the controls and related transactions tested, the controls were operating effectively, the transactions were accurately recorded in applicable records, and the Agency demonstrated compliance with applicable significant laws, rules, and other guidelines:

#### Tangible Personal Property

**Finding No. 1:** The Agency needs to enhance tangible personal property (TPP) policies and procedures to ensure that the annual physical inventory is timely and accurately reconciled with property records and that all potential record errors and losses of equipment are timely investigated.

**Finding No. 2:** The Agency needs to improve procedures to ensure TPP is timely and accurately recorded.

**Finding No. 3:** Insurance coverage purchased for Agency building contents significantly exceeded the amount required.

#### Nursing Home Overpayment Account

**Finding No. 4:** The Agency has not established rules pertaining to the administration and management of the Medicaid nursing home overpayment account, including specification of situations which will result in withdrawals from the account. In addition, the Agency did not perform annual reviews to evaluate the financial viability of the account.

#### Other Cost Accumulators

**Finding No. 5:** The Agency has not established written policies and procedures for OCA utilization and maintenance of the OCA database.

#### Background Screenings

**Finding No. 6:** It was not clear from Agency records that all required employee background screenings had been performed.

#### Hospital Assessments

**Finding No. 7:** The Agency did not facilitate hospital payment of assessments by no later than the first day of each quarter, the payment due date set by law.

#### Cellular Telephones

**Finding No. 8:** The Agency did not follow policies and procedures established to reasonably ensure that State-owned cellular telephones were used for an authorized public purpose and that any incidental personal use was identified and reimbursed.

## Follow-up on the KidCare Program

### **Finding No. 9: The Agency needs to continue efforts to implement rules for the Florida KidCare Program.**

#### **BACKGROUND**

The Agency for Health Care Administration (Agency) was created by Section 20.42, Florida Statutes. It is the chief health policy and planning entity for the State. The Agency is responsible for State health facility licensure, inspection, and regulatory enforcement; the administration of the Medicaid Program; the certification of health maintenance organizations; and other duties as prescribed by Statute. The Agency has established the Division of Administrative Services as the Agency's business support center. It assists the Agency with financial, human resource, budget, information technology, and support services functions.

#### **FINDINGS AND RECOMMENDATIONS**

##### **Tangible Personal Property**

Chapter 2006-122, Laws of Florida, amended Section 273.02, Florida Statutes, effective July 1, 2006, requiring the Chief Financial Officer (CFO) to establish rules relating to the recording and inventory of certain State-owned property. Previously, the Auditor General had been required to maintain such rules, and in accordance with this responsibility, the Auditor General promulgated Chapter 10.300, Rules of the Auditor General for State-Owned Tangible Personal Property. The CFO has indicated she intends to substantially adopt the Rules of the Auditor General related to these Sections and instructed agencies to continue to comply with the Rules of the Auditor General and Sections 273.02 and 273.055 of the 2005 Florida Statutes, pending official implementation of Department of Financial Services Rules.<sup>1</sup>

Property is defined in Section 273.02, Florida Statutes, as equipment, fixtures, and other Tangible Personal Property (TPP) of a nonconsumable and

nonexpendable nature. According to the Agency's property records (Property Master File), the acquisition costs of the Agency's TPP totaled approximately \$5.7 million as of January 2007.

The Agency has established written policies and procedures for recording, safeguarding, disposal, inventory, and insurance of TPP. Our audit disclosed several areas where improvements were needed to appropriately manage Agency property.

#### **Finding No. 1: TPP Policies and Procedures**

The Agency's Property Manual requires that an annual physical inventory be conducted by the custodian or custodian's delegate. Beginning in the 2004-05 fiscal year, the Agency contracted with a private entity to conduct its annual physical inventory, and among other reports, the contractor provided the Agency with lists, by organizational unit, of property items which were not accounted for during the inventory.

The Agency's Property Manual requires that a reconciliation of the differences between what is shown in the Agency's property records and the results of the annual physical inventory must be accomplished within 60 days of the completion of the inventory. The Manual also indicates that adjustments should be fully documented and that the adjustments and supporting documentation should be maintained on file by the Property Specialist.

Based on a review of 5 of 71 organizational unit inventory reports from the May 2006 inventory, the Agency did not maintain adequate and consistent documentation evidencing that inventory differences were properly investigated and resolved and property records were updated in a timely manner. We noted that in some instances, the number of differences was significant.

We also noted that as of June 2007, the Agency's Property Manual did not require supervisory review and approval of the completed inventory process and that this absence of oversight may have contributed to the Agency's failure to resolve discrepancies disclosed by inventory procedures.

<sup>1</sup> CFO Memorandum No. 2 (2006-07).

Absent documentation of the reconciliation of inventory results to the Agency's property records, the Agency could not demonstrate that all potential record errors and losses of equipment had been timely investigated and appropriate corrective actions taken. In addition, when reconciliations are not adequately and timely performed, control over TPP is reduced and there is an increased risk that errors or misappropriations, should they occur, would not be timely detected.

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**Recommendation:** We recommend the Agency improve documentation of the reconciliation of differences to demonstrate that inventory results have been reconciled to the property records in a timely manner and that all potential record errors and losses of equipment have been timely investigated. We also recommend that the Agency's Property Manual be updated to require supervisory review and approval of the completed inventory and related reconciliations and adjustments.

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### **Finding No. 2: Property Recording and Inventory**

During the period July 2005 through January 2007, the Agency purchased 184 property items totaling approximately \$1.5 million. Our audit disclosed that, in some instances, property purchases were not timely and accurately recorded in the Property Master File. Our test of 40 property items purchased between July 2005 and January 2007 disclosed the following:

- In 27 instances (68 percent), property items were not recorded in the Master File timely. Delays ranged from 35 to 128 days (average 77 days) after the property was received.
- In four instances, property item values were recorded incorrectly. In three of these instances, contrary to Section 10.340, Rules of the Auditor General, the property values recorded (\$30,559 in total) did not include installation or shipping fees totaling \$4,520. Due to human error, the fourth item was recorded at \$1,150 greater than the cost of acquisition.
- The Agency's Master File did not always include information required by Section

10.350, Rules of the Auditor General. For example:

- Property records did not include the condition of the item at the time of the latest inventory.
- For 19 items (48 percent), such as computers and printers, the property record did not include the manufacturer's serial number.
- For seven items, property records did not include the name, make, manufacturer, year, or model of the item.
- Property records included organizational units and a building code, but records did not include the room number where the items were to be physically located.

We also selected 40 property records from the Agency's Property Master File, and for each, we compared property record details to our observation of the property item. This test disclosed that property records were not being timely updated for surplus property. In 8 instances (20 percent), property was recorded as active; however, items had been approved for surplus as long ago as March 2005.

Delays in updating the Property Master File may result in the loss of accountability for Agency property, inefficient inventory processes, and inaccurate and incomplete financial reporting.

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**Recommendation:** In order to effectively safeguard Agency assets, we recommend the Agency increase efforts to ensure that property records are accurately and timely updated.

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### **Finding No. 3: Property Insurance Coverage**

The Agency obtains insurance coverage of buildings and contents from the Department of Financial Services, Division of Risk Management. A Replacement Value Computation for Building Contents Form (the Form) is used to calculate the insurance coverage amount for each building's contents. For inventoried contents, the Form specifies the amount of coverage to be 125 percent of total inventoried value in each building.

Our review of the Agency’s insurance coverage for the 2006-07 fiscal year disclosed the insured value for inventoried contents was miscalculated resulting in the purchase of excess insurance of approximately \$16 million. Details of the miscalculations were provided to Agency personnel. The absence of an effective verification of the Form calculations may have contributed to the Agency’s failure to timely detect the erroneous calculation.

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**Recommendation:** We recommend the Agency ensure that insurance calculations are effectively verified.

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**Other Administrative Issues**

**Finding No. 4: Nursing Home Overpayment Account**

Florida Statutes<sup>2</sup> allow the Agency to collect a fee from certain leased nursing home facilities to help ensure the return of Medicaid overpayments, if applicable. The fee, in the amount of one percent<sup>3</sup> of the total of three months’ Medicaid payments to the facility computed on the basis of the preceding 12-months’ average Medicaid payment to the facility, shall be accounted for as the Medicaid nursing home overpayment account (Account). The Statute states that these fees shall be used at the sole discretion of the Agency to repay nursing home Medicaid overpayments.

From the time the law took effect in June 2002 through February 2007, the Account had accumulated approximately \$32.5 million. Agency staff indicated that funds from this Account would be used as a last resort when a nursing home lessee terminates its lease and an uncollectible overpayment is due to the Agency. Agency staff stated that there have been no such incidents since the law was adopted, and as of May 2007, the Account had not been used to pay any nursing home Medicaid overpayments.

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<sup>2</sup> Section 400.179(5)(d), Florida Statutes.  
<sup>3</sup> Prior to July 1, 2006, a fee of two percent was collected.

Florida Statutes<sup>4</sup> require the Agency to determine the financial viability of the account through an annual review of the account balance. However, the Agency has not been performing such analyses. We did note that an Agency-prepared listing of analyzed nursing home cost reports indicated that the average settlement amount for leased nursing homes was an overpayment of \$23,447, with the highest overpayment being \$424,220. Agency staff indicated that, effective July 2007, they would begin to calculate the ratio of current overpayments to leasehold operators to the account balance.

Section 400.179(5)(d)2., Florida Statutes, also grants the Agency authority to promulgate rules pertaining to the administration and management of the Account, including withdrawals from the Account. However, as of May 2007, the Agency had not promulgated any rules regarding the Account. Agency staff indicated that rules were not necessary. However, to reasonably ensure the consistent and fair administration of the moneys in the Account, rules at a minimum, should be adopted within the authority granted by Statute that address the specific circumstances under which funds may be used.

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**Recommendation:** To ensure that the Medicaid nursing home overpayment account is properly utilized, we recommend the Agency establish rules for administration and management of the Account. The Agency should also implement annual reviews of the Account balance to determine whether recommended changes in fee collection rates should be submitted for legislative consideration.

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**Finding No. 5: OCA Database and Utilization**

The Agency uses the Other Cost Accumulator (OCA) field in FLAIR as a key accounting data element to identify revenues and expenditures related to specific activities. The Agency maintains an OCA database that provided a description of the activities and the funding sources for each of the Agency’s 174 OCAs in use during the audit period. While the Agency has established a form for the creation and approval of

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<sup>4</sup> Section 400.179(5)(d)2., Florida Statutes.



OCA's, the Agency has not prepared written policies and procedures regarding OCA management, such as the establishment and use of OCAs or procedures to periodically review the OCA database to ensure its accuracy and completeness.

Our test of 60 (20 revenue and 40 expenditure) transactions (related to 29 OCAs) disclosed that in 10 instances (17 percent), OCA database information was not current:

- For 6 items (related to 4 OCAs), the OCA database description of applicable activities was outdated.
- For 2 items (related to 1 OCA), the database reference to fund source was outdated.
- For 2 items (related to 1 OCA), both the OCA description and fund source were outdated.

Without an accurate database, Agency personnel may not properly record and report financial transactions.

In addition to testing the accuracy of the OCA database, we also tested the 60 transactions to determine whether the transactions were coded to the correct OCA. In 5 instances (8 percent) the transactions were incorrectly recorded. Improperly coded transactions reduce the reliability of the Agency's financial records.

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**Recommendation:** In order to provide assurance that revenues and expenditures are applied to appropriate programs and funding sources, we recommend the Agency consider the adoption of written policies and procedures regarding the establishment, utilization, and periodic review of the OCA database. The Agency should also increase efforts to monitor compliance with established codes.

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#### **Finding No. 6: Background Screenings**

Section 110.1127, Florida Statutes, requires State agencies to designate employee positions that involve special trust or responsibility. Designated positions shall be subject to security background screening, including fingerprinting. The Agency has established a policy classifying all current and new employees, students, interns, volunteers, and independent

contractors as being in positions of special trust and responsibility. Therefore, all such persons are to be background screened. If employee background screenings identify criminal records, Agency policy is to review the screening results for consideration of appropriate action.

Florida Statutes<sup>5</sup> indicate the screening should include fingerprinting and Statewide criminal and juvenile records checks through the Department of Law Enforcement (FDLE) and Federal criminal records checks through the Federal Bureau of Investigation (FBI) and may include local criminal records checks through local law enforcement agencies. The Statute also lists certain convictions which should prohibit employment in positions of special trust.

Our review of 30 employee background screening files disclosed:

- The Agency did not always document that background screenings were completed:
  - In 5 instances (17 percent), the Agency was unable to provide documentation to evidence that a Statewide criminal and juvenile records check was conducted through FDLE. The positions filled by these employees included staff assistant, program administrator, health services and facilities consultant supervisor, health care administrator, and registered nurse.
  - In 4 instances (13 percent), the Agency was unable to provide documentation to evidence that a Federal criminal records check was conducted through the FBI. The positions filled by these employees included staff assistant, regulatory specialist, and attorney.

As a result of the unavailable documentation, the Agency was unable to demonstrate that background screenings had been completed for these employees. In the absence of documentation of the required background screenings, the Agency was unable to demonstrate its appropriate consideration of the effects on employment of any significant convictions.

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<sup>5</sup> Section 435.04, Florida Statutes.

- In 1 of the 29 instances in which some documentation of either a Federal, State, or local background check was available, the Agency did not properly follow up on background screening results to ensure that identified criminal history records were investigated and conclusions were made regarding continued employment. The position filled by this employee was program analyst.

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**Recommendation:** We recommend the Agency improve controls to ensure background screenings are completed and documented. Also, when applicable, the Agency should ensure that documentation is maintained of the consideration of the effect on employment of any significant convictions.

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#### **Finding No. 7: Hospital Assessments**

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Section 395.701, Florida Statutes, imposes on each hospital an assessment in an amount equal to 1.5 percent and 1 percent on net operating revenues for inpatient and outpatient services, respectively. The Agency is to determine the amount and certify the assessment to each hospital. Hospital assessments collected during our audit period totaled approximately \$569 million. The Statute indicates the assessment should be payable to and collected by the Agency on or before the first day of each calendar quarter. The Statute also requires the Agency to impose an administrative fine, not to exceed \$500 per day, for failure of any hospital to pay its assessment by the first day of the calendar quarter on which it is due.

The Agency has developed procedures to determine hospital assessments and to deliver assessment invoices. The invoices are to be prepared early enough to facilitate hospital payment of the assessments by no later than the first day of each calendar quarter.

Our review of assessments collected for the seven quarters ending during the audit period disclosed that for six of the seven quarters tested, the Agency did not require hospitals to submit their payments on the first day of the calendar quarter. The Agency's required due dates ranged from 2 to 37 days (average of 10

days) after the first day of the calendar quarter. We found that the Agency had not timely delivered the invoices to the hospitals, and as a consequence, had not required the submission of payments by the statutory due date. In explanation, Agency staff indicated that delays in delivering invoices were due to computer problems and delays in obtaining preliminary certification information.

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**Recommendation:** To maximize the State's interest earnings and ensure statutory compliance, we recommend the Agency enhance hospital assessment invoicing procedures to facilitate hospital payment of assessments by no later than the first day of each calendar quarter.

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#### **Finding No. 8: Cellular Telephone Management**

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To assist in conducting State business, the Agency provides cellular telephones to authorized employees. The Agency had 414 cellular telephones as of February 2007, and cellular telephone service expenditures totaled \$335,124 during the audit period.

The Agency's policy is to discourage personal use of cellular telephones. To address this issue, the Agency's cellular telephone policy requires each user to review the cellular telephone bill and complete a user's certification statement monthly. The cellular telephone user is required to certify all calls are business related or, if applicable, identify any personal charges and reimburse the State for related costs. The certifications also serve to acknowledge that the telephones are assigned to and used by Agency personnel.

Contrary to established Agency policy, during the audit period, all employees assigned cellular telephones were not required to return executed certifications to the Bureau of Finance and Accounting. Certifications were required only when personal calls were acknowledged by employees. Absent documentation of the user's review and certification, the Agency has not fully documented that cellular telephone usage was limited to authorized State business.

**Recommendation:** We recommend the Agency enforce established policies by requiring the submission of users' certifications. The certifications should be reviewed to ensure that all charges serve an authorized public purpose and, as applicable, personal calls are reimbursed.

#### **Finding No. 9: KidCare Program Rules**

In October 2005 we issued audit report No. 2006-046 related to the Florida KidCare Program. One of the findings in that report addressed the Agency's failure to promulgate rules for the Program.<sup>6</sup> The Agency's position is that most KidCare issues are adequately explained through existing Statutes. However, the Agency indicated that it is in the process of developing a rule to address the investigation and resolution of complaints and grievances.

**Recommendation:** In order to allow for public input and to help ensure consistent application of Program policies and procedures, we recommend the Agency continue efforts to promulgate rules for key components of the KidCare Program, as required by Statute.

#### **OBJECTIVES, SCOPE, AND METHODOLOGY**

This operational audit focused on the Agency's administrative activities related to: (1) tangible personal property; (2) the Medicaid nursing home overpayment account; (3) the OCA database; (4) background screening of Agency employees; (5) hospital assessments; (6) cellular telephones; (7) travel reimbursements; and (8) the Agency's corrective actions for the audit findings noted in audit report No. 2006-046. Our objectives were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government, the validity and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws,

administrative rules, and other guidelines; the economic, efficient, and effective operation of State government, the validity and reliability of records and reports; and the safeguarding of assets.

Our audit included examinations of various transactions (as well as events and conditions) occurring during the period July 2005 through February 2007, and selected actions through June 2007. In conducting our audit, we:

- Interviewed Agency personnel.
- Obtained an understanding of internal controls and observed, documented, and tested key processes and procedures related to the administrative issues listed above.
- Examined selected TPP items and inventory files including: (1) 40 property purchases totaling \$199,898 from the population of 184 property expenditures totaling \$1,463,414; (2) 40 property items totaling \$111,819 from the population of 954 property items located in Tallahassee totaling \$3,939,101; and (3) physical inventory reports for 5 organizational units from the population of 71 organizational units.
- Recalculated insurance coverage for all 30 insured locations.
- Reviewed the balance in the Medicaid nursing home overpayment account and tested selected nursing home payments (40 leased nursing home applications from the population of 821).
- Examined the OCA database and selected transactions (40 expenditure transactions totaling approximately \$217 million from the population of approximately \$21 billion, and 20 revenue transactions totaling approximately \$928 million from the population of approximately \$23 billion).
- Examined employee background screening records (30 employees from the population of 1,719).
- Examined hospital assessment files and selected assessment invoices (45 assessment invoices for 15 hospitals totaling approximately \$25 million from the total population of 274 State licensed hospitals).

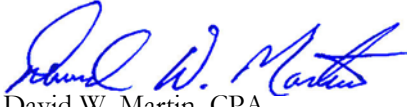
<sup>6</sup> Required by Section 409.818(3)(f), Florida Statutes.

- Examined cellular telephone invoices (30 invoices totaling \$275 from the population of 414 cellular telephone numbers).
- Examined travel records and selected transactions (40 travel vouchers totaling \$59,056 from the population of travel expenditures totaling approximately \$5 million).
- Evaluated Agency actions taken to correct Finding No. 4 of audit report No. 2006-046.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.



**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT RESPONSE**

In a letter dated October 12, 2007, the Secretary responded to our findings. The letter is included in its entirety at the end of this report as Appendix A.

To promote accountability in government and improvement in government operations, the Auditor General makes operational audits of selected programs, activities, and functions of State agencies. This operational audit was conducted in accordance with applicable *Generally Accepted Government Auditing Standards*. This audit was conducted by Ying Ying Chen, CPA, and supervised by Peggy Miller, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail ([janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us)) or by telephone (850-487-9136).

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen/>); by telephone (850-487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

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APPENDIX A  
MANAGEMENT RESPONSE



CHARLIE CRIST  
GOVERNOR

ANDREW C. AGWUNOBI, M.D.  
SECRETARY

October 12, 2007

David W. Martin, CPA  
Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Thank you for the opportunity to respond to the preliminary and tentative audit findings and recommendations from your audit of Administrative Activities from July 2005 through February 2007. We appreciate the efforts of your staff and have included our response to the recommendations noted in your report. The Agency for Health Care Administration continuously looks for opportunities to improve operations and is committed to providing cost-effective and efficient health care services to the citizens of Florida.

In accordance with your request, we have emailed you the preliminary and tentative findings document with our response incorporated therein. If you have any questions regarding our response, please contact Mike Blackburn, Audit Director, at (850) 414-5419.

Sincerely,

Andrew C. Agwunobi, M.D.  
Secretary

ACA/mb

Enclosure: Response to the P&T for Administrative Activities

cc: Linda Keen, Inspector General  
Mark Thomas, Chief of Staff  
Tom Arnold, Deputy Secretary, Division of Medicaid  
Janet Parramore, Director, Division of Administrative Services

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**Agency for Health Care Administration Response to  
Auditor General's P&T audit findings for  
Administrative Services, July 2005 through February  
2007**

**Finding 1:**

The Agency needs to enhance tangible personal property (TPP) policies and procedures to ensure that the annual physical inventory is timely and accurately reconciled with property records and that all potential record errors and losses of equipment are timely investigated.

**Recommendation:**

We recommend the Agency improve documentation of the reconciliation of differences to ensure a demonstration that inventory results have been reconciled to the property records in a timely manner and that all potential record errors and losses of equipment have been timely investigated. We also recommend that the Agency's Property Manual be updated to require supervisory review and approval of the completed inventory and related reconciliations and adjustments.

**Agency Response:**

*We concur with this finding and property procedures were updated as recommended.*

**Finding 2:**

The Agency needs to improve procedures to ensure TPP is timely and accurately recorded.

**Recommendation:**

In order to effectively safeguard Agency assets, we recommend the Agency increase efforts to ensure that property records are accurately and timely updated.

**Agency Response:**

*Property Procedures have been updated to include an Excel worksheet to track the property in a timely manner from the time it is paid in Finance and Accounting until all information required is added to the Property Master File by Support Services.*

**Finding 3:**

Insurance coverage purchased for Agency building contents significantly exceeded the amount required.

**Recommendation:**

We recommend the Agency ensure that insurance calculations are effectively verified.

**Agency Response:**

*Action has been taken with DFS for Insurance information and payment requests to come through the Supervisor of the Property Specialist for accuracy and approval. Procedures were revised and the Property Specialist was trained based on new information from DFS for reporting 2007 insurance requirements.*

**Finding 4:**

The Agency has not established rules pertaining to the administration and management of the Medicaid nursing home overpayment account, including specification of situations which will result in withdrawals from the account. In addition, the Agency did not perform annual reviews to evaluate the financial viability of the account.

**Recommendation:**

To ensure that the Medicaid nursing home overpayment Account is properly utilized, we recommend the Agency establish rules for administration and management of the Account. The Agency should also implement annual reviews of the Account balance to determine whether recommended changes in fee collection rates should be submitted for legislative consideration.

**Agency Response:**

*Funds from this account will be withdrawn as a last resort should a lessee operator terminate its lease and the Agency subsequently determines there is an uncollectible overpayment due to the Agency for Health Care Administration. This type of situation would probably only occur after bankruptcy has been declared and there are no assets for the Agency to recover. Fortunately, the incident that prompted the legislature to enact this provision has not occurred since the adoption of this provision in 2002. In conjunction with the Agency General Counsel's office, it was determined that a rule for administration and management of the Account was not necessary in order to access or manage the fund.*

*We have developed procedures to track overpayments made to leasehold operators in conjunction with the Lease Bond Account Reconciliation process. We will not be able to actuarially determine if the fund balance is adequate to cover all potential liabilities. We calculate the balance of outstanding overpayments to leasehold operators and the ratio of the fund to current overpayments. The current fund balance appears to be adequate to cover reasonably potential uncollectible overpayment liabilities of currently leased facilities.*

**Finding 5:**

The Agency has not established written policies and procedures for OCA utilization and maintenance of the OCA database.



**Recommendation:**

In order to provide assurance that revenues and expenditures are applied to appropriate programs and funding sources, we recommend the Agency consider the adoption of written policies and procedures regarding the establishment, utilization, and periodic review of the OCA database. The Agency should also increase efforts to monitor compliance with established codes.

**Agency Response:**

*We concur with this finding and have developed procedures for a bi-annual review of the OCA codes. We will increase efforts to ensure correct use of the OCA codes.*

**Finding 6:**

It was not clear from Agency records that all required employee background screenings had been performed.

**Recommendation:**

We recommend the Agency improve controls to ensure background screenings are completed and documented. Also, when applicable, the Agency should ensure that documentation is maintained of the consideration of the effect on employment of any significant convictions.

**Agency Response:**

*Human Resources is ensuring that all employees are fingerprinted and the proper documentation is completed and maintain in the Background Screening Files. Since July 1, 2007 we have been trying to enhance our tracking system by receiving the background screening results from both FDLE and the FBI within 24 hours. Information Technology has been working on this for 2 months and our efforts have been unsuccessful. We will continue to work with them to get this new tracking system implemented. Once this occurs, there shouldn't be any discrepancies regarding the screening results.*

**Finding 7:**

The Agency did not facilitate hospital payment of assessments by no later than the first day of each quarter, the payment due date set by law.

**Recommendation:**

To maximize the State's interest earnings and ensure statutory compliance, we recommend the Agency enhance hospital assessment invoicing procedures to facilitate hospital payment of assessments by no later than the first day of each calendar quarter.

**Agency Response:**

*The system that generates the invoices has been changed so that the invoice due date will correspond to the date as directed by the statutes.*

**Finding 8:**

The Agency did not follow policies and procedures established to reasonably ensure that State-owned cellular telephones were used for an authorized public purpose and that any incidental personal use was identified and reimbursed.

**Recommendation:**

We recommend the Agency enforce established policies by requiring the submission of users' certifications. The certifications should be reviewed to ensure that all charges serve an authorized public purpose and, as applicable, personal calls are reimbursed.

**Agency Response:**

*The Agency did send out confirmation requests that cell phones were used for business, and any personal calls were to be reimbursed. The follow-up process has been changed to require additional action by Finance and Accounting staff to ensure all responses are received.*

**Finding 9:**

The Agency needs to continue efforts to implement rules for the Florida KidCare Program.

**Recommendation:**

In order to allow for public input and to help ensure consistent application of Program policies and procedures, we recommend the Agency continue efforts to promulgate rules for key components of the KidCare Program, as required by Statute.

**Agency Response:**

*The Agency's Office of the General Counsel reviewed the Agency's administrative rule authority in s. 409.818 (3)(f), and determined it was only necessary to develop a rule for investigating and resolving complaints and grievances. The Agency's Office of the General Counsel concluded that the other items listed were adequately explained in statute and thus a rule would be duplicative.*

*The Agency has developed a draft rule for the KidCare complaint and grievance process. A Rule Development Workshop was held November 20, 2006. Representatives from Legal Aid Services and Florida Healthy Kids Corporation attended the workshop and provided comments and both followed up with written comments. These comments were reviewed, and the draft rule was re-written.*

*The KidCare complaint process is handled by Florida Healthy Kids Corporation and they advised the Agency that they were in the process of revising their procedure. The Florida Healthy Kids Corporation Board must approve of the revisions to the complaint process before it can be implemented. The Board met on June 8, 2007 and approved the revisions. The draft rule has been re-written to incorporate the changes made and approved by Florida Healthy Kids Corporation.*

*The draft rule has been circulating through the Agency for approval, and currently only needs the Secretary's approval. Once the draft rule has been approved by the Agency, a Notice of Proposed Rule Making will be published and a public hearing will be advertised.*