

**AGENCY FOR PERSONS
WITH DISABILITIES**

iBudget Florida



Sherrill F. Norman, CPA
Auditor General

Director of the Agency for Persons with Disabilities

The Agency for Persons with Disabilities is established by Section 20.197, Florida Statutes, as a separate budget entity within the Department of Children and Families for administrative purposes only. The head of the Agency is the Director who is appointed by the Governor and subject to confirmation by the Senate. Barbara Palmer served as Agency Director during the period of our audit.

The team leader was Sabrina Ballew, CPA, and the audit was supervised by Allen G. Weiner, CPA.

Please address inquiries regarding this report to Lisa Norman, CPA, Audit Manager, by e-mail at lisanorman@aud.state.fl.us or by telephone at (850) 412-2831.

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AGENCY FOR PERSONS WITH DISABILITIES

iBudget Florida

SUMMARY

This operational audit of the Agency for Persons with Disabilities (Agency) focused on the administration of iBudget Florida and included a follow-up on finding Nos. 1 through 3 noted in our report No. 2014-056. Our audit disclosed the following:

Finding 1: Statutory allowances for additional client funding and differences in client circumstances and needs inhibit the achievement of iBudget Florida financial management goals and the reduction of the number of individuals on the waiting list.

BACKGROUND

Pursuant to State law,¹ the Agency for Persons with Disabilities (Agency) is responsible for the provision of services to individuals with developmental disabilities and for the programmatic management of Medicaid waivers established to provide services to persons with developmental disabilities. The Agency serves eligible individuals (clients) in the State with autism, cerebral palsy, spina bifida, intellectual disabilities, Down syndrome, Prader-Willi syndrome, and Phelan-McDermid syndrome, as well as children aged 3 to 5 years at high risk of being diagnosed with a developmental disability. For the 2017-18 fiscal year, the Legislature appropriated approximately \$1.3 billion to the Agency and authorized 2,702.50 positions.²

The Medicaid Home and Community-Based Services (HCBS) waiver program permits the State to provide home and community-based supports and services to clients living at home or in a home-like setting. In 2010, the Legislature found³ that improved financial management of the State's HCBS waiver program was necessary to avoid deficits that impede the provision of services to individuals on the waiting list for enrollment in the program. The Legislature further found that clients and their families should have greater flexibility to choose the services that best allow them to live in their community within the limits of an established budget. Accordingly, the Agency, in consultation with the Agency for Health Care Administration, established the Florida Developmental Disabilities Individual Budgeting Waiver service delivery system (iBudget Florida) that uses individual budgets as the basis for allocating funds among clients.

The Agency uses iBudget Florida to manage the HCBS waiver program and, among other things, iBudget Florida is to provide:

- Enhanced client choice within a specified service package.
- Appropriate assessment strategies.

¹ Section 20.197(3), Florida Statutes.

² Chapter 2017-70, Laws of Florida.

³ Section 393.0662, Florida Statutes.

- An efficient client budgeting and billing process.
- A mechanism to monitor and control payments.
- Equitable allocation of available funds to clients based on client levels of need.

To assist clients, iBudget Florida offers various supports and services delivered by contracted service providers. These services include residential habilitation, behavioral services, companion services, adult day training, employment services, and physical therapy. In our report No. 2014-056, we noted that Agency expenditures for the HCBS waiver program exceeded annual appropriations for the 2009-10 through 2011-12 fiscal years, which necessitated supplemental legislative appropriations for the 2010-11 and 2011-12 fiscal years. As shown in Table 1, HCBS waiver program expenditures also exceeded appropriations for the 2015-16 through 2017-18 fiscal years.

Table 1
HCBS Waiver Program
Appropriations, Expenditures, and Number of Clients Served,
on the Waiting List, and Moved Off the Waiting List
By Fiscal Year

| Fiscal Year | Annual Appropriations | Annual Expenditures | Surplus/ (Deficit) | Number of Clients Served | Number of Individuals on Waiting List as of June 30 | Number of Individuals Moved Off Waiting List |
|-------------|-----------------------|---------------------|--------------------|--------------------------|---|--|
| 2013-14 | \$ 915,250,356 | \$ 858,582,751 | \$ 56,667,605 | 30,092 | 21,165 | 3,008 |
| 2014-15 | 941,032,259 | 917,529,573 | 23,502,686 | 30,992 | 21,331 | 2,425 |
| 2015-16 | 1,129,176,502 | 1,130,169,476 | (992,974) | 32,715 | 20,486 | 3,189 |
| 2016-17 | 1,097,206,747 | 1,097,462,366 | (255,619) | 33,951 | 20,723 | 2,382 |
| 2017-18 | 1,111,283,222 | 1,167,340,281 | (56,057,059) | 34,537 | 21,471 | 1,770 |

Source: Agency records.

To establish each client's individual budget (iBudget), State law⁴ requires the Agency to use an allocation methodology based on an algorithm that uses variables with a statistically validated relationship to the client's need for services provided through iBudget Florida and, as applicable, incorporate any funding authorized by the Agency for extraordinary or significant client needs.⁵ The methodology and algorithm may consider individual client characteristics, including, but not limited to, a client's age and living situation, information from a formal assessment instrument the Agency determines valid and reliable, and information from other appropriate assessment processes.⁶

Pursuant to State law,⁷ the Agency adopted rules specifying the allocation methodology and algorithm; criteria and processes for clients to access funds reserved for extraordinary needs, temporarily or

⁴ Sections 393.0662(1)(a) and 393.063(3) and (4), Florida Statutes.

⁵ Section 393.0662(1)(b), Florida Statutes, authorizes the Agency to provide additional funding to a client when the client has an extraordinary need that would place the health and safety of the client, the client's caregiver, or the public in immediate, serious jeopardy unless the funds are approved. Additionally, the Agency is authorized to provide additional funding when a client has a significant need for one-time or temporary support or services, for increased services after the beginning of the service plan year, or for transportation services that, if not provided, would place the health and safety of the client, the client's caregiver, or the public, as applicable, in serious jeopardy.

⁶ Section 393.0661(3), Florida Statutes.

⁷ Section 393.0662(7), Florida Statutes.

permanently changed needs, and one-time needs; and processes and requirements for the selection and review of services, development of support and cost plans, and management of iBudget Florida. Effective July 7, 2016, the Agency revised the algorithm for individuals enrolled in iBudget Florida.⁸ According to Agency management, as of April 3, 2019, approximately 19,000 of the 34,600 iBudget Florida clients had been transitioned to the new algorithm and all clients were expected to transition to the new algorithm by July 2020. Additionally, Agency management indicated that the Agency was implementing a new information technology system to manage iBudget Florida, with a planned completion date of Fall 2020.

As part of iBudget Florida, the Agency annually authorizes a cost plan for each client outlining the client's approved services and costs for the fiscal year. To implement the algorithm, clients and their families meet with Waiver Support Coordinators (WSCs)⁹ who are responsible for preparing an Amount Implementation Meeting (AIM) Worksheet that communicates a client's algorithm amount, identifies proposed services based on the algorithm amount, and documents significant additional needs (SANs), if any, that cannot be met by the algorithm amount.¹⁰ The Agency conducts individual reviews to determine whether the services requested meet health and safety needs and waiver coverage limitations. The Agency is to approve an amount greater than the algorithm amount if additional funding is required to meet a client's SANs. Within 30 days of receiving an AIM worksheet, the Agency is to advise the client or their representative of the Agency's decision and approved cost plan amount.

FINDINGS AND RECOMMENDATIONS

Finding 1: iBudget Florida Allocation Methodology and Algorithm

To improve the financial management of the HCBS waiver program, avoid deficits that impede the provision of services to individuals on the waiting list for enrollment in the program, and provide clients and their families greater flexibility to choose the services that best allow them to live in their community within the limits of an established budget, the Agency established an allocation methodology and algorithm that served as the basis for each client's iBudget. As part of our audit, we evaluated the effectiveness of the Agency's allocation methodology and algorithm in achieving the legislative intent of iBudget Florida. Our evaluation found that, while the Agency's algorithm was statistically valid, statutory allowances for additional client funding and differences in client circumstances and needs inhibit the achievement of iBudget Florida financial management goals and reduction of the number of individuals on the waiting list, as reflected in Table 1 in the **BACKGROUND** section of this report. Specifically:

⁸ Agency Rules 65G-4.0213 through 4.0218, Florida Administrative Code.

⁹ WSCs are individuals selected by the client to assist the client and their family in identifying their capacities, needs, and resources; finding and gaining access to necessary supports and services; coordinating the delivery of supports and services; advocating on behalf of the client and family; maintaining relevant records; and monitoring and evaluating the delivery of supports and services to determine the extent to which they meet the needs and expectations identified by the client, family, and others who participated in the development of the support plan.

¹⁰ SANs represent needs for additional funding that if not provided would place the health and safety of the client, their caregiver, or public in serious jeopardy that are authorized by Section 393.0662(1)(b), Florida Statutes.

- While, in addition to a client’s iBudget amount as determined by the algorithm, State law¹¹ authorizes the Agency to allot additional funding for extraordinary or significant client needs, the vast majority of clients’ approved cost plan amounts far exceeded their algorithm amounts.
 - Our examination of the calculation of the algorithm amounts for 60 clients who received services during the period July 2017 through January 2018 found that 51 of the clients’ approved cost plan amounts exceeded their algorithm amounts. For example, one client’s approved cost plan totaled \$60,257, including \$37,528 for SANs services not covered by the algorithm. For another client, the client’s approved cost plan totaled \$173,196, including \$108,259 for SANs services not covered by the algorithm.
 - To assess the potential impact of fully implementing the July 2016 algorithm and determine the extent to which additional funding requirements beyond client algorithm amounts impact the achievement of iBudget Florida financial management goals and reduction of the number of individuals on the waiting list, we recalculated the algorithm amounts for all clients as of April 30, 2018, using the July 2016 algorithm. We then compared each client’s recalculated algorithm amount to their cost plan amount and noted that over 61 percent of client cost plan amounts would exceed 125 percent of their algorithm amounts and, in some cases, 1,000 percent of the algorithm amounts. In total, based on the approved client cost plan amounts at the time of our audit and using the July 2016 algorithm for all clients, the Agency would have to provide additional funds to 86 percent of its clients. The results of our comparison of recalculated client algorithm amounts to cost plan amounts are presented in Table 2.

Table 2
Comparison of Recalculated Client Algorithm Amounts to Cost Plan Amounts

| Percentage Difference Between Cost Plan Amount and Algorithm Amount | Number of Cost Plans | Percent of Total Cost Plans | Total Algorithm Amounts | Total Cost Plan Amounts | Percent of Total Cost Plan Amounts |
|--|----------------------------|-----------------------------------|-------------------------------|-------------------------------|---|
| Cost Plan 200% or More than Algorithm | 7,562 | 22.04% | \$146,841,020 | \$ 434,787,497 | 29.77% |
| Cost Plan 150% to 199% of Algorithm | 6,853 | 19.98% | 177,029,156 | 301,257,930 | 20.63% |
| Cost Plan 125% to 149% of Algorithm | 6,713 | 19.57% | 220,733,027 | 300,889,728 | 20.60% |
| Cost Plan 101% to 124% of Algorithm | 8,485 | 24.73% | 287,393,519 | 321,806,419 | 22.03% |
| Cost Plan 100% or Less than Algorithm | 4,691 | 13.67% | 124,462,907 | 101,833,661 | 6.97% |
| Totals | <u>34,304</u> | | <u>\$956,459,629</u> | <u>\$1,460,575,235</u> | |

Source: Agency records and auditor calculations.

- As shown in Table 1 in the **BACKGROUND** section of this report, since the July 2013 implementation of iBudget Florida, the HCBS waiver program has experienced frequent deficits, most recently for the 2017-18 fiscal year. Additionally, while the Agency has moved over 12,000 individuals off the waiting list since the 2013-14 fiscal year, the overall number of individuals on the waiting list has remained relatively unchanged.

¹¹ Section 393.0662(1)(b), Florida Statutes.

We inquired of Agency management regarding how the Agency monitored and controlled iBudget Florida expenditures to ensure that expenditures were limited to the amount appropriated for the HCBS waiver program. While Agency management indicated that methods, including expenditure forecasting, had been developed to monitor and control iBudget Florida expenditures, the methods were not effective in ensuring that iBudget Florida expenditures did not exceed appropriated amounts.

Absent an effective methodology to allocate and control iBudget Florida expenditures, the Agency's ability to improve the financial management of the HCBS waiver program and avoid deficits that impede the provision of services to individuals on the program's waiting list is limited.

Recommendation: We recommend that Agency management consult with the Legislature regarding whether potential statutory revisions are necessary to achieve iBudget Florida financial management and waiting list goals.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the Agency had taken corrective actions for the applicable findings included in our report No. 2014-056.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from February 2018 through February 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit of the Agency for Persons with Disabilities (Agency) focused on the administration of iBudget Florida. The overall objectives of the audit were:

- To evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- To examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in our report No. 2014-056 (finding Nos. 1 through 3).
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature, does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, policies and procedures, Agency handbooks, and other guidelines, and interviewed and observed Department personnel to obtain an understanding of iBudget Florida.
- For the 34,304 iBudget Florida clients who received services during the period July 2017 through January 2018, recalculated the clients' iBudget algorithm amounts as of April 30, 2018, using the July 2016 algorithm and compared the recalculated algorithm amounts to authorized client cost plan amounts to determine whether the algorithm was effective at estimating client service costs.
- For the 2016-17 fiscal year, compared total iBudget Florida expenditures to the Agency's Medicaid Home and Community-Based Services waiver program authorized budget to determine whether expenditures exceeded the authorized amount.
- Analyzed Agency iBudget Florida waiting lists for the 2014-15 through 2016-17 fiscal years to determine whether legislative appropriations had been appropriately utilized to remove clients from the waiting lists.
- Reviewed the client data provided to the actuary and statistician for the February 2018 actuarial report on the iBudget Florida reserve and the June 2015 statistical report on the iBudget algorithm, respectively, to determine whether the data was accurate and complete. We also reviewed Agency records to determine whether the Agency reviewed the actuary's and statistician's methodology and conclusions for appropriateness.

- Analyzed the Agency's application and use of the iBudget Florida reserve to determine whether the Agency complied with applicable laws governing the reserve.
- From the population of 10,193 clients who were transitioned to the July 2016 iBudget Florida algorithm during the period July 2016 through April 12, 2018, examined Agency records for 60 selected clients to determine whether the algorithm and allocation methodology were in accordance with applicable laws and Agency rules. Additionally, we examined the documentation for the data items utilized in the algorithm to determine if the items were accurate and properly supported and, if the client's funding amount was decreased from the previous algorithm, if appropriate procedures were followed to document the decrease and communication of the change to the client.
- From the population of 10,193 clients who were transitioned to the July 2016 iBudget Florida algorithm during the period July 2016 through April 12, 2018, examined Agency records for 60 selected clients to determine whether the Agency appropriately established and approved client cost plans for the 2017-18 fiscal year. Additionally, we selected and examined Agency payment records for 10 of the 60 clients to determine whether payments on behalf of clients did not exceed the amounts authorized in client cost plans as of April 30, 2018.
- From the population of 10,735,727 payments, totaling \$1,632,868,910, made on behalf of clients during the period July 2016 through January 2018, examined Agency records for 97 selected payments, totaling \$122,751, made on behalf of 60 clients to determine whether the payments were properly authorized, calculated, and coded, and paid at the appropriate rate.
- Observed, documented, and evaluated the effectiveness of selected Agency processes and procedures for:
 - Budgetary, revenue and cash receipt, and purchasing activities.
 - The assignment and use of motor vehicles. As of January 3, 2018, the Agency was responsible for 172 motor vehicles with related acquisition costs totaling \$2,833,511.
 - The assignment and use of mobile devices with related costs totaling \$224,022 during the period July 2016 through February 2018.
 - The acquisition and management of real property leases in accordance with State law, Department of Management Services rules, and other applicable guidelines. As of January 31, 2018, the Agency was responsible for 15 real property leases.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each State agency on a periodic basis. 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial 'S' and 'N'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Ron DeSantis
Governor

August 9, 2019

■ ■
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Re: Preliminary and Tentative Audit Findings – Agency for Persons with Disabilities, iBudget Florida

Dear Ms. Norman:

I appreciate this opportunity to respond to the preliminary and tentative audit findings and recommendations concerning your operational audit of the *Agency for Persons with Disabilities, iBudget Florida*. Our response is enclosed as required by section 11.45(4)(d), Florida Statutes.

I appreciate the effort of you and your staff in assisting to improve our operations. If you have any questions or need additional information, please contact Shawn McCormick, Director of Audit at (850) 414-8774.

Sincerely,

Barbara Palmer
Director

BP/sm
Enclosure

<http://apdcares.org>

AGENCY FOR PERSONS WITH DISABILITIES, iBUDGET FLORIDA

Finding No. 1: iBudget Florida Allocation Methodology and Algorithm

Finding: Statutory allowances for additional client funding and differences in client circumstances and needs inhibit the achievement of iBudget Florida financial management goals and the reduction of the number of individuals on the waiting list.

Recommendation: We recommend that Agency management consult with the Legislature regarding whether potential statutory revisions are necessary to achieve iBudget Florida financial management and waiting list goals.

Agency Response: The Agency for Persons with Disabilities (Agency) concurs with the Auditor General's recommendation.

The 2019 implementing bill requires the Agency for Persons with Disabilities, in conjunction with the Agency for Health Care Administration, to develop and submit a plan to redesign the iBudget Waiver Program to the President of the Senate and the Speaker of the House of Representatives for consideration and ultimate Legislative approval.