

**AGENCY FOR HEALTH CARE
ADMINISTRATION**

MediKids Program Funding
and Selected Administrative Activities



Sherrill F. Norman, CPA
Auditor General

Secretary of the Agency for Health Care Administration

The Agency for Health Care Administration is established by Section 20.42, Florida Statutes. The head of the Agency is the Secretary who is appointed by the Governor and subject to confirmation by the Senate. During the period of our audit, the following individuals served as Secretary:

Mary C. Mayhew from January 22, 2019

Justin Senior through January 7, 2019

The team leader was Susan C. Phelan, CPA, and the audit was supervised by Lisa Norman, 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 HEALTH CARE ADMINISTRATION

Medikids Program Funding and Selected Administrative Activities

SUMMARY

This operational audit of the Agency for Health Care Administration (Agency) focused on Medikids program funding and selected administrative activities. The audit also included a follow-up on the findings noted in our report Nos. 2019-015 and 2018-172 and on applicable findings in our report No. 2018-002. Our audit disclosed the following:

MediKids Program

Finding 1: Contrary to State law, amounts collected from families whose children participated in the full-pay portion of the MediKids program were not sufficient to pay for the full cost of the Medikids program.

Selected Administrative Activities

Finding 2: The Bureau of Financial Services (BFS) had not established sufficiently comprehensive policies and procedures or developed a BFS-specific training program to ensure that staff received sufficient training related to the Agency's complex accounting and budgeting tasks. A similar finding was noted in prior audit reports, most recently in our report No. 2018-172.

Finding 3: BFS controls continue to need enhancement to ensure that accounting transactions are properly reviewed and approved.

Finding 4: BFS controls need enhancement to ensure that payments are accurately recorded in the Florida Accounting Information Resource Subsystem (FLAIR) and comply with statutory prompt payment requirements. A similar finding was noted in prior audit reports, most recently in our report No. 2018-172.

Finding 5: Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Agency data and information technology (IT) resources.

Finding 6: Agency tangible personal property controls need enhancement to ensure that physical property inventories are timely conducted and the results submitted to the Agency Property Administrator in accordance with established time frames.

Finding 7: Agency controls regarding the accuracy and completeness of the information needed to correctly report and maintain proper accountability over Agency property and demonstrate compliance with applicable Department of Financial Services rules need enhancement.

Finding 8: As similarly noted in prior audit reports, most recently in our report No. 2018-002, the Agency did not always timely or accurately record tangible personal property acquisitions in Agency property records.

Finding 9: The Agency did not post information for all Agency contracts to the Florida Accountability Contract Tracking System as required by State law. A similar finding was noted in our report No. 2019-015.

Information Technology

Finding 10: As similarly noted in our report No. 2018-172, IT user access controls for the Versa Regulation system and Care Provider Background Screening Clearinghouse need improvement to ensure that periodic reviews of user access privileges are adequately performed and documented and Agency records demonstrate that user access privileges are timely deactivated when access is no longer needed.

Finding 11: Agency controls over employee access to FLAIR continue to need improvement to help prevent and detect any improper or unauthorized use of FLAIR access privileges.

BACKGROUND

State law¹ designates the Agency for Health Care Administration (Agency) as the chief health policy and planning entity, responsible for administering the State's \$27.1 billion Medicaid program that served approximately 4.1 million Floridians during the 2019-20 fiscal year. The Agency is also responsible for licensing, inspecting, and regulating health care facilities; investigating consumer complaints related to health care facilities and managed care plans; and administering contracts with the Florida Healthy Kids Corporation.

FINDINGS AND RECOMMENDATIONS

MEDIKIDS PROGRAM

State law² established the Florida Kidcare program to provide a defined set of health benefits to uninsured, low-income children through a variety of affordable health benefits coverage options. Within the Florida Kidcare program, the Medikids program (Medikids) was created³ to provide health care services to eligible children using the administrative structure and provider network of the Medicaid program. The Agency Secretary is responsible for appointing a Medikids administrator and the Agency is designated⁴ as the State agency authorized to make payments for medical assistance and related services for MediKids.

Finding 1: MediKids Funding

MediKids offers low-cost health insurance for children ages 1 through 4 whose family income is below 200 percent of the Federal poverty level. State law⁵ provides that children of families with incomes above 200 percent of the Federal poverty level may participate in Medikids; however, those families are not eligible for premium assistance payments and must pay the full cost of the premium.⁶ As of March 2020,

¹ Section 20.42(3), Florida Statutes.

² Section 409.812, Florida Statutes.

³ Section 409.8132(1), Florida Statutes.

⁴ Section 409.8132(2), Florida Statutes.

⁵ Section 409.814(6)(a), Florida Statutes.

⁶ Section 409.811(22), Florida Statutes, defines premium as the entire cost of a health insurance plan, including the administration fee or the risk assumption charge.

41,430 children ages 1 through 4 were enrolled in Medikids, including 9,587 children enrolled in the full-pay portion of Medikids.

We examined Agency records for the period July 2018 through March 2020 to determine whether the amounts collected from families with children enrolled in the full-pay portion of Medikids were sufficient to fund the full premium cost. Our examination disclosed that, during that period, the premium costs for children enrolled in the full-pay portion of Medikids exceeded the amounts collected by \$13.4 million. Table 1 depicts, by quarter ended, the number of children enrolled in the full-pay portion of Medikids, the associated premium costs, the amounts collected, and the deficit amounts.

**Table 1
Medikids Full-Pay Premiums and Collections**

For the Quarters Ended September 2018 Through March 2020

Quarter Ended	Full-Pay Enrollment	Premium Costs	Amounts Collected	Deficit
September 30, 2018	8,151	\$ 4,937,932	\$ 3,818,397	\$ (1,119,535)
December 31, 2018	8,163	5,463,352	3,856,497	(1,606,855)
March 31, 2019	8,304	5,174,133	3,856,548	(1,317,585)
June 30, 2019	8,564	5,125,463	3,960,325	(1,165,138)
September 30, 2019	8,703	5,279,691	4,078,389	(1,201,302)
December 31, 2019	8,842	7,461,982	4,138,834	(3,323,148)
March 31, 2020	9,587	7,982,380	4,330,845	(3,651,535)
Totals		<u>\$41,424,933</u>	<u>\$28,039,835</u>	<u>\$(13,385,098)</u>

Source: Agency records.

According to Agency management, the Agency was aware of the deficit but elected to not increase the amounts due from families participating in the full-pay portion of Medikids as the increase would have been substantial. Notwithstanding, requiring applicable families to pay the full premium costs would be consistent with State law and better ensure the continued financial viability of the full-pay portion of Medikids.

Recommendation: We recommend that Agency management take steps to ensure that families enrolled in the full-pay portion of Medikids pay the full cost of the premium in accordance with State law.

SELECTED ADMINISTRATIVE ACTIVITIES

As part of our audit, we evaluated selected Agency administrative activities and controls, including those related to accounting and budgeting, staff training, prompt payments, mobile devices, property management, and contracts.

Finding 2: Accounting and Budgeting Policies and Procedures and Staff Training

The Agency, Division of Operations, Bureau of Financial Services (BFS), is responsible for performing a variety of complex accounting and budgeting tasks for the Agency. These tasks include budgeting and tracking Medicaid expenditures among numerous special appropriation categories, coordinating with the Agency's third-party administrator responsible for payment of Medicaid claims, making large year-end

accounting entries and adjustments related to estimates for Medicaid payables and receivables, and ensuring that Agency expenditures used to comply with Federal program matching requirements are appropriately tracked and reported.

In prior audit reports, most recently in our report No. 2018-172 (Finding 3), we noted that BFS management had neither established sufficiently comprehensive policies and procedures nor a BFS-specific training program, and Agency records did not always evidence that BFS employees had received appropriate accounting and budgeting training. As part of our follow-up audit procedures, we performed inquiries of BFS management and staff, reviewed BFS policies and procedures, and examined documentation related to the BFS organizational structure, staffing, and training to determine whether BFS management had established sufficient policies and procedures, developed a BFS-specific training program, and maintained records demonstrating that BFS employees had received appropriate accounting and budgeting training. Our audit procedures found that:

- BFS policies and procedures primarily consisted of desk procedures that listed detailed steps to be performed for specific accounting and budgeting tasks. However, the policies and procedures did not always:
 - Reference to, or provide sufficient descriptions of the provisions of, applicable laws, rules, and regulations.
 - Reference to, or provide sufficient direction regarding, applicable accounting standards and guidance.
 - Address the relationship of a particular task to other BFS tasks and functions.
 - Include documentation requirements for transactions recorded in Agency financial records.
 - Address appropriate separation of duties.
 - Evidence that appropriate management had reviewed and approved procedures for BFS employee use.
 - Indicate an effective date, or date of last revision, to facilitate the identification of current procedures.

In response to our audit inquiry, Agency management indicated that management turnover and competing priorities within the BFS contributed to the BFS policies and procedures deficiencies.

- The BFS had not established a BFS-specific training program or training plan outlining management's employee training vision and goals. Additionally, our examination of Agency training records found that, of the 38 BFS professional staff (10 supervisors and 28 staff) as of March 1, 2020, 2 supervisors and 3 staff did not receive any formal accounting or budget-related training during the period July 2018 through January 2020. According to Agency management, formal training activities for some BFS positions were unnecessary and on-the-job training was provided instead. However, Agency records did not evidence the determination that certain BFS positions did not require formal training.

We also analyzed the personnel records for ten selected BFS employees to evaluate the extent to which staff experience and turnover intensified the need for comprehensive policies and procedures and formal staff training. As similarly noted in prior audit reports, most recently in our report No. 2018-172 (Finding 3), we noted that the BFS had experienced significant turnover in the supervisory positions and that four of the ten selected BFS employees had been with the Agency for a year or less, and eight of the ten selected BFS employees had been in their current position for a year or less. According to Agency management, staff opportunities for advancement contributed to the turnover within the Agency. Table 2

depicts the number of BFS positions and vacancies and the length of BFS and Agency employment for selected BFS employees as of March 1, 2020.

Table 2
Number of BFS Positions and Vacancies and
Time in Current BFS Position and Length of Agency Employment
for BFS Employees Included in Audit Testing
As of March 1, 2020

	Supervisors	Staff	Total
Number of BFS Positions	10	35	<u>45</u>
Number of Vacancies	-	7	<u>7</u>
Number of BFS Employees Included in Audit Testing	7	3	<u>10</u>
Number of Selected BFS Employees in Current Positions:			
Less than 1 year	5	3	<u>8</u>
1 to 3 years	1	-	<u>1</u>
More than 3 years	1	-	<u>1</u>
Number of Selected BFS Employees Employed with the Agency:			
Less than 1 year	2	2	<u>4</u>
1 to 3 years	1	-	<u>1</u>
More than 3 years	4	1	<u>5</u>

Source: Auditor analysis of Agency records.

Without adequate written policies and procedures, a comprehensive BFS-specific training program, and staff continuity, the risk of noncompliance with State and Federal laws, rules, and regulations, and the likelihood of material misstatements or other errors in Agency financial records is increased. As noted in Finding 3, the lack of adequate policies and procedures and a comprehensive training program likely contributed to the absence of management review and approval of certain Agency accounting transactions.

Recommendation: We recommend that BFS management update policies and procedures to ensure that BFS responsibilities and unique operations are sufficiently addressed. The updated policies and procedures should promote compliance with applicable laws, rules, regulations, and accounting standards, and provide sufficient guidance to ensure consistency in the event of staff turnover. In addition, we again recommend that BFS management develop a staff training program that is specifically tailored to address the complexity of the Agency’s financial operations and maintain appropriate documentation demonstrating BFS staff attendance at training activities or why formal training activities were not required.

Finding 3: Accounting Transactions

State law⁷ specifies that State agencies are responsible for maintaining the accounting records necessary for the effective management of their programs and functions. Fundamental to their oversight of Agency accounting and budgeting functions, BFS management has the responsibility to implement controls to

⁷ Section 216.141(3), Florida Statutes.

ensure that accounting transactions and records are complete; adequately supported; made in compliance with applicable laws, rules, regulations, and accounting standards; and properly authorized.

We examined available documentation supporting 90 Agency accounting transactions, with a cumulative absolute value of approximately \$1 billion, recorded in the Florida Accounting Information Resource Subsystem (FLAIR) during the period July 2018 through January 2020 to determine whether the transactions were appropriately supported, reviewed, and approved. We found that, for 10 accounting transactions with a cumulative absolute value of \$215,947,278, the BFS could not provide documentation evidencing that the transactions had been reviewed or approved by the appropriate BFS supervisor. A similar finding was noted in prior audits of the Agency, most recently in our report No. 2018-172 (Finding 4).

According to Agency management, the Agency relied on an outdated process that did not require management review and approval of the type of accounting transactions noted on audit. Additionally, as noted in Finding 2, comprehensive BFS policies and procedures reflective of updated processes and a BFS-specific training program for implementing applicable controls is critical to ensuring the maintenance of sufficient documentation evidencing the review and approval of accounting transactions.

Documentation demonstrating supervisory review and approval of accounting transactions increases management's assurance that transactions are appropriately executed in accordance with applicable laws, rules, regulations, accounting standards, and other guidelines.

Recommendation: We recommend that BFS management update review and approval processes to encompass the accounting transactions noted on audit and ensure that Agency records evidence the review and approval of all Agency accounting transactions.

Finding 4: Prompt Payments

State law⁸ requires State agencies to record in FLAIR all invoices received, approve the invoices for payment, and file the invoices with the State's Chief Financial Officer⁹ no later than 20 days after receipt of the invoices and receipt, inspection, and approval of the goods or services, except in the case of a bona fide dispute. If payment of an invoice is not issued within 40 days after receipt of the invoice, State law¹⁰ requires the agency to pay interest to the vendor on the unpaid balance.

Pursuant to State law,¹¹ the DFS established the acceptable rate of prompt payment compliance at 95 percent.¹² In addition, the DFS specified that, in the FLAIR Transaction Date field, State agencies were to record the later of the date the goods or services were received, inspected, and approved, or the date the invoice was received. For advance payments, State agencies are to record all zeros in the Transaction Date field. The DFS uses the FLAIR Transaction Date field to monitor State agency

⁸ Section 215.422(1), Florida Statutes.

⁹ Pursuant to Section 20.121, Florida Statutes, the State's Chief Financial Officer is the head of the Department of Financial Services (DFS).

¹⁰ Section 215.422(3)(b), Florida Statutes.

¹¹ Section 215.422(6), Florida Statutes.

¹² Chief Financial Officer Memorandum No. 1 (2013-14) and, as of November 1, 2019, Chief Financial Officer Memorandum No. 18 (2019-20).

compliance with statutory prompt payment requirements and to identify those transactions for which an agency would be required to pay interest.

As part of our audit, we examined DFS Quarterly Agency Prompt Payment Compliance reports and Agency records to determine whether the Agency paid invoices in accordance with State law and DFS guidelines and accurately recorded transaction dates in FLAIR. Our examination disclosed that Agency controls need improvement to ensure that payments are made timely and transaction dates are accurately recorded in FLAIR. Specifically:

- Our examination of the DFS Quarterly Agency Prompt Payment Compliance reports for the quarters ended September 2018 through September 2020 disclosed that, for four of the nine quarters, the Agency's compliance rate was below 95 percent. The compliance rates for the four quarters ranged from 77.82 percent to 94.68 percent (an average of 83.86 percent).
- Our examination of 40 expenditure transactions totaling \$3,989,226 disclosed that the BFS incorrectly recorded in FLAIR the transaction dates for 32 expenditure transactions totaling \$3,981,034, including 11 advance payment transactions. For the 23 expenditure transactions that were not advance payments, the transaction dates recorded by the BFS ranged from 1 to 102 days later than the transaction dates supported by Agency records. Had the BFS correctly recorded the transaction dates for 6 of these 23 transactions, the Agency would not have complied with the prompt payment requirements.

According to Agency management, staff turnover within the BFS contributed to the prompt payment deficiencies and FLAIR recording errors.

Without adequate invoice payment controls and accurate transaction dates, the Agency may not comply with statutory prompt payment requirements, instances of noncompliance may not be identified by the DFS, and the Agency may not make required interest payments. A similar finding has been noted in recent audits of the Agency, most recently in our report No. 2018-172 (Finding 4).

Recommendation: We again recommend that BFS management strengthen invoice payment and processing controls to promote compliance with statutory prompt payment requirements.

Finding 5: Mobile Device Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit procedures disclosed that certain security controls related to Agency employee mobile device¹³ utilization need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising Agency data and IT resources. However, we have notified appropriate Agency management of the specific issues.

Without appropriate security controls related to the use of mobile devices by Agency employees, the risk is increased that the confidentiality, integrity, and availability of Agency data and IT resources may be compromised.

¹³ Mobile devices are portable devices, such as laptop computers, smartphones, and tablets, that allow storage and transmittal of entity data.

Recommendation: We recommend that Agency management enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity, and availability of Agency data and related IT resources.

Finding 6: Property Inventories

Effective controls for the management of tangible personal property¹⁴ require that property items be adequately controlled, safeguarded, and accounted for by Agency management. DFS rules¹⁵ require the Agency to record all tangible personal property in the FLAIR Property Subsystem and complete a physical inventory of all tangible personal property at least once each fiscal year. Upon completion of a physical inventory, the results are to be reconciled to Agency property records and noted differences are to be investigated and corrected, as appropriate.

In accordance with DFS rules, Agency policies and procedures specified that, in coordination with the Agency Property Administrator, Agency Property Custodians were to conduct annual physical inventories of all tangible personal property and investigate and resolve any differences identified during the physical inventory. To perform the annual physical inventories, the Agency, Bureau of Support Services, provided each Property Custodian a list of State-owned tangible personal property items with the corresponding property tag numbers. Within 60 calendar days, the Property Custodians were to conduct the physical inventories and submit completed inventory lists with any required supplemental documentation to the Agency Property Administrator.

According to Agency property records, as of December 31, 2019, the Agency was responsible for 1,370 active property items with acquisition costs totaling approximately \$4.7 million. To determine whether the Agency appropriately conducted and reconciled the results of the annual physical inventories, we examined Agency records related to the 2018-19 fiscal year physical inventory for 6 of the Agency's 62 organizational units. As of December 31, 2019, the recorded acquisition costs for the 791 active property items assigned to these 6 organizational units totaled \$3,675,383. Our examination disclosed that the Property Custodians for 3 of the 6 organizational units did not timely complete the physical inventories or timely submit completed inventory lists to the Agency Property Administrator. Specifically, completed inventory lists were submitted 22, 51, and 136 calendar days late. According to Agency management, the untimely annual physical inventories and late-submitted lists were due to limited staff resources.

Timely periodic physical inventories of tangible personal property are necessary to ensure proper accountability for and safeguarding of State-owned property.

Recommendation: We recommend that Agency management take steps to ensure that physical inventories of tangible personal property are timely performed and the results of the inventories are submitted to the Agency Property Administrator in accordance with established time frames.

¹⁴ During the period of our audit (July 2018 through January 2020), tangible personal property was defined in applicable laws and rules as State-owned equipment, fixtures, and other tangible personal property of a nonconsumable or nonexpendable nature, the value or cost of which was \$1,000 or more and the projected useful life of which was 1 year or more. Effective July 1, 2020, DFS Rule 69I-72.002, Florida Administrative Code, was amended to increase the tangible personal property threshold to \$5,000.

¹⁵ DFS Rules 69I-72.002 and 69I-72.006, Florida Administrative Code.

Finding 7: Property Records

DFS rules¹⁶ require that, for each tangible personal property item, Agency property records include, among other things, the number and description of items in a property group, manufacturer information, model or year, serial number, and method of acquisition for the item, including the voucher number, as applicable. As of December 31, 2019, Agency property records included 1,370 active property items with acquisition costs totaling approximately \$4.7 million, including 234 items with recorded costs over \$5,000 each and totaling approximately \$2.9 million. As part of our audit, we evaluated Agency property management procedures and examined Agency property records to determine whether the procedures promoted, and the records evidenced, the recording of all required property information. We found that Agency property records did not include all the information required by DFS rules. Specifically, the property records for:

- 674 property items with acquisition costs totaling \$1,361,071 did not include a voucher number, although the property records indicated that the items had been purchased.¹⁷
- 159 property items with acquisition costs totaling \$744,889 did not include the model or year, and 127 of the 159 items did not include manufacturer information.¹⁸
- 21 property items with acquisition costs totaling \$144,630 did not include a serial number.¹⁹ For 11 other property items with acquisition costs totaling \$77,530, the property records included duplicate serial numbers.²⁰
- 4 property items with acquisition costs totaling \$144,140 that were included in a property group did not include required information such as the number and description of component items comprising the group.²¹

According to Agency management, the property record errors were due to staff resource issues and employee oversight.

Absent effective property controls, Agency management has reduced assurances regarding the accuracy and completeness of the information needed to correctly report and maintain proper accountability over Agency property and cannot demonstrate compliance with applicable DFS rules.

Recommendation: We recommend that Agency management enhance controls to promote the complete and accurate recording of all required property information in Agency property records.

Finding 8: Property Acquisitions

As previously noted, DFS rules²² required State agencies to record all tangible personal property with a value or cost of \$1,000 or more and a projected useful life of 1 year or more in the FLAIR Property

¹⁶ DFS Rule 69I-72.003, Florida Administrative Code.

¹⁷ The acquisition cost for 34 of the 674 items was over \$5,000 and totaled \$476,316.

¹⁸ The acquisition cost for 21 of the 159 items was over \$5,000 and totaled \$433,127.

¹⁹ The acquisition cost for 13 of the 21 items was over \$5,000 and totaled \$130,321.

²⁰ The acquisition cost for 2 of the 11 items was over \$5,000 and totaled \$34,203.

²¹ The acquisition cost for 3 of the 4 items was over \$5,000 and totaled \$142,460.

²² DFS Rule 69I-72.002, Florida Administrative Code.

Subsystem. The acquisition cost recorded for each tangible personal property item is to include the invoice price plus all costs necessary to get the property in place and ready for use, less any discounts.

In prior audit reports, most recently in our report No. 2018-002 (Finding 8), we noted that the Agency did not always timely or accurately record tangible personal property acquisitions in Agency property records. According to Agency records, during the period July 2018 through January 2020, the Agency purchased 132 tangible personal property items with acquisition costs totaling \$493,216. As part of our follow-up audit procedures, we evaluated Agency procedures and examined Agency records for 25 tangible personal property items, with acquisition costs totaling \$65,273, acquired during the period July 2018 through January 2020 to determine whether the items²³ were timely and accurately recorded in the property records. We found that:

- Agency property management procedures did not address how to determine the cost of tangible personal property acquisitions or specify how to account for the costs necessary to place items into service. Additionally, the procedures did not include a time frame for recording tangible personal property acquisitions to Agency property records.
- In the absence of an Agency-specified time frame, we considered tangible personal property items recorded to the Agency property records within 30 calendar days of receipt to be timely recorded. Our examination found that the Agency had not timely recorded 23 tangible personal property items, with acquisition costs totaling \$48,489, to Agency property records.²⁴ The 23 items were added to Agency property records 50 to 128 calendar days (an average of 59 calendar days) after the items were received.
- The Agency did not appropriately calculate the acquisition costs for 21 of the 25 tangible personal property items. Specifically, the Agency included the cost of docking stations in the recorded cost of 19 tablet computers, although the docking stations were not for the computers included in the invoice. Additionally, the Agency included the costs of service contracts when recording the acquisition costs for two servers.

According to Agency management, the property management procedures had not been updated to address cost accounting matters or specify time frames for recording property acquisitions due to competing priorities and the delays, and errors in recording property items were due to staff resource issues and employee oversight.

Absent effective property controls, Agency management cannot demonstrate compliance with applicable DFS rules and has reduced assurances regarding the accuracy of the information needed to correctly report and maintain proper accountability over Agency property.

Recommendation: We again recommend that Agency management enhance tangible personal property controls to ensure that Agency property records are timely updated for tangible personal property acquisitions and accurately maintained in accordance with DFS rules. Such tangible personal property control enhancements should include a specified time frame for recording tangible personal property acquisitions to Agency property records and guidance addressing the recording of property items at the correct cost.

²³ The acquisition cost for 3 of the 25 items was over \$5,000 and totaled \$44,211.

²⁴ The acquisition cost for 2 of the 23 items was over \$5,000 and totaled \$30,040.

Finding 9: Contract Information Reporting

Pursuant to State law,²⁵ the DFS established the Florida Accountability Contract Tracking System (FACTS), an online tool that provides users and the public access to State contract and grant financial information. State law requires, within 30 calendar days of executing a contract,²⁶ State agencies to post to FACTS for each contract:

- The names of the contracting entities and procurement method.
- The contract beginning and ending dates and the nature or type of commodities or services purchased.
- Applicable contract unit prices and deliverables and the total compensation to be paid or received under the contract.
- All payments made to the contractor to date and applicable contract performance measures.
- If a competitive solicitation was not used to procure the goods or services, the justification of such action, including citation to a statutory exemption or exception from competitive solicitation, if any.
- Electronic copies of the contract and procurement documents redacted to exclude confidential and exempt information.

The Agency records data for all executed contracts in the Agency's Contract Administration Tracking System (CATS), which is used to electronically transmit contract information to FACTS each night. According to CATS records, the Agency had 275 contracts, totaling approximately \$186.4 billion, active during the period July 2018 through January 2020. However, our analysis of FACTS records disclosed that, for the period July 2018 through January 2020, FACTS only included information related to 176 active Agency contracts totaling \$16.3 billion. A similar finding was noted in our report No. 2019-015 (Finding 2).

Our further analysis of Agency records found that, of the 99 Agency contracts not included in FACTS, 53 contracts totaling approximately \$169.7 billion were Agency contracts with Medicaid managed care organizations, which are not paid through the DFS. According to Agency management, the Agency had historically only included in FACTS contracts paid through the DFS. In September 2018, the DFS advised the Agency that they were not aware of any FACTS exemptions for contracts paid outside the DFS. Despite this guidance, Agency management could not explain why the Agency had not taken corrective action to report all Agency contracts in FACTS, as these decisions were made by prior management.

Timely posting to FACTS required contract information for all contracts enhances transparency, strengthens accountability, and ensures compliance with State law.

Recommendation: We recommend that Agency management enhance controls to ensure that required contract information for all Agency contracts is timely posted to FACTS in accordance with State law.

²⁵ Section 215.985(14), Florida Statutes.

²⁶ Section 215.985(2)(b), Florida Statutes, defines a contract to include a written agreement or purchase order for the purchase of goods or services or a written agreement for the receipt of State or Federal financial assistance.

State law²⁷ requires State agencies to establish information security controls to ensure the security of agency data, information, and IT resources. Additionally, Department of Management Services (DMS) rules²⁸ establish minimum security standards for ensuring the confidentiality, integrity, and availability of State agency data, information, and IT resources. As part of our audit, we evaluated selected Agency IT controls for the VERSA Regulation system,²⁹ the Care Provider Background Screening Clearinghouse (Clearinghouse),³⁰ the Agency network, and FLAIR.

Finding 10: VERSA Regulation System and Clearinghouse Access Controls

DMS rules³¹ require State agencies to periodically review user access privileges for appropriateness. DMS rules³² also require State agencies to ensure that IT access privileges are removed when access to an IT resource is no longer required. Prompt action to deactivate access privileges is necessary to help prevent misuse of the access privileges.

When an employee separated from Agency employment, Agency procedures³³ required the Agency's Help Desk to be notified by a Network Access Form (NAF) completed by the employee's supervisor or by e-mail notification from the Bureau of Human Resources. The Agency's Help Desk was responsible for deactivating user access privileges to the Agency's network, the Clearinghouse, and the VERSA Regulation system.

In our report No. 2018-172 (Finding 6), we noted that Agency controls over employee access to the VERSA Regulation system and the Clearinghouse needed improvement. As part of our follow-up audit procedures, we evaluated IT user access controls for the VERSA Regulation system and the Clearinghouse and found that improvements were still needed to ensure that periodic reviews of user access privileges were performed and Agency records demonstrate that access privileges were timely deactivated when access was no longer necessary. Specifically, we found that:

- The Agency did not perform adequate periodic reviews of VERSA Regulation system or Clearinghouse user access privileges during the period July 2018 through January 2020. Specifically:
 - The Agency did not perform periodic reviews of VERSA Regulation system user access privileges.
 - Agency periodic reviews of Clearinghouse user access privileges were limited to non-Agency users and related records did not always evidence the completeness of such reviews.

²⁷ Section 282.318(4)(d), Florida Statutes.

²⁸ DMS Rules, Chapter 60GG-2, Florida Administrative Code.

²⁹ The Agency used the VERSA Regulation system to manage health care facility licensure, registration, inspection, and enforcement activities.

³⁰ The Clearinghouse is a Web-based system that provides the background screening results of persons required to be screened by State law for employment in positions that provide services to children, the elderly, and disabled individuals.

³¹ DMS Rule 60GG-2.003(1)(a)6., Florida Administrative Code.

³² DMS Rule 60GG-2.003(1)(a)8., Florida Administrative Code.

³³ Agency, Bureau of Customer Service and Support, Standard Operating Procedures, *Terminate User Accounts*.

According to Agency management, periodic reviews of VERSA Regulation system user access privileges were not completed and documentation of Clearinghouse reviews was not maintained due to staff inexperience and procedural errors.

- 15 of the 98 VERSA Regulation system user accounts deactivated during the period July 2018 through January 2020 were not timely deactivated upon the users' separation from Agency employment. The 15 user accounts were deactivated 2 to 16 business days (an average of 4 business days) after the users' employment separation dates. Additionally, 11 of the 420 VERSA Regulation system user accounts active as of May 21, 2020, were assigned to users who had separated from Agency employment. As of May 21, 2020, the 11 user accounts remained active 181 business days to approximately 4 years (an average of 729 business days) after the users' employment separation dates. According to Agency management, the VERSA Regulation system user accounts were not timely deactivated due to procedural errors.

Periodic reviews of IT user access privileges and prompt deactivation of user access privileges upon a user's separation from Agency employment provides Agency management assurance that user access privileges are authorized and remain appropriate. Additionally, timely deactivation of IT user access privileges limits the potential for unauthorized disclosure, modification, or destruction of Agency data and IT resources by former employees or others.

Recommendation: We again recommend that Agency management strengthen controls to ensure that periodic reviews of VERSA Regulation system and Clearinghouse user access privileges are adequately performed and documented in Agency records. We also recommend that Agency management enhance controls to ensure that VERSA Regulation system user access privileges are deactivated immediately upon a user's separation from Agency employment.

Finding 11: FLAIR Access Controls

DMS rules³⁴ require State agencies to review access privileges periodically based on system categorization or assessed risk, ensure that users are granted access to agency IT resources based on the principles of least privilege and a need to know determination, and ensure that IT access privileges are removed when access to an IT resource is no longer required. Effective access controls also include measures that restrict user access privileges to data and IT resources to only those functions that promote an appropriate separation of duties and are necessary for the user's assigned job duties.

The Agency utilizes FLAIR to authorize the payment of Agency obligations and to record and report financial transactions. Controls over employee access to FLAIR are necessary to help prevent and detect any improper or unauthorized use of FLAIR access. Agency procedures required the BFS to conduct biannual reviews of FLAIR access privileges to ensure that employee access privileges were appropriate. In addition, Agency procedures specified that a user's FLAIR access was to be removed by the close of business on the employee's date of separation from Agency employment.

In our report No. 2018-002 (Finding 4), we noted that Agency controls over employee access to FLAIR needed improvement. As part of our follow-up audit procedures, we evaluated Agency FLAIR access controls and noted that Agency controls were not always effective to ensure that FLAIR user access privileges were periodically evaluated, appropriately granted, or timely removed upon a user's separation from Agency employment. Specifically:

³⁴ DMS Rule 60GG-2.003(1)(d) and (1)(a)(6) and (8), Florida Administrative Code.

- Our examination of Agency records for one of the three FLAIR access reviews conducted by the Agency during the period July 2018 through January 2020 disclosed that the Agency did not assign to a supervisor the responsibility to verify the appropriateness of access privileges for 1 of the 132 employees included in the review and, for 7 other employees, the 5 applicable supervisors did not respond to the request to verify the appropriateness of the employees' access privileges. Additionally, the access review documentation indicated that 4 supervisors noted that access was no longer needed for 16 of the 41 user accounts assigned to employees under their supervision. However, Agency records did not evidence that access for the 16 user accounts had been removed. In response to our audit inquiry, Agency management indicated that not all user accounts were verified during the periodic review of FLAIR user access privileges, and documentation of access removal was not maintained, due to a lack of management oversight of the process.
- Our examination of FLAIR access records for the Agency's 72 active FLAIR user accounts with update privileges as of January 2020 disclosed that 7 user accounts (assigned to 7 employees) were granted update capabilities to incompatible functions in FLAIR. Specifically, we found that, the 7 user accounts had update capabilities to both the fixed assets accounting and fixed assets custodial functions. According to Agency management, the access for 1 user account was granted in error and the access granted to the other 6 user accounts was necessary for the employees to perform their job duties. Notwithstanding, access to incompatible functions exposes the Agency to increased risk of loss and theft.
- FLAIR user access privileges were not always timely removed upon a user's separation from Agency employment. Our comparison of FLAIR access records to applicable People First³⁵ records disclosed that FLAIR access privileges for 10 of the 45 user accounts related to 40 Agency employees with FLAIR access privileges who separated from Agency employment during the period July 2018 through January 2020 were removed from 3 to 24 business days (an average of 8 business days) after the employees' separation dates. Additionally, as of January 31, 2020, FLAIR access privileges for 4 employees remained active 90 to 236 business days (an average of 143 business days) after the employees' separation dates. In response to our audit inquiry, Agency management indicated that employee oversight, staff resource issues, and competing work priorities contributed to the untimely removal of user access privileges.

Complete periodic reviews of FLAIR user access privileges would provide Agency management assurance that user access privileges are authorized and remain appropriate. Additionally, the effective separation of incompatible financial management duties and prompt removal of FLAIR user access privileges upon an employee's separation from Agency employment reduces the risk of unauthorized disclosure, modification, or loss of Agency data.

Recommendation: We recommend that Agency management enhance FLAIR access controls to ensure the appropriate assignment and timely removal of FLAIR user access privileges. Such enhancements should include:

- **Conducting complete periodic FLAIR access reviews and maintaining appropriate documentation for changes in FLAIR user access privileges necessitated by the reviews.**
- **Limiting FLAIR user access privileges to promote an appropriate separation of duties and requiring that, where incompatible access privileges are necessary, establishing and documenting compensating controls.**
- **Removing FLAIR user access privileges immediately upon a user's separation from Agency employment.**

³⁵ People First is the State's human resource information system.

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 Nos. 2019-015, 2018-172, and 2018-002.

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 January 2020 through September 2020 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 Health Care Administration (Agency) focused on Medikids program funding and selected administrative activities. For those areas, the 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 responsibilities in accordance with applicable laws, administrative rules, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed into 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.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report Nos. 2019-015 and 2018-172 and applicable deficiencies in report No. 2018-002 (Findings 1 and 3 through 8).

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)³⁶ and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table

³⁶ The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Governor and Agency Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management's process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

We determined that all internal control components were significant to our audit objectives. The associated underlying principles significant to our objectives included:

- The Governor and management commitment to integrity and ethical values.
- The Governor's exercise of oversight responsibility.
- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the Agency's goals and objectives.
- Management commitment to recruit, develop, and retain competent individuals.
- Management establishment of clear objectives to enable the identification of risks and define risk tolerances.
- Management identification and analysis of and response to risks.
- Management consideration of the potential for fraud.
- Management identification and analysis of and response to significant changes that could impact the internal control system.
- Management design of control activities to achieve the Agency's objectives and respond to risks.
- Management design of controls over information technology.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve the Agency's objectives.

- Management communication of information internally necessary to achieve the Agency's objectives.
- Management communication of information externally necessary to achieve the Agency's objectives.
- Management activities to monitor the Agency's internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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, Agency policies and procedures, and other guidelines, and interviewed Agency personnel to obtain an understanding of selected Medikids, Medicaid program, and Agency administrative processes.
- Interviewed Agency personnel and examined Agency records regarding the funding of the Florida MediKids program for the period July 2018 through March 2020 to determine whether amounts collected from full-pay families were sufficient to pay the entire premium cost for children enrolled in the full-pay portion of the Medikids program.
- Evaluated Agency actions to correct the applicable findings noted in our report No. 2018-002. Specifically, we:
 - Interviewed Agency personnel, examined Agency contract records, and evaluated Agency contract monitoring processes to determine whether Agency management had adequately

- designed and implemented controls over the monitoring of Medicaid managed care contracts, including centralized oversight of the monitoring process.
- Interviewed Agency personnel, reviewed Agency policies and procedures, examined Agency forms, and evaluated Agency compliance with applicable statutory requirements for collecting and utilizing individuals' social security numbers.
 - Observed, documented, and evaluated the effectiveness of selected Agency processes and procedures for managing FLAIR access privileges.
 - Reviewed Agency background screening policies and procedures to determine whether the policies and procedures required the Agency to verify that health care facility provider background screenings remained current throughout the licensure period.
 - Interviewed Agency personnel and examined Agency records to determine whether Care Provider Background Screening Clearinghouse (Clearinghouse) controls were enhanced to give the Agency and health care facilities advance notice when an updated health care provider background screening was required and whether such notices were provided.
 - Reviewed Agency agreements with the organization responsible for VERSA Regulation system operation and maintenance support services to determine whether the 2018-19 and 2019-20 fiscal year agreements represented service organization agreements and, if so, included a provision requiring the organization to provide the Agency a service auditor's report or whether Agency records evidenced that the Agency monitored the effectiveness of the service agent organization controls.
 - Reviewed Agency records to determine the effectiveness of selected Agency processes and procedures for the administration of tangible personal property in accordance with applicable guidelines. As of December 31, 2019, the Agency was responsible for 1,370 active property items with related acquisition costs totaling approximately \$4.7 million.
 - Evaluated Agency actions to correct the applicable findings noted in our report No. 2018-172. Specifically, we:
 - Interviewed Agency personnel to gain an understanding of the process for referring potential instances of fraud, waste, abuse, or overpayments to managed care organizations for further investigation.
 - Reviewed Agency records related to the identification of Medicaid program provider fraud during the period July 2018 through January 2020 to determine whether the Agency timely communicated identified instances of potential fraud to the managed care organizations.
 - Interviewed Agency personnel and examined Agency contract records to determine whether the Agency had renewed or entered into contracts for data analysis services.
 - Reviewed and evaluated Bureau of Financial Services (BFS) policies and procedures to determine whether the policies and procedures were adequately designed and provided appropriate guidance related to the Agency's accounting and budgeting functions.
 - Interviewed BFS personnel and examined BFS training logs to determine whether the BFS had established a BFS-specific training program or training plan outlining management's employee training vision and goals.
 - Examined training records for 3 BFS employees selected from the population of 38 professional BFS employees as of March 1, 2020, to determine whether the employees had received adequate accounting or budgeting training during the period July 2018 through January 2020.
 - Examined personnel records for 10 BFS employees selected from the population of 38 professional BFS employees as of March 1, 2020, to determine whether:

- The employees' position descriptions specified the relevant education and experience needed to perform the Agency's complex accounting and budgeting tasks.
- The employees possessed the qualifications needed to oversee and execute the Agency's complex financial operations.
- Examined personnel records for 10 BFS employees selected from the population of 38 professional BFS employees as of March 1, 2020, to determine the amount of time the employees had been employed with the Agency and assigned to their current positions.
- Analyzed BFS staffing levels for the period July 2018 through January 2020 to assess the extent to which turnover and vacancies may have impacted the efficiency and effectiveness of the Agency's accounting and budgeting functions.
- Determined whether Agency financial transactions for the period July 2018 through January 2020 were timely executed, adequately documented, made in accordance with applicable laws and regulations, and properly authorized by examining documentation for:
 - 40 selected expenditure transactions totaling \$3,989,226.
 - 20 selected correcting entry transactions with cumulative absolute values of \$368,452,065.
 - 10 selected adjustment transactions with cumulative absolute values of \$215,947,278.
 - 10 selected budgetary transactions with cumulative absolute values of \$20,092,666.
 - 10 selected transfer transactions with cumulative absolute values of \$438,218,086.
- Observed, documented, and evaluated the effectiveness of selected Agency processes and procedures for the administration of purchasing cards in accordance with applicable guidelines. As of February 2020, the Agency had 388 active purchasing cards.
- Evaluated information technology (IT) user access controls for the VERSA Regulation system, the Clearinghouse, and related network access controls for the period July 2018 through January 2020 to determine whether the Agency conducted periodic reviews of user access privileges.
- Determined whether user accounts were timely deactivated upon the users' separation from Agency employment by examining documentation related to:
 - The 140 Agency employees whose FMMIS user accounts were deactivated during the period July 2018 through January 2020.
 - The 98 Agency employees whose VERSA Regulation system user accounts were deactivated during the period July 2018 through January 2020.
 - The 136 Agency employees whose Clearinghouse user accounts were deactivated during the period July 2018 through January 2020.
- Examined Agency records to determine whether user accounts remained active subsequent to the users' separation from Agency employment for:
 - The 540 FMMIS user accounts active as of May 20, 2020.
 - The 420 VERSA Regulation system user accounts active as of May 21, 2020.
 - The 559 Clearinghouse user accounts active as of May 21, 2020.
- Evaluated Agency actions to correct the findings noted in our report No. 2019-015. Specifically, we:
 - Interviewed Agency personnel regarding the overall management (governance) of the Florida Health Care Connections procurement project (formerly the Medicaid Enterprise System

Procurement Project) to determine whether the Agency had established a project governance committee.

- Reviewed project governance committee documentation for the period July 2018 through January 2020 to determine whether the Agency established roles, responsibilities, and authorities for project governance committee members and maintained documentation of the individuals present, items discussed, concerns noted, and actions required by the Florida Health Care Connections procurement project contractor to address the noted concerns.
- Reviewed Agency records to determine whether the Agency established procedures, including procedures to timely reconcile Agency Contract Administration Tracking System (CATS) records to Department of Financial Services Florida Accountability Contract Tracking System (FACTS) records, to ensure that all contracts were reported in FACTS as required by State law.
- Compared Agency records for all executed contracts in CATS to the number and dollar amount of the Agency's active contracts reported in FACTS for the period July 2018 through January 2020 to determine whether the Agency appropriately reported all contracts in FACTS.
- From the population of seven Agency CATS to FACTS reconciliations completed during the period July 2018 through January 2020, examined Agency records for two selected reconciliations to determine whether the reconciliations were appropriately completed and evidenced that corrective action was taken for any noted differences.
- From the population of 25 Agency contract Quality Assurance (QA) reviews completed during the period July 2018 through January 2020, examined Agency records for 2 selected QA reviews to determine whether the QA reviews were appropriately completed and evidenced that corrective action was taken to address any noted issues.
- Observed, documented, and evaluated the effectiveness of selected Agency processes and procedures for:
 - Cash and revenue management, purchasing activities, managing selected IT system access privileges, settlement agreements, and fixed capital outlay.
 - The administration of Agency travel in accordance with State law and other applicable guidelines. During the 2018-19 fiscal year, Agency travel expenditures totaled \$2,779,415.
 - The assignment and use of mobile devices with related costs totaling \$349,723 during the 2018-19 fiscal year.
 - The acquisition and management of real property leases in accordance with State law, Department of Management Services rules, and other applicable guidelines. As of December 2019, the Agency was responsible for 14 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'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



RON DESANTIS
GOVERNOR

SIMONE MARSTILLER
SECRETARY

April 9, 2021

Ms. Sherrill F. Norman
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Thank you for the opportunity to respond to the preliminary and tentative audit findings and recommendations from your operational audit of the Agency for Health Care Administration, MediKids Program Funding and Selected Administrative Activities. In accordance with your request, we have emailed you the preliminary and tentative audit findings document with our response incorporated therein.

If you have any questions regarding our response, please contact Pilar Zaki, Audit Director, at 412-3986.

Sincerely,

Simone Marstiller
Secretary

SM/sgb
Enclosure

2727 Mahan Drive • Mail Stop #1
Tallahassee, FL 32308
AHCA.MyFlorida.com



Facebook.com/AHCAFlorida
Youtube.com/AHCAFlorida
Twitter.com/AHCA_FL

**Agency for Health Care Administration
Auditor General Operational Audit 2020
MediKids Program Funding and Selected Administrative Activities**

MediKids Program

Finding No. 1:

MediKids Funding

Contrary to State law, amounts collected from families whose children participated in the full-pay portion of the MediKids program were not sufficient to pay for the full cost of the MediKids program.

Recommendation:

We recommend that Agency management take steps to ensure that families enrolled in the full-pay portion of Medikids pay the full cost of the premium in accordance with State law.

Agency Response:

The 2020 Florida Legislature authorized the blending of the MediKids and MediKids Full Pay programs and appropriated \$2.6M in general revenue effective July 1, 2020. The Agency has implemented this blending effective October 1, 2020, and the premiums for full pay increased to about \$189 per month. The Agency will continue to monitor and have our actuarial firm perform a yearly analysis to determine potential increases or decreases in the premium to ensure the full cost is covered by the families.

In addition, the Bureau of Financial Services (BFS) has implemented a monthly process to identify the amount of the original full-pay costs, determine the amount of funds to be returned to the Centers for Medicare and Medicaid Services, transfer cash to original funding sources to account for the original expenditures and notify Medicaid managers of the outcome of the monthly variance analysis between premium cost and premium collection.

Anticipated Completion Date:

Implemented

Agency Contact

Carla Sims

Division of Medicaid

(850)412-4013

Eileen Lin

Bureau of Financial Services

(850) 412-4108

Selected Administrative Activities

Finding No. 2:

Accounting and Budgeting Policies and Procedures and Staff Training

The Bureau of Financial Services (BFS) had not established sufficiently comprehensive policies and procedures or developed a BFS-specific training program to ensure that staff received sufficient training related to the Agency's complex accounting and budgeting tasks. A similar finding was noted in prior audit reports, most recently in our report No. 2018-172.

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Recommendation:

We recommend that BFS management update policies and procedures to ensure that BFS responsibilities and unique operations are sufficiently addressed. The updated policies and procedures should promote compliance with applicable laws, rules, regulations, and accounting standards, and provide sufficient guidance to ensure consistency in the event of staff turnover. In addition, we again recommend that BFS management develop a staff training program that is specifically tailored to address the complexity of the Agency's financial operations and maintain appropriate documentation demonstrating BFS staff attendance at training activities or why formal training activities were not required.

Agency Response:

Accounting and Budgeting Policies and Procedures

BFS agrees with the recommendation. BFS has initiated a project to review all procedures, make improvements, and generate policies and procedures bureau-wide. BFS will ensure the updated policies and procedures are comprehensive and sufficiently address the recommended elements suggested by the Auditor General.

Training Plan

BFS has initiated a project to develop a bureau-wide training plan which will include all staff and incorporate the training needs for the bureau business processes. The goal of the training program is to provide the knowledge and skills needed for employee's current job and retention of staff long-term.

Anticipated Completion Date:

September 1, 2021

Agency Contact

*Eileen Lin
Bureau of Financial Services
(850) 412-4108*

Finding No. 3:

Accounting Transactions

BFS controls continue to need enhancement to ensure that accounting transactions are properly reviewed and approved.

Recommendation:

We recommend that BFS management update review and approval processes to encompass the accounting transactions noted on audit and ensure that Agency records evidence the review and approval of all Agency accounting transactions.

Agency Response:

Upon research, the transactions in question in Finding No.3 are solely related to TR10s which are directly related to the preparations of the Statewide Financial Statements, recording of releases, indirect adjustments and alignment of cash per expenditure within trust fund, Other Cost Accumulators (OCAs) in accordance with AHCA and Department of Financial Services (DFS) guidelines.

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BFS will enhance current processes by performing the following:

- *Ensure a second level of review is conducted by a supervisor prior to entering transactional data into the Florida Accounting Information Resource Subsystem (FLAIR.)*
- *The approval will be provided via email.*
- *Approvals will be kept and maintained in a separate folder as supporting documentation for future reference.*

In addition, BFS will enhance the review and approval controls in different accounting cycles, update the current policy and procedures and maintain the review and approval evidence.

Anticipated Completion Date:

September 1, 2021

Agency Contact

*Eileen Lin
Bureau of Financial Services
(850) 412-4108*

Finding No. 4:

Prompt Payments

BFS controls need enhancement to ensure that payments are accurately recorded in the Florida Accounting Information Resource Subsystem (FLAIR) and comply with statutory prompt payment requirements. A similar finding was noted in prior audit reports, most recently in our report No. 2018-172.

Recommendation:

We again recommend that BFS management strengthen invoice payment and processing controls to promote compliance with statutory prompt payment requirements.

Agency Response:

BFS does regularly communicate with all team members the importance of not only ensuring that the correct transaction date has been entered during the review process, but also placing emphasis on prompt payment compliance timeframes.

BFS designed a report in May 2020 for the purpose of tracking prompt payment compliance with the goal of remaining at the rate of above 95%. The report is updated on a bi-weekly basis. From April 2020 through December 2020, the compliance rate remained above 95% with a quarterly average of 97.51%.

BFS will continue to identify additional methods of monitoring as a means of working towards 100% compliance.

BFS will conduct a thorough review of procedures while implementing policies along with training materials that incorporate effective controls regarding this finding.

Anticipated Completion Date:

September 1, 2021

**Agency for Health Care Administration
Auditor General Operational Audit 2020
MediKids Program Funding and Selected Administrative Activities**

Agency Contact

*Eileen Lin
Bureau of Financial Services
(850) 412-4108*

Finding No. 5:

Mobile Device Security Controls

Security controls over mobile device utilization need improvement to ensure the confidentiality, integrity, and availability of Agency data and information technology (IT) resources.

Recommendation:

We recommend that Agency management enhance certain security controls related to employee use of mobile devices to ensure the confidentiality, integrity, and availability of Agency data and related IT resources.

Agency Response:

The Agency is phasing-out older controls as budget allows. Agency policy requires employees with personally owned mobile devices to take individual responsibility for use of their personal device including patching and anti-virus. The Agency requires Multi-Factor Authentication for Microsoft Outlook Web Access.

Anticipated Completion Date:

March 31, 2022

Agency Contact

*Scott Ward
Division of Information Technology
(850) 412-4844*

Finding No. 6:

Property Inventories

Agency tangible personal property controls need enhancement to ensure that physical property inventories are timely conducted and the results submitted to the Agency Property Administrator in accordance with established time frames.

Recommendation:

We recommend that Agency management take steps to ensure that physical inventories of tangible personal property are timely performed and the results of the inventories are submitted to the Agency Property Administrator in accordance with established time frames.

**Agency for Health Care Administration
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Agency Response:

The Agency has revised the Property Management Policy regarding the promptness of submissions and the reporting to management of unaccounted items. After implementing changes, the fiscal year 2019-20 inventory response times were much improved, and only one submission was 16 days past due. The Agency will continue to modify policies and procedures as necessary to continue to improve our processes and the timeliness of completion.

Anticipated Completion Date:

July 1, 2021

Agency Contact

*Brian Kenyon
Office of General Services
(850) 412-3899*

Finding No. 7:

Property Records

Agency controls regarding the accuracy and completeness of the information needed to correctly report and maintain proper accountability over Agency property and demonstrate compliance with applicable Department of Financial Services rules need enhancement.

Recommendation:

We recommend that Agency management enhance controls to promote the complete and accurate recording of all required property information in Agency property records.

Agency Response:

The Agency is revising its procedures for the recording of all required property information into the property module within FLAIR and will be performing a review of all recorded items to ensure that all required data has been entered.

The Agency has updated all the property records that did not include manufacturer information, and serial numbers. With the implementation of the new policy, the Agency has been recording the property data in a timely manner and has reduced errors in record entry. With regards to missing voucher numbers, property that cannot be recorded through any other transaction type into FLAIR is completed using a transaction (TR16), which does not produce a voucher number. The Agency will begin to enter the voucher number associated with the recorded entry into the Other Document Number (ODN) Description field within FLAIR.

Anticipated Completion Date:

September 1, 2021

Agency Contact

*Brian Kenyon
Office of General Services
(850) 412-3899*

**Agency for Health Care Administration
Auditor General Operational Audit 2020
MediKids Program Funding and Selected Administrative Activities**

*Eileen Lin
Bureau of Financial Services
(850) 412-4108*

Finding No. 8:

Property Acquisitions

As similarly noted in prior audit reports, most recently in our report No. 2018-002, the Agency did not always timely or accurately record tangible personal property acquisitions in Agency property records.

Recommendation:

We again recommend that Agency management enhance tangible personal property controls to ensure that Agency property records are timely updated for tangible personal property acquisitions and accurately maintained in accordance with DFS rules. Such tangible personal property control enhancements should include a specified time frame for recording tangible personal property acquisitions to Agency property records and guidance addressing the recording of property items at the correct cost.

Agency Response:

The Agency has revised the property management policy regarding the promptness of submissions and the reporting to management of unaccounted items. In the fiscal year 2019-20 inventory, response times improved and only one submission was 16 days past due. The Agency will continue to modify policies and procedures as necessary to continue to improve our processes and the timeliness of completion.

In addition, BFS and the Bureau of Support Services will continue to educate and provide guidance to all Agency team members involved in the process to ensure Property Tags and Property Identification Forms submitted for review and entry into property records are not only correctly coded to reflect accurate allocation of goods and services ordered, but also to place emphasis on the importance of timely submission. A second level review will also be conducted prior to the submission of Property Tags and Property Identification Forms. The Agency will be drafting new instructions and procedures for the recording of property at the correct cost and will include a specified time frame for the completion of the process.

Anticipated Completion Date:

September 1, 2021

Agency Contact

*Brian Kenyon
Office of General Services
(850) 412-3899*

*Eileen Lin
Bureau of Financial Services
(850) 412-4108*

**Agency for Health Care Administration
Auditor General Operational Audit 2020
MediKids Program Funding and Selected Administrative Activities**

Finding No. 9:

Contract Information Reporting

The Agency did not post information for all Agency contracts to the Florida Accountability Contract Tracking System (FACTS) as required by State law. A similar finding was noted in our report No. 2019-015.

Recommendation:

We recommend that Agency management enhance controls to ensure that required contract information for all Agency contracts is timely posted to FACTS in accordance with State law.

Agency Response:

The Agency agrees with this recommendation and is working in consultation with DFS to determine how to add the Medicaid managed care contracts to FACTS. Additionally, the Agency will review all contracts in the Agency's Contract Administration Tracking System to ensure that the Agency is in compliance with the requirement to post applicable contracts in FACTS.

Anticipated Completion Date:

September 1, 2021

Agency Contact

*Trey Collins
Office of Procurement
(850) 412-3896*

Information Technology

Finding No. 10:

VERSA Regulation System and Clearinghouse Access Controls

As similarly noted in our report No. 2018-172, IT user access controls for the Versa Regulation system and Care Provider Background Screening Clearinghouse need improvement to ensure that periodic reviews of user access privileges are adequately performed and documented and Agency records demonstrate that user access privileges are timely deactivated when access is no longer needed.

Recommendation:

We again recommend that Agency management strengthen controls to ensure that periodic reviews of VERSA Regulation system and Clearinghouse user access privileges are adequately performed and documented in Agency records. We also recommend that Agency management enhance controls to ensure that VERSA Regulation system user access privileges are deactivated immediately upon a user's separation from Agency employment.

Agency Response:

The Agency will be enhancing the VERSA Regulation system access privilege processes. The Division of Operations and Division of IT will be collaborating and leveraging existing scheduled review processes. The Agency Transfer, Promotion & Separation (TPS) procedure will be enhanced to strengthen controls. The Background Screening Clearinghouse regularly scheduled privilege reviews will also be enhanced and scheduled where needed.

**Agency for Health Care Administration
Auditor General Operational Audit 2020
MediKids Program Funding and Selected Administrative Activities**

Anticipated Completion Date:

February 28, 2022

Agency Contact

Scott Ward
Division of Information Technology
(850) 412-4844

Finding No. 11:

FLAIR Access Controls

Agency controls over employee access to FLAIR continue to need improvement to help prevent and detect any improper or unauthorized use of FLAIR access privileges.

Recommendation:

We recommend that Agency management enhance FLAIR access controls to ensure the appropriate assignment and timely removal of FLAIR user access privileges. Such enhancements should include:

- Conducting complete periodic FLAIR access reviews and maintaining appropriate documentation for changes in FLAIR user access privileges necessitated by the reviews.
- Limiting FLAIR user access privileges to promote an appropriate separation of duties and requiring that, where incompatible access privileges are necessary, establishing and documenting compensating controls.
- Removing FLAIR user access privileges immediately upon a user's separation from Department employment.

Agency Response:

BFS monitored FLAIR access controls on a bi-annual basis. BFS will continue to enhance and improve our current FLAIR Access internal controls by implementing the following procedures:

- *Incorporating a 2nd level review by another FLAIR Administrator to ensure accuracy and timely removal or access adjustment.*
- *BFS will ensure that documentation can be provided via capturing a screenshot of the FLAIR access removal and save in a separate file for future reference due to the FLAIR application purging files or data after a period of time.*
- *Add the TPS separation and internal movement notifications received to the shared Policy & Systems calendar with follow up reminders prior to the employee action effective date.*
- *Existing policies and procedures will also be updated to reflect this change.*

The Division of IT will be enhancing the system access privilege processes. The Division of Operations and Division of IT will be collaborating and leveraging existing system access scheduled review processes.

Anticipated Completion Date:

July 1, 2021

**Agency for Health Care Administration
Auditor General Operational Audit 2020
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Agency Contact

Eileen Lin

Bureau of Financial Services

(850) 412-4108

William Armstrong

Division of Information Technology

(850) 412-4849