

**AGENCY FOR HEALTH CARE  
ADMINISTRATION**

**PRIOR AUDIT FOLLOW-UP**

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**Operational Audit**



## SECRETARY OF THE AGENCY FOR HEALTH CARE ADMINISTRATION

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

Thomas W. Arnold	October 2009 to Current
Holly Benson	February 2008 to October 2009
Andrew Agwunobi, M.D.	July 2007 to February 2008

The audit team leader was Leslee Walker, CPA, and the audit was supervised by Peggy Miller, CPA. Please address inquiries regarding this report to Jane Flowers, CPA, Audit Manager, by e-mail [janeflowers@aud.state.fl.us](mailto:janeflowers@aud.state.fl.us) or by telephone (850) 487-9136.

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## AGENCY FOR HEALTH CARE ADMINISTRATION

### Prior Audit Follow-up

#### SUMMARY

Our operational audit of the Agency for Health Care Administration (Agency) focused on the status of Agency actions taken to correct the findings included in audit report Nos. 2008-027, Administrative Activities; 2008-033, Medicaid Non-Emergency Transportation Services; 2008-035, Medicaid Third-Party Liability Administration; and 2008-091, Contract Management. Our follow-up testing disclosed areas requiring additional consideration. Specifically:

#### CONTRACT MANAGEMENT

Finding No. 1: The Agency needs to enhance its contract management policies and procedures regarding attestations of independence with respect to contracted entities.

Finding No. 2: Additional actions by the Agency were necessary to ensure that contract monitoring is timely planned and documented.

#### MEDICAID THIRD-PARTY LIABILITY ADMINISTRATION

Finding No. 3: The Agency's Third-Party Liability (TPL) contract monitoring procedures could better assess the TPL contractor's performance by addressing in reports the significance of monitoring findings. The Agency also needs to improve TPL contract procurement processes to minimize the risk of periods of time without TPL services.

Finding No. 4: The Agency should periodically review the TPL contractor's list of insurance carriers to evaluate its sufficiency for identifying and locating liable third-parties. The Agency should also request a waiver for modifications to related Federally-required processes.

Finding No. 5: Leads letters are sent to Medicaid recipients for whom claims may identify potential third parties. The Agency should consider the cost-effectiveness of sending follow-up letters to Medicaid recipients who do not respond to initial leads letters.

Finding No. 6: To ensure that amounts collected by the Agency's TPL Unit are adequately safeguarded and accurately recorded in accounting and other management records, the TPL Unit should record the initial receipt of each amount collected and reconcile amounts collected in the Unit to revenues recorded in the State's accounting records.

#### MEDICAID NON-EMERGENCY TRANSPORTATION (NET) SERVICES

Finding No. 7: Agency files did not contain sufficient information to document that fees paid for providing NET services were reasonable and did not result in a profit between State entities.

Finding No. 8: The Agency's monitoring of the NET contract was not sufficient to ensure contractual compliance and evaluate the performance of the contractor and its subcontractors.

#### ADMINISTRATIVE ACTIVITIES

Finding No. 9: The Agency needs to enhance tangible personal property (TPP) policies and procedures to ensure that the annual physical inventory is timely reconciled with property records.

Finding No. 10: The Agency needs to improve procedures to ensure TPP is timely and accurately recorded.

Finding No. 11: The Agency has not established rules or written policies and procedures pertaining to the administration and management of the Medicaid nursing home overpayment account (Account), including specification of situations which will result in authorized withdrawals from the Account. As of March 2010, the Account contained approximately \$27.3 million.

**MEDICAID WAIVER BILLINGS**

**Finding No. 12:** The Agency submitted an invoice to the Department of Elder Affairs (DOEA) for the Aged/Disabled Adult Services (ADA) and Assisted Living for the Frail Elderly (ALE) waivers that was not supported by information identifying the actual claims paid. According to Agency and DOEA staff this invoice was prepared and paid to prevent unspent General Revenue Fund appropriations from reverting at September 30, 2009.

**BACKGROUND**

The Agency for Health Care Administration (Agency) is the chief health policy and planning entity for the State. The Agency is responsible for administration of the Medicaid Program, which is a Federally-subsidized program that provides medical assistance to certain low-income persons. The Agency is also responsible for State health facility licensure, inspection and regulatory enforcement; investigation of consumer complaints related to health care facilities and managed care plans; the certification of health maintenance organizations (HMOs); and other duties as prescribed by Statute.

**FINDINGS AND RECOMMENDATIONS****Contract Management**

In connection with the conduct of Agency functions and activities, the Agency managed 143 active contracts representing obligations of approximately \$10 billion as of February 2009. The Agency's Procurement Office was responsible for developing, maintaining, and disseminating Agency policies, procedures, and guidelines governing procurement activities. The Procurement Office was also responsible for providing technical assistance and for monitoring procurement activities throughout the Agency.

To provide guidance for the procurement of goods and services and contract management, the Agency established Policy No. 4006. Policy No. 4006 provided instructions for contract procurement, management, and contract file reviews and identified contract manager responsibilities, which pursuant to the Policy include developing and implementing a contract monitoring plan, ensuring vendor adherence to the contract schedule, receiving and approving required reports and other deliverables, auditing invoices, maintaining accurate records regarding contract balances, and notifying the Procurement Office, in writing, of problems or potential problems encountered with the contract or changes in contract management.

In report No. 2008-091, we noted several issues related to the Agency's contract management activities. Our follow-up procedures disclosed that, while the Agency had generally implemented sufficient corrective actions to resolve many of the findings included in report No. 2008-091, some contract management areas still needed improvement, as described in succeeding findings.<sup>1</sup>

**Finding No. 1: Procedures to Detect Conflicts of Interest**

Florida law<sup>2</sup> addresses the importance of State employees being free of conflicts of interest with respect to the procurement and management of contractual services. In report No. 2008-091, we recommended that the Agency enhance policies and procedures to ensure that there are no conflicts of interest for employees involved in the award

<sup>1</sup> Report No. 2008-091, Finding No. 2, addressed the need for improvements in the monitoring of health maintenance organization contractors. The effectiveness of the Agency's monitoring of these contractors will be addressed in a future examination.

<sup>2</sup> Section 112.313(7)(a), Florida Statutes.

of contracts. Due to the importance of the contract manager's involvement in the management of contracts, we also recommended that the Agency implement procedures to ensure that contract managers periodically identify in writing any actual or perceived conflicts of interest that may impact the performance of their assigned duties. In the Agency's 6-month status of corrective actions report, Agency staff stated that conflict of interest (COI) questionnaires were now required of every individual involved in the contract procurement decision-making process. Agency staff also stated that the policy would be revised to require that COI questionnaires be completed annually by the contract managers and whenever the contract manager changed. However, the Agency's written policies and procedures were not revised to reflect the above-described proposed changes. We tested 24 contracts, representing obligations of approximately \$3 billion, to determine whether COI questionnaires were prepared in accordance with the stated new policy. While improvement was noted, we found in 7 instances, COI questionnaires were either not prepared for all involved individuals or were not prepared timely.

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**Recommendation:** We recommend that the Agency's written policies be revised to clearly reflect the specific requirements for completion of the COI questionnaires. Further, since the relationships affecting a contract manager's independence could change over time, we recommend that independence certifications be obtained from contract managers at least annually.

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### **Finding No. 2: Contract Monitoring Plans**

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Effective contract management includes the monitoring of contractor performance to determine compliance with contractual provisions and provides a means for early detection of potential performance problems. The preparation and supervisory approval of monitoring plans assist Agency management in ensuring that monitoring efforts are complete in terms of the risk and issues addressed.

Agency policies require that a contract monitoring plan be developed at the time of contract scope development. Agency staff indicated that the monitoring plans were to be submitted with the Contract Initiation Form. According to the policy, the monitoring plan is to include planned monitoring report dates, monitoring type, monitoring criteria, and the process for notifying the vendor of deficiencies. In report No. 2008-091, we recommended that the Agency implement procedures to ensure that contract monitoring plans were submitted to the Procurement Office in accordance with Agency policies. We also recommended that the Agency consider revising the format of the monitoring plan to include provision for the written approval by the contract manager's supervisor.

Our current audit disclosed that for 3 of 23 contracts tested, an approved monitoring plan was not available in the Procurement Office on a timely basis. These 3 contracts represented obligations of approximately \$136 million. One contractor provided mental health services, another contractor provided transportation services for Medicaid recipients, and the third contractor managed the identification and collection of Medicaid third-party liabilities. In one of the three instances, the monitoring plan on file was not signed by the contract manager's supervisor. In two of the three instances, the contract monitoring plans were not timely submitted to the Procurement Office. In one of these two instances, the monitoring plan was obtained during a file review by the Procurement Office and, in the other instance, the monitoring plan was requested by the Procurement Office subsequent to our audit inquiry. In addition, while the policy requires the plan to be signed by the contract manager and his or her supervisor, the form does not require the provision of the dates the plan was completed and approved.

Through the receipt of copies of the monitoring plan for each contract, the Procurement Office is provided a basis for measuring contract manager compliance with Agency contract monitoring internal controls. Absent contract manager submission of monitoring plans, and appropriate follow up by Procurement Office personnel when the plans are not submitted, the Agency has reduced assurance that departures from the established contract monitoring

controls will be timely detected and corrected. Adding the dates the monitoring plans are prepared and approved would more clearly document compliance with Agency policies and, as applicable, document the timing of events if revisions to the plans are needed.

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**Recommendation:** We recommend that the Agency enhance policies and procedures to ensure that a monitoring plan is developed and approved during contract scope development. Further, the Agency should consider revising the monitoring plan format to include provision for documenting the date the plan was prepared and approved.

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### Medicaid Third-Party Liability Administration

Federal Medicaid regulations require states to maintain a system to identify third parties, such as private health or accident insurers, that may be legally liable for the payment of the costs of medical services provided to Medicaid recipients. Florida implemented its Third-Party Liability (TPL) system through the Medicaid Third-Party Liability Act.<sup>3</sup> The Act provides that Medicaid is to be the payor of last resort for medically necessary goods and services furnished to Medicaid recipients. As the designated Medicaid Program agency for the State, the Agency employs two types of TPL strategies: (1) cost avoidance, in which other insurance coverage is identified prior to Medicaid paying a claim, and (2) cost recovery, in which collection is sought after Medicaid payment has been made.<sup>4</sup>

With respect to cost avoidance, the Agency maintains a third-party resource file in the Florida Medicaid Management Information System (FMMIS). The file is to allow the identification of Medicaid recipients with other insurance, such as that provided through Medicare and private insurers. The information in the resource file is to come from various sources, such as the Federal Government, Medicaid applications for services, and private insurers. Prior to authorizing services, FMMIS is to access the third-party resource file to determine whether another source of coverage is available. If applicable, the other source is to be billed for the services prior to Medicaid being billed. Based on information provided by Agency staff, costs avoided through third-party liability administration during the period July 2007 through March 2010 totaled approximately \$6.8 billion.

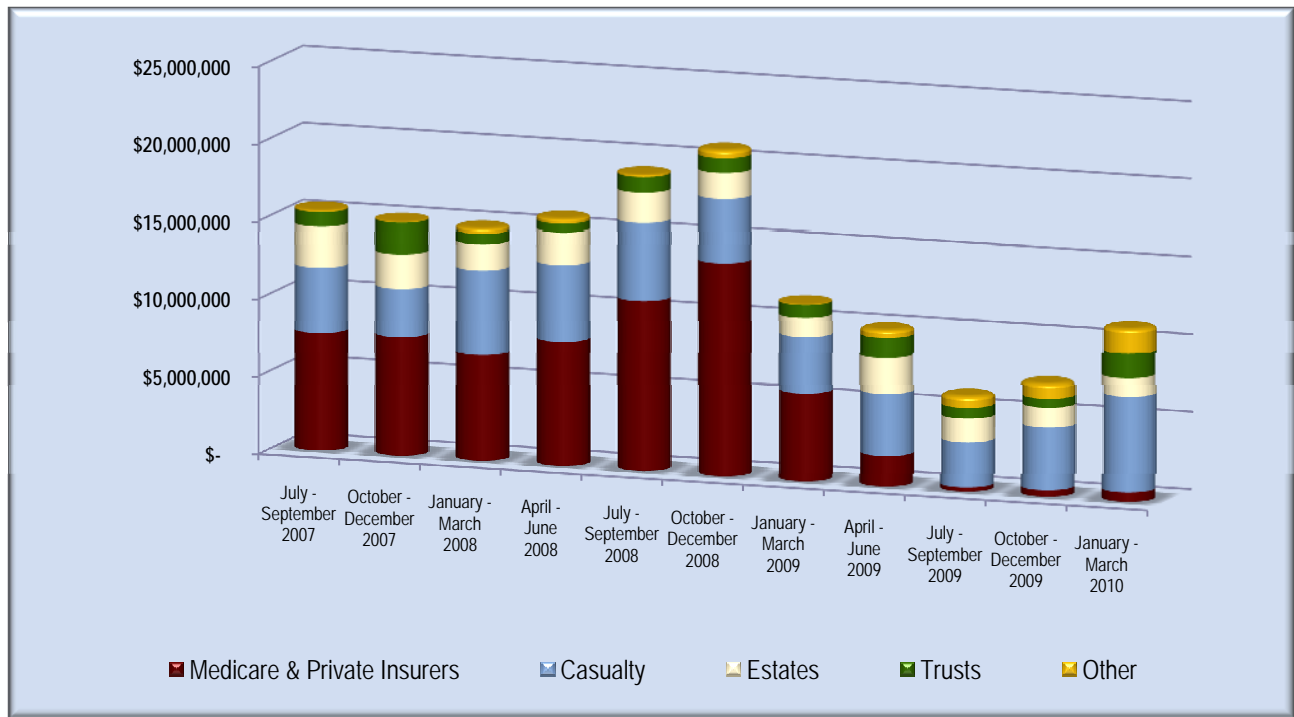
With respect to cost recovery, the primary sources of payment include casualty recoveries, estates, trusts, and insurance (i.e., Medicare and private insurers). According to Agency records, cost recoveries during the period July 2007 through March 2010 totaled approximately \$148 million. Chart 1 provides a quarterly analysis of TPL cost recoveries.

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<sup>3</sup> Section 409.910, Florida Statutes.

<sup>4</sup> Section 409.901, Florida Statutes, designates the Agency as the Medicaid agency for the State.

**Chart 1  
TPL Revenue Collections  
For the Quarters Ended September 2007 Through March 2010**



Source: Agency Staff

The Agency contracted with a vendor to identify and recover from third parties amounts due for medical services provided to Medicaid recipients. Contract payments were a combination of contingency fees and fixed fees.<sup>5</sup>

As discussed in the following findings, the Agency generally had not implemented corrective actions for the findings we noted in report No. 2008-035 related to TPL administration.

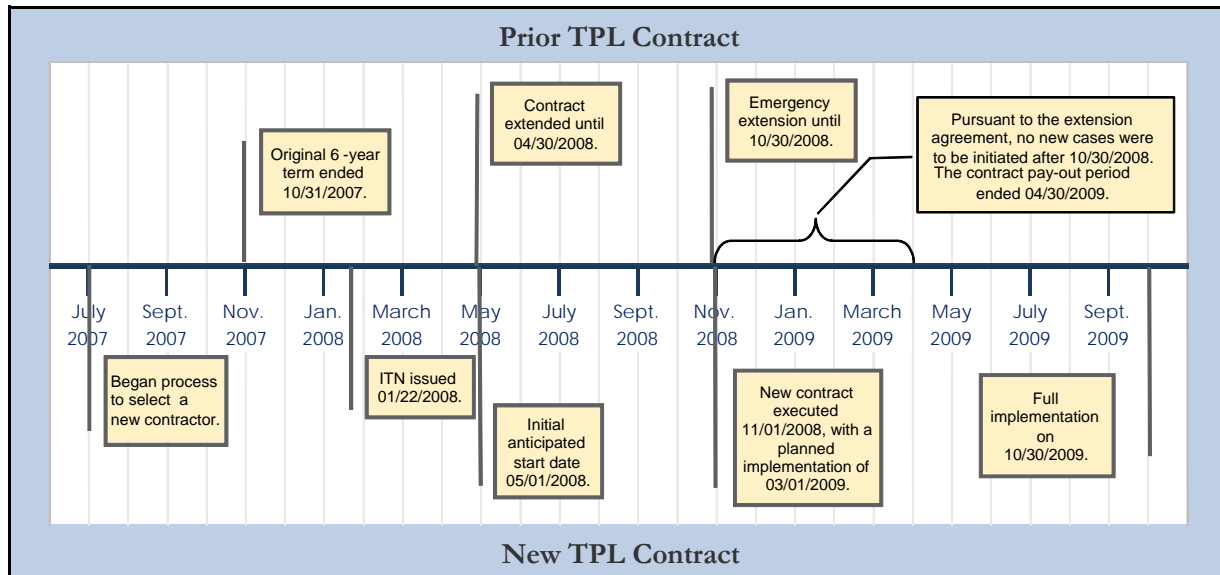
**Finding No. 3: TPL Contract Monitoring**

The TPL contract which ended October 30, 2008, (prior contract) had multiple extensions. The Agency issued an Invitation to Negotiate (ITN) for TPL services on January 22, 2008, with an estimated cost of \$44 million. The initial anticipated start date of the new contract was May 1, 2008, but, due in part to an award protest, the new contract start date was established as November 1, 2008, with a planned implementation date of March 1, 2009. Due to implementation issues, the new contract was not fully operational until October 30, 2009. Chart 2 provides additional details of the contract chronology.

<sup>5</sup> Contingency fees were based on a percentage of the total dollar amount recovered while fixed fees related to additions of third-party information to the resource file.

Chart 2

Timeline of Key TPL Contract Dates



In report No. 2008-035, we recommended that the Agency develop checklists or similar documentation in support of estate and insurance recovery contractor monitoring. We also recommended that the Agency enhance its monitoring process to ensure that monitoring reports distinguish between minor errors and those considered repetitive, substantial, or significant procedural errors. The Agency indicated that implementation of these recommendations was deferred pending implementation of the new TPL contract.

Due to staff involvement in the procurement process, on-site monitoring procedures were suspended during the transition period described above. The last monitoring report for the prior contract was for the quarter ended September 2007. The Agency began on-site monitoring procedures for the new contract September 25, 2009. TPL transition issues also contributed to the reduced collections during 2009 as illustrated in Chart 1.

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**Recommendation:** We recommend that the Agency enhance its monitoring process to ensure that contract monitoring procedures document key compliance issues and the relative impact of any exceptions noted. Also, in the future, the Agency should increase the time allowed for the contract award process to minimize the risk of gaps in the services provided. Finally, the Agency should continue to pursue the collection of amounts forgone during the transition period.

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**Finding No. 4: TPL Sources and Data Matching**

Federal Regulations require states to perform certain data exchanges in order to identify potentially liable third parties.<sup>6</sup> The required exchanges include, but are not limited to, the state workers' compensation or industrial accident commission files and state motor vehicle accident report files. In report No. 2008-035, we noted that the prior TPL contractor did not utilize these data exchanges to identify potentially liable third parties. The prior TPL contractor did not utilize these data exchanges as it was the contractor's opinion that other sources provided more timely information. We recommended that the Agency request a waiver from the Federal Government related to

<sup>6</sup> Title 42, Section 433.138(d), Code of Federal Regulations.

modified procedures for the identification of liable third parties. We also recommended that the Agency periodically review the TPL contractor's insurer list to evaluate its sufficiency.

During the current audit we noted that the Agency had deferred corrective actions related to TPL sources and data matching to the new TPL contractor.

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**Recommendation:** We recommend that the Agency implement procedures to conduct the required data exchanges or, if determined to be inefficient, request a waiver from the Federal Government related to modified procedures for the identification of liable third parties. We also recommend that the Agency periodically review the TPL contractor's insurance carrier list to evaluate its sufficiency.

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**Finding No. 5: Leads Letter Program**

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When FMMIS processed a Medicaid claim with third-party coverage, but FMMIS did not include third-party identifying information, FMMIS was to mark the claim for follow-up and prepare a "leads letter." The TPL contractor was then responsible for sending the leads letter to the applicable Medicaid recipient to request information about third-party coverage and, if applicable, follow-up with any Medicaid recipients who had submitted incomplete information. The Agency did not, however, require the TPL contractor to send second-request letters to those recipients who did not respond to the initial leads letter. In report No. 2008-035, we noted that recipients responded to only 17 percent of the initial leads letters. However, 51 percent of these responses included usable insurance information. Since additional insurance information could reduce Medicaid costs, we recommended that the Agency re-evaluate the leads letter process to improve the level of responses.

During the current audit we noted that the Agency had addressed the leads letter issue with the new TPL contractor; however, new procedures had not yet been implemented.

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**Recommendation:** To increase the leads letters response rate, we recommend that the Agency re-evaluate the process, including the cost-effectiveness of sending follow-up letters to Medicaid recipients who do not respond to the initial request for third-party provider information. As part of the process re-evaluation, the Agency should consider requiring that second request letters be sent to an appropriate sample of recipients and that the usefulness of the related responses be measured and evaluated.

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**Finding No. 6: TPL Collections and Deposits**

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Effective internal controls related to cash receipts are imperative to ensure that collections are accounted for, timely deposited and recorded, and safeguarded. Such controls should include activities such as maintaining a log of receipts at the point of collection, separation of key responsibilities, and maintaining collections in a secure location until deposited.

During the period July 2007 through February 2009, TPL collections totaled approximately \$110 million, most of which were processed by the TPL contractors. However, certain collections were received by the Agency's TPL Unit. In report No. 2008-035, we recommended that the Agency enhance controls over TPL Unit collections. In response to our audit findings, the Agency attempted to reduce the number of collections processed by the TPL Unit by forwarding mail unopened to the contractors. For mail that was opened, the TPL Unit did not prepare a log of receipts or other record showing the date collections were received. Upon receipt of a check in the TPL Unit, one person was responsible for opening the mail. This person also subsequently prepared an asset custody transfer form and delivered the check with the transfer form to the Bureau of Finance and Accounting for deposit and recording in the Agency's accounting records. As applicable, an asset custody transfer form was also to be prepared by the TPL

Unit to accompany the transfer to the contractor. During the period July 2007 through February 2009, approximately \$1.9 million in receipts were processed through the Bureau of Finance and Accounting. While the TPL unit retained the asset custody transfer forms, the TPL Unit did not reconcile its records of the amounts collected in the Unit with the amounts shown by the Agency's accounting and other management records.

Absent a reconciliation of the listing to records of deposit, the Agency lacks assurance that errors will be timely detected and corrected.

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**Recommendation:** We recommend that the Agency implement procedures to ensure TPL collections are properly safeguarded and timely and accurately deposited. Such procedures should include the preparation of a listing at the initial point of collection and the performance of a reconciliation of the collections to Agency records of deposit. The reconciliations should be prepared by someone independent of the processing of TPL collections.

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### Medicaid Non-Emergency Transportation Services

The Agency's Medicaid Non-Emergency Transportation Services (NET) Program provides transportation to nonemergency medical appointments for Medicaid recipients who have no other means of transportation. The NET Program does not include ambulance transportation or transportation for recipients who are enrolled in a Health Maintenance Organization (HMO) that provides transportation within its scope of services.

As authorized by Florida law, the Commission for the Transportation Disadvantaged (CTD) has created a coordinated transportation system for the transportation disadvantaged.<sup>7</sup> Florida law provides that agencies shall purchase transportation services through the coordinated transportation system unless exempted by rule or statute.<sup>8</sup> The Agency entered into a fixed fee contract with CTD to manage the NET Program and CTD subcontracted with county providers, both governmental entities and private entities also referred to as subcontracted transportation providers (STPs), for the provision of NET services.

The Agency renegotiated the NET contract with CTD and the new contract was effective December 1, 2008. During the period July 2007 through February 2009, total NET contract expenditures were approximately \$111 million.

Our follow-up procedures disclosed that, while the Agency had revised the contract reporting requirements, many of the contract-related issues we noted in report No. 2008-033 continued to exist.

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#### Finding No. 7: NET Contract Cost Management

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In accordance with Florida law, which allows State agencies to award contracts to other agencies of government without competition, the Agency awarded the new NET contract to CTD on a noncompetitive basis.<sup>9</sup> However, Agency Policy No. 4006 indicates that an exemption from the formal competitive solicitation process does not alleviate the need to obtain competitive pricing. In addition, Federal regulations require that costs be reasonable and adequately documented<sup>10</sup> and prohibit a profit between State entities.<sup>11</sup> Fixed fee contracts between State entities increase the need for documentation of costs to ensure that payments do not result in a profit for the State.

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<sup>7</sup> Sections 427.012 and 427.013, Florida Statutes. CTD is administratively housed within the Department of Transportation and Commission members are appointed by the Governor and are subject to Senate confirmation.

<sup>8</sup> Section 427.0135, Florida Statutes.

<sup>9</sup> Section 287.057(5)(f), Florida Statutes.

<sup>10</sup> Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.

<sup>11</sup> OMB Circular A-87, Attachment A, Section G, states that the cost of services provided by one agency to another within the governmental unit may include allowable direct costs of the service plus a pro rate share of indirect cost.

In response to our audit inquiry, Agency staff indicated that the contract amounts were based on legislative appropriations for the NET Program. However, while amounts were appropriated to the Agency for the provision of transportation services (emergency and nonemergency), the General Appropriations Act did not expressly authorize the NET contract rates.

Based on the fixed monthly payments provided in the contract, the Agency paid CTD \$94.8 million for the period July 2007 through November 2008. Based on information provided by CTD, the STPs were paid \$93.1 million for Medicaid NET services during this period. Based on this analysis, CTD retained approximately \$1.7 million. While this amount is within the five percent allowed for administrative cost by the contract, the Agency had not documented that administrative costs were reasonable and limited to only allowable direct costs plus appropriate indirect costs.

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**Recommendation:** We recommend that the Agency retain documentation to ensure that NET contract rates are reasonable and do not result in a profit between State agencies. We also recommend that the Agency consider a contract amendment which would limit administrative costs to those which are directly related to Medicaid NET.

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### **Finding No. 8: NET Contract Monitoring**

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Effective contract management includes the monitoring of contractor performance to determine compliance with contractual provisions and provides a means for early detection of potential performance problems. The Agency's monitoring of the NET contract should include procedures to provide reasonable assurance that NET Program services are provided only to eligible Medicaid recipients using the most cost-effective and appropriate method of transportation available and that significant fraud risks are identified and addressed. Monitoring procedures, plans, and activities should be documented in Agency records and should include a review of CTD-submitted reports and periodic on-site monitoring visits. The Agency should also verify CTD compliance with key provisions of the contract.

Our tests of the Agency's monitoring of the NET contract disclosed that, based on available documentation, the level of monitoring was not sufficient for the Agency to evaluate the performance of the contractor and its subcontractors or to verify compliance with key contract provisions. Specifically:

- The NET contracts required CTD to submit monthly reports containing trip encounter data for each county. CTD also provided information concerning the monthly contract payments made to STPs within each county. However, the Agency did not perform analyses of the trip encounter data. Agency staff indicated an analysis was not necessary as payments to CTD were based on a fixed fee. Absent a review of CTD payment and trip encounter data, the Agency has forgone an opportunity to use available information to measure the economy of its NET contract with CTD. For example, the Agency could evaluate whether reimbursements to the STPs were commensurate with services provided.
- As discussed in finding No. 7, both the prior and current NET contracts generally limited administrative costs to five percent.<sup>12</sup> However, this methodology did not require CTD to maintain supporting documentation to evidence that costs were limited to actual direct expenses incurred in administering the contract. As noted above, the Agency did not analyze payments since the payments were based on fixed fees. Absent the review of documentation supporting the direct administrative costs incurred pursuant to the contract, the Agency has limited assurance that payments were in accordance with Federal regulations.

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<sup>12</sup> The new NET contract, signed on November 13, 2008, limited administrative fees to 0.5 percent. The contract was amended on May 11, 2009, to allow administrative fees of up to 5 percent.

- As discussed in finding No. 2, Agency policies require that a Contract Monitoring Plan be prepared at the time of scope development. However, a Contract Monitoring Plan for the NET contract effective beginning December 2008 was not available until July 28, 2009, subsequent to our audit inquiry.
- The Contract Monitoring Plan for the previous NET contract indicated that Agency monitoring of CTD would include a review every 2 years. The Agency completed one such review during the period July 2007 through February 2009; however, as the Monitoring Evaluation Form did not contain the signatures of the reviewer and the contract manager's supervisor or the date the review was completed, the Agency cannot demonstrate that the monitoring was conducted in a timely manner. In addition, given the contract amount, more frequent reviews may be advisable.
- Both the prior and current NET contracts address "gatekeeping" issues such as recipient eligibility and recipient access to transportation. As similarly noted in report No. 2008-033, the Agency did not perform independent verification of trip encounter data to help ensure adequate gatekeeping procedures were in operation during the period July 2007 through February 2009. Agency staff indicated that they plan to conduct independent verification when CTD begins to submit electronic data under the requirements of the new contract. Electronic data should also be used to determine whether there are any patterns indicative of potential fraud.
- Both contracts required CTD to submit quarterly reports to the Agency. Under the new contract, CTD was required to provide quarterly summary reports of complaints recorded in the Grievance System. In response to our audit inquiry, Agency staff indicated that in lieu of quarterly reports, the required information was included in the monthly reports. While in some instances reports<sup>13</sup> were included, the reports were lengthy and detailed and included inquiries as well as complaints. Absent CTD summarization of the complaint-related data for further consideration by the Agency, the Agency may not be able to efficiently isolate concerns requiring additional attention.
- CTD submitted an annual report on January 1, 2009, as required by the contract. However, numerous items in the report were marked "to be provided to the Agency on January 1, 2009." Subsequent to our audit inquiry, CTD provided on July 28, 2009, required information such as a Quality Assurance Review Summary and information regarding transportation data and reimbursement information that had previously been omitted. Absent the information, the Agency's review of the report could not be completed.

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**Recommendation:** To ensure that Medicaid nonemergency transportation services are only provided to eligible recipients and the most cost-effective method is used, we recommend that the Agency enhance contract monitoring procedures. The monitoring efforts and results should be documented in sufficient detail to demonstrate the Agency's evaluation of contractor compliance with key provisions of the contract.

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### Administrative Activities

In report No. 2008-027, we noted numerous issues related to the Agency's administrative activities. Our follow-up procedures disclosed that, while the Agency had generally implemented sufficient corrective actions to resolve many of the findings, some administrative areas still needed improvement, as described in the succeeding findings.

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### Finding No. 9: Tangible Personal Property Inventory Procedures

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Property is defined in Florida law as equipment, fixtures, and other tangible personal property (TPP) of a nonconsumable and nonexpendable nature.<sup>14</sup> According to the Agency's property records, the acquisition costs of the Agency's TPP totaled approximately \$6.1 million as of April 9, 2010.

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<sup>13</sup> The reports consisted of a listing of calls to CTD's Helpline.

<sup>14</sup> Section 273.02, Florida Statutes.

The Department of Financial Services (DFS) has established rules relating to the recording and inventory of State-owned TPP.<sup>15</sup> In addition, the Agency has established a *Property Procedures Management and Control Manual - No. 4007 (Property Manual)*, revised August 2008.

The Agency's *Property Manual* requires that a reconciliation of the differences between what is shown in Agency property records and the results of the annual physical inventory be accomplished within 60 days of the completion of the inventory. The *Property Manual* also indicates that adjustments should be fully documented and that the supporting documentation be maintained on file by the Property Analyst. The Agency contracted with a private entity to conduct its annual physical inventory in October 2008. Among other reports, the contractor provided the Agency with lists, by organizational unit, of property items that were not accounted for during the inventory.

In report No. 2008-027, we noted that the Agency's reconciliation process was not adequately documented and that, in some instances, the number of differences noted between the property records and inventory results were significant. In the current audit, we reviewed 3 of the Agency's 72 organizational unit inventory reports from the October 2008 inventory. While we noted improvement over the prior audit, the reconciliation for one organizational unit was not timely prepared. Documentation of the reconciliation for this organizational unit was dated 204 days after the inventory date.

When reconciliations are not timely performed, control over TPP is reduced and there is an increased risk that errors or misappropriations, should they occur, will not be timely detected.

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**Recommendation:** We recommend that the Agency continue efforts to improve the timeliness of reconciliations.

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#### **Finding No. 10: Property Recording and Inventory**

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During the period July 2007 through December 2008, the Agency purchased approximately \$1 million in TPP. Our audit disclosed that, in some instances, property purchases were not timely and accurately recorded in the property records. As similarly noted in report No. 2008-027, our test of 40 property items purchased between June 2008 and November 2008 disclosed that:

- Six property items (15 percent) were not timely recorded in the property records. Delays in recording these 6 items ranged from 42 to 175 days (75 days average) after the items were received.
- The Agency's property records did not always include information required by DFS rules.<sup>16</sup> For example:
  - Property records did not include the current condition of the item at the time of the latest inventory.
  - For 24 items, property records did not include the name, make, manufacturer, year, or model of the item.
  - Property records included organizational units and a building code, but did not consistently include the room number where the items were physically located. Beginning in 2008, the Agency began including room numbers for new purchases. However, the records for 6 of the 40 property items tested did not include the room number.

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

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<sup>15</sup> DFS Rules, Chapter 69I-72, Florida Administrative Code.

<sup>16</sup> DFS Rule 69I-72.006, Florida Administrative Code.

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

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**Finding No. 11: Nursing Home Overpayment Account**

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Florida law allows the Agency to collect a fee from certain leased nursing home facilities to help ensure the return of Medicaid overpayments, if necessary.<sup>17</sup> The fee is to be accounted for in the Medicaid nursing home overpayment account (Account), and the Agency is to determine the financial viability of the Account through an annual review of the Account balance.<sup>18</sup> The law also provides that the fees are to be used at the sole discretion of the Agency to recoup Medicaid overpayments to nursing homes and grants the Agency specific authority to promulgate rules pertaining to the administration and management of the Account, including withdrawals from the Account. Agency staff in the Division of Medicaid indicated that funds from this Account would be used as a last resort, for example, when a nursing home lessee terminates its lease or files bankruptcy and an uncollectible overpayment is due to the Agency. As of February 2009, Agency staff in the Division of Medicaid stated that there had been no such incidents since the law was adopted. However, pursuant to audit inquiry, Finance and Accounting identified approximately \$10.4 million in leased nursing home overpayments which had been written off by the Agency since the inception of the Account in the 2001-02 fiscal year.<sup>19</sup> The Account balance totaled approximately \$27.3 million, as of March 2010.

In report No. 2008-027, we recommended that the Agency establish rules for the administration and management of the Account. However, as of May 2010, the Agency had not promulgated any rules regarding the Account. Agency staff indicated that they were continuing to consider whether rules were necessary. To reasonably ensure the consistent and fair administration of the moneys in the Account, at a minimum, rules should be adopted that address the specific circumstances under which Account funds may be used.

In report No. 2008-027, we also recommended that the Agency implement annual reviews of the financial viability of the Account to determine whether recommended changes in fee collection rates should be submitted for legislative consideration.<sup>20</sup> In response to this recommendation, staff in the Division of Medicaid implemented procedures to monthly calculate an Account ratio. However, the Agency had not established written policies and procedures to guide the annual reviews.

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**Recommendation:** We again recommend that the Agency establish rules for administration and management of the Account. The Agency should also consider establishing written policies and procedures to guide the annual reviews of the financial viability of the Account.

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<b>Medicaid Waiver Billings</b>
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As noted above, the Agency is designated in the Medicaid State Plan to administer the Medicaid Program in Florida, and as a part of related responsibilities, the Agency serves as the liaison for the State's Home and Community-Based Services (HCBS) waivers. Authorized by Section 1915(c) of the Social Security Act, HCBS waivers are Federally-

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<sup>17</sup> Section 400.179(2)(d), Florida Statutes.

<sup>18</sup> The fee is calculated as 1 percent of the total of 3 months' Medicaid payments to the facility, computed on the basis of the preceding 12-months' average Medicaid payment to the facility.

<sup>19</sup> The Account was reduced by a \$12 million budget stabilization transfer, which included consideration of the \$10.4 million in accounts written off.

<sup>20</sup> Chapter 2010-156, Laws of Florida, clarified conditions under which fees should be collected by adding to statute specification of an Account balance threshold of \$25 million (i.e., fees are not to be assessed in the subsequent year unless the Account balance, as statutorily-determined, is less than \$25 million).

approved Medicaid programs that provide services in the homes of persons who would otherwise require institutional care in a hospital, nursing facility, or intermediate care facility. The Agency administers numerous HCBS waivers and several State agencies participate in the administration of these waivers.

Through an interagency agreement, the Agency partners with the Department of Elder Affairs (DOEA) to administer the Aged/Disabled Adult Services (ADA) and the Assisted Living for the Frail Elderly (ALE) waivers for individuals age 60 and older. Through various networks, DOEA arranges for the provision of services, and the various service providers submit invoices for payment through FMMIS administered by the Agency's fiscal agent. The Agency makes the payments with Federal moneys appropriated to the Agency and State matching moneys appropriated to the DOEA.

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**Finding No. 12: ADA and ALE Waivers Invoice**

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To obtain the State matching moneys used to pay claims, the Agency's Medicaid Program Analysis Section is to monthly prepare and submit an invoice to DOEA for the State matching portion of the waiver payments made. Generally, the Agency bills DOEA for the claims paid during the previous month and attaches to the invoice a schedule that summarizes by waiver the claims paid. Upon receipt and approval of the Agency's invoice, DOEA is to then transfer from its General Revenue Fund appropriations, payment for the invoice amount to the Agency's Medical Care Trust Fund.

On September 30, 2009, at the request of DOEA, the Agency submitted an invoice to DOEA for \$12,582,903.19 for the ADA and ALE waivers. Of this amount, \$8,521,013.15 pertained to the ADA waiver and \$4,061,890.04 pertained to the ALE waiver. Subsequently, to pay this invoice, DOEA on September 30, 2009, transferred to the Agency's Medical Care Trust Fund, funds totaling \$12,582,903.19 from DOEA's General Revenue Fund appropriations. Contrary to applicable law,<sup>21</sup> this invoice was approved and paid, although it was not supported by information identifying the actual claims paid. Subsequently, claim obligations totaling \$2,938,306.90 were identified that could have been included in the invoice, but were not.

According to Agency and DOEA staff, this invoice was prepared and paid, absent supporting claims, to prevent unspent General Revenue Fund certified forward appropriations from reverting at September 30, 2009.<sup>22</sup> However, the payment of the invoice by DOEA, in effect, transferred the moneys to the Agency making them available for subsequent use in paying DOEA claims. By doing so, the transfer also, in effect, usurped the Legislature's authority to make decisions regarding the appropriation of moneys. According to Agency staff, to correct the error, the Legislature has included in Section 129 of 2010 House Bill 5001, a transfer of \$9,500,000 (the total amount invoiced and paid, less qualifying prior year claims) from the Agency's Medical Care Trust Fund to the State's General Revenue Fund.

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**Recommendation:** The Agency should ensure that invoices are only prepared after it is determined that valid claims have been paid for which reimbursement is due from applicable agencies.

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<sup>21</sup> OMB Circular A-87, Attachment A.

<sup>22</sup> Section 216.301(1)(a), Florida Statutes, provides that unspent appropriations for which there is an incurred obligation as of June 30<sup>th</sup> can be carried forward to the next fiscal year to pay the incurred obligations. The appropriations carried forward are commonly referred to as certified forwards. Section 216.301(1)(b), Florida Statutes, requires that certified forward funds remaining unspent after September 30<sup>th</sup> be returned to the fund from which allocated. Upon reversion, the appropriations are no longer available for entity use and are subject to reappropriation by the Legislature.

## 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 2009 to May 2010 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 focused on a follow-up on prior audit findings. The overall objectives of the audit were:

- To evaluate the effectiveness of established internal controls in achieving management's control objectives in the categories of compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To evaluate management's performance in achieving compliance with controlling laws, administrative rules, and other guidelines; the economic, efficient, and effective operation of State government; the relevance and reliability of records and reports; and the safeguarding of assets.
- To determine whether management had corrected, or was in the process of correcting, all applicable deficiencies disclosed in our report Nos. 2008-027, 2008-033, 2008-035, and 2008-091.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In conducting our audit we:

- Obtained an understanding of selected internal controls and evaluated the processes and procedures related to areas within the scope of the audit by:
  - Interviewing selected Agency personnel.
  - Observing Agency processes.
  - Examining Agency documentation and records.
- Determined whether TPP purchases were timely and accurately recorded in the property records and evaluated the adequacy and timeliness of inventory procedures, including the reconciliation of inventory results, by examining selected TPP items and inventory files. Specifically, we examined:
  - Agency records for 40 property items with acquisitions costs totaling \$99,917 acquired during the period July 2007 through February 2009 from the population of 194 property purchases totaling \$709,393.
  - The individual property records for 20 property items with acquisition costs totaling \$58,515 from the population of 909 property items located in Tallahassee with acquisition costs totaling \$3,800,001.
  - Physical inventory reports for 3 of the Agency's 72 organizational units.
- Recalculated TPP insurance coverage for all insured locations for the fiscal year ended June 30, 2009, to evaluate the reasonableness of coverage.
- Examined the Other Cost Accumulator (OCA) database and selected transactions (4 expenditure transactions totaling approximately \$2.6 million from the population of approximately \$65 million, and 8 revenue transactions totaling approximately \$82 million from the population of approximately \$381 million) to

determine whether OCAs were properly established and transactions recorded in accordance with the OCA description.

- Examined employee background screening records (15 employees from the population of 1,726) to determine whether background screenings were properly processed.
- From a population of 143 contracts, we reviewed and tested Agency records related to 24 contracts, representing obligations of approximately \$3.1 billion, to evaluate selected contract management activities. We reviewed contract files maintained by the contract managers, as well as those maintained in the Procurement Office.
- Examined hospital assessment files and selected assessment invoices (40 assessment invoices for 10 hospitals totaling approximately \$41 million from the total population of 281 State-licensed hospitals) to verify that assessments were processed timely.
- Examined cellular telephone and Blackberry invoices (30 invoices totaling \$636 from the population of 411 cellular telephone numbers and 152 Blackberry numbers) to determine whether controls were adequate to document that calls were for an authorized State purpose.
- Examined a limited number of Medicaid waiver billings submitted by the Agency.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Developed and reported findings for all matters requiring corrective actions by the Agency.

**AUTHORITY**

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



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

In letters dated June 21, 2010, and May 28, 2010, the secretaries of the Agency for Health Care Administration and the Department of Elder Affairs, respectively, provided responses to our preliminary and tentative findings. The letters are included at the end of this report as Exhibit A.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



CHARLIE CRIST  
GOVERNOR

*Better Health Care for all Floridians*

THOMAS W. ARNOLD  
SECRETARY

June 21, 2010

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

Dear Mr. Martin:

Thank you for the opportunity to respond to the preliminary and tentative audit findings and recommendations from your Operational Audit, Prior Audit Follow-up, for the period July 2007 through February 2009, and selected actions taken through March 2010. We appreciate the efforts of your staff and have included our response to the recommendations noted in your report. The Agency for Health Care Administration continuously looks for opportunities to improve operations and is committed to providing cost-effective and efficient health care services to the citizens of Florida.

In accordance with your request, we have emailed you the preliminary and tentative findings document with our response incorporated therein. If you have any questions regarding our response, please contact Mike Blackburn, Audit Director, at (850) 412-3977.

Sincerely,

Thomas W. Arnold  
Secretary

TWA/mb

Enclosure: Response to the P&T for Prior Audit Follow-up, for the period July 2007 through February 2009, and selected actions taken through March 2010

cc: James McFaddin, Chief of Staff



**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Agency for Health Care Administration  
Office of the Inspector General - Internal Audit Unit  
Response Table for the Auditor General Operational Audit P&T - Follow Up - Audit Period of 7/2007 - 02/2009

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Contract Management - The Agency needs to enhance its contract management policies and procedures by including provisions that require individuals taking part in the contract award or contract monitoring processes to attest in writing that they are independent of, and have no conflicts of interest with respect to, entities selected or monitored.</p>	<p>We recommend that the Agency’s written policies be revised to clearly reflect the specific requirements for completion of the COI questionnaires. Further, since the relationships affecting a contract manager’s independence could change over time, we recommend that independence certifications be obtained from contract managers at least annually.</p>	<p>We concur with the recommendation. COI questionnaires are now required of every individual involved in the procurement process, excluding those approving for administrative purposes only. Additionally, contract managers are now required to resubmit independence certifications annually (collected during Contract Administration conducted file reviews). AHCA Policy #4006 will be revised to reflect these requirements.</p>	<p>08/01/10</p>	<p>Cathy McEachron</p>

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**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Contract Management - Additional actions by the Agency were necessary to ensure that contract monitoring is timely planned and documented.</p>	<p>We recommend that the Agency enhance policies and procedures to ensure that a monitoring plan is developed and approved during contract scope development. Further, the Agency should consider revising the monitoring plan format to include provision for documenting the date the plan was prepared and approved.</p>	<p>We concur with the recommendation. Contract monitoring plans are now required prior to contract development and execution. The monitoring plan format currently included in policy is provided as an example only. The policy will be revised to delete the form and replace with guidelines for preparing a contract monitoring plan.</p>	<p>08/01/10</p>	<p>Cathy McEachron</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Medicaid Third Party Liability Administration - The Agency’s Third-Party Liability (TPL) contract monitoring procedures could better assess the TPL contractor’s performance by addressing in reports the significance of monitoring findings. The Agency also needs to improve TPL contract procurement processes to minimize the risk of periods of time without TPL services.</p>	<p>We recommend that the Agency enhance its monitoring process to ensure that contract monitoring procedures document key compliance issues and the relative impact of any exceptions noted. Also, in the future, the Agency should increase the time allowed for the contract award process to minimize the risk of gaps in the services provided. Finally, the Agency should continue to pursue the collection of amounts forgone during the transition period.</p>	<p>The TPL Vendor has been operating under a Corrective Action Plan. As such, the Agency’s current monitoring process involves daily monitoring of the Vendor’s activities through document and billings reviews, case reviews and invoice reviews. The Agency also conducts on-site reviews of the Vendor’s processes. The Agency will develop a monitoring process that will document key compliance issues and the relative impact of any exceptions noted. The Agency will work to ensure the maximum amount of time is allowed for the contract award process to minimize the risk of gaps in the services provided. The Agency with the Vendor has worked to help ensure that amounts forgone during the transition period are collected. TPL recoveries can be realized retroactively. The Agency has worked with the Vendor to help ensure billings are submitted in order to maximum recoveries.</p>	<p>12/31/10</p>	<p>Jennifer Barrett</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Medicaid Third Party Liability Administration - The Agency should periodically review the TPL contractor’s list of insurance carriers to evaluate its sufficiency for identifying and locating liable third-parties. The Agency should also request a waiver for modifications to related Federally-required processes.</p>	<p>We recommend that the Agency implement procedures to conduct the required data exchanges or, if determined to be inefficient, request a waiver from the Federal Government related to modified procedures for the identification of liable third parties. We also recommend that the Agency periodically review the TPL contractor’s insurance carrier list to evaluate its sufficiency.</p>	<p>The Vendor is in the process of conducting the federally required data matches. After results are presented to the Agency, the Agency will explore a waiver from the Federal Government as appropriate. As part of the TPL Contract, the Vendor is required to submit to the Agency supporting documentation that indicates data matches have been conducted. In addition, as part of its Contract, the Vendor is required to submit reports that indicate denials that have been submitted by insurance companies. The Agency will use these reports to assist in evaluating the sufficiency of the Vendor’s efforts to identify liable third-parties. The Agency will also monitor collections from insurance companies.</p>	<p>12/31/10</p>	<p>Jennifer Barrett</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Medicaid Third Party Liability Administration - Leads letters are sent to Medicaid recipients for whom claims may identify potential third parties. The Agency should consider the cost-effectiveness of sending follow-up letters to Medicaid recipients who do not respond to initial leads letters.</p>	<p>To increase the leads letters response rate, we recommend that the Agency re-evaluate the process, including the cost-effectiveness of sending follow-up letters to Medicaid recipients who do not respond to the initial request for third-party provider information. As part of the process re-evaluation, the Agency should consider requiring that second request letters be sent to an appropriate sample of recipients and that the usefulness of the related responses be measured and evaluated.</p>	<p>As part of its Contract, the Vendor is required to follow-up with recipients who submit incomplete information or who do not return a leads letter. The Vendor is also required to submit to the Agency a monthly report of leads letters activities. This report includes the number of letters mailed and the number of responses received. This report will also be used to document follow-up activities.</p>	<p>12/31/10</p>	<p>Jennifer Barrett</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Medicaid Third Party Liability Administration - To ensure that amounts collected by the Agency’s TPL Unit are adequately safeguarded and accurately recorded in accounting and other management records, the TPL Unit should record the initial receipt of each amount collected and reconcile amounts collected in the Unit to revenues recorded in the State’s accounting records.</p>	<p>We recommend that the Agency implement procedures to ensure TPL collections are properly safeguarded and timely and accurately deposited. Such procedures should include the preparation of a listing at the initial point of collection and the performance of a reconciliation of the collections to Agency records of deposit. The reconciliations should be prepared by someone independent of the processing of TPL collections.</p>	<p>The Agency has begun to open all mail received at the Agency prior to sending to the TPL Vendor in order to identify any checks received. The Agency logs all checks into a database prior to sending to the Vendor. The Vendor signs for all checks. The Agency verifies the amounts have been deposited by reviewing the Vendor’s deposit logs. The Agency has conducted and will continue to conduct on-site reviews of the TPL Vendor’s check processing procedure. In addition, the Vendor now has an established lockbox for which checks are directly deposited from payors. This will decrease the number of "live checks" that are received by the Vendor.</p>	<p>12/31/10</p>	<p>Jennifer Barrett</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Medicaid Non-emergency Transportation (NET) Services - Agency files did not contain sufficient information to document that fees paid for providing NET services were reasonable and did not result in a profit between State entities.</p>	<p>We recommend that the Agency retain documentation to ensure that NET contract rates are reasonable and do not result in a profit between State agencies. We also recommend that the Agency consider a contract amendment which would limit administrative costs to those which are directly related to Medicaid NET.</p>	<p>The Agency is awaiting final audited annual statements, due August 15th, that will reveal any profits realized by the CTD. Upon receipt of a certified audit report (in compliance with OMB Circular A-133), the Agency intends to review the itemized costs associated with the CTD's claimed administrative expenses. The Agency will also enter into discussions with the CTD to clarify that the CTD may use Medicaid administrative funds solely for paying for Medicaid related administrative costs and not for other, non-Medicaid related, programs. If necessary, we will amend the contract to specifically state this.</p>	<p>11/30/2010</p>	<p>G. Douglas Harper</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Medicaid Non-emergency Transportation (NET) Services - The Agency’s monitoring of the NET contract was not sufficient to ensure contractual compliance and evaluate the performance of the contractor and its subcontractors.</p>	<p>To ensure that Medicaid non-emergency transportation services are only provided to eligible recipients and the most cost-effective method is used, we recommend that the Agency enhance contract monitoring procedures. The monitoring efforts and results should be documented in sufficient detail to demonstrate the Agency’s evaluation of contractor compliance with key provisions of the contract.</p>	<p>The Agency is currently working with the CTD to develop policies and procedures. While the CTD has not yet met this requirement, the Agency continues to work with the CTD to ensure it complies completely with this requirement. Furthermore, the Agency is developing a plan to begin monitoring within the next month, which is necessary to ensure the CTD is in complete compliance with all contractual requirements.</p>	<p>Monitoring plan will be implemented by August 31, 2010.</p>	<p>G. Douglas Harper</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Administrative Activities - The Agency needs to enhance tangible personal property (TPP) policies and procedures to ensure that the annual physical inventory is timely reconciled with property records.</p>	<p>We recommend that the Agency continue efforts to improve the timeliness of reconciliations.</p>	<p>We concur with this recommendation. Property inventory has been conducted since the audit period referenced above. During this process reconciliations for all organizational units were received within the 60 day requirement.</p>	<p>8/1/2010</p>	<p>Cathy McEachron</p>
<p>Administrative Activities - The Agency needs to improve procedures to ensure TPP is timely and accurately recorded.</p>	<p>To effectively safeguard Agency assets, we recommend that the Agency continue efforts to ensure that property records are accurately and timely updated.</p>	<p>We concur with this recommendation. We are currently reviewing all property records to ensure inclusion of all required information. Additionally, desk procedures will be developed to ensure staff responsible for creating and maintaining data records have a clear understanding of information requirements.</p>	<p>8/1/2010</p>	<p>Cathy McEachron</p>

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**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

<b>Issue</b>	<b>Recommendation(s)</b>	<b>Management Response</b>	<b>Target Date</b>	<b>Contact Name</b>
<p>Administrative Activities - The Agency has not established rules or written policies and procedures pertaining to the administration and management of the Medicaid nursing home overpayment account (Account), including specification of situations which will result in authorized withdrawals from the Account. As of March 2010, the Account contained approximately \$27.3 million.</p>	<p>We again recommend that the Agency establish rules for administration and management of the Account. The Agency should also consider establishing written policies and procedures to guide the annual reviews of the financial viability of the Account.</p>	<p>We have drafted policies and procedures to address this finding to go in effect 6/30/2010.</p>	<p>6/30/2010</p>	<p>Paula Shirley 412-3820</p>

**EXHIBIT A  
MANAGEMENT’S RESPONSE (CONTINUED)**

Issue	Recommendation(s)	Management Response	Target Date	Contact Name
<p>Administrative Activities - The Agency submitted an invoice to the Department of Elder Affairs (DOEA) for the Aged/Disabled Adult Services (ADA) and Assisted Living for the Frail Elderly (ALE) waivers that was not supported by information identifying the actual claims paid. According to Agency and DOEA staff this invoice was prepared and paid to prevent unspent General Revenue Fund appropriations from reverting at September 30, 2009.</p>	<p>The Agency should ensure that invoices are only prepared after it is determined that valid claims have been paid for which reimbursement is due from applicable agencies.</p>	<p>The Agency worked with other Agency staff to ensure that no claims were processed or counted more than once in the invoicing process. However, the Agency will ensure that invoices are only prepared after it is determined that valid claims have been paid for which reimbursement is due from applicable agencies. With the exception of the one invoicing period referenced in the report, the Agency has had the procedure of producing invoices for paid claims only. This policy has already been restored and is the current operations for AHCA.</p>	<p>2/26/2010</p>	<p>Tom Wallace</p>

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**



May 28, 2010

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

Dear Mr. Martin:

Pursuant to section 11.45(4)(d), Florida Statutes, the Department is submitting its response to the preliminary and tentative finding and recommendation regarding the Operational audit of the Agency for Health Care Administration (Agency), for the period July 2007 through February 2009, and selected actions taken through March 2010.

E. DOUGLAS BEACH, PH.D.  
SECRETARY

Your operational audit of the Agency resulted in one finding related to the Florida Department of Elder Affairs.

**Finding No. 12:** *“The Agency for Health Care Administration (Agency) submitted an invoice to the Department of Elder Affairs (DOEA) for the Aged/Disabled Adult Services (ADA) and Assisted Living for the Frail Elderly (ALE) waivers that was not supported by information identifying the actual claims paid. According to Agency and DOEA staff this invoice was prepared and paid to prevent unspent General Revenue Fund appropriations from reverting at September 30, 2009.”*

**Recommendation:** *“The Agency should ensure that invoices are only prepared after it is determined that valid claims have been paid for which reimbursement is due from applicable agencies.”*

**Planned Corrective Action:** The Department of Elder Affairs concurs with the recommendation and has implemented a process to review invoices for actual claims paid.

4040 ESPLANADE WAY  
TALLAHASSEE  
FLORIDA, 32399-7000

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**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

Mr. David W. Martin, CPA  
May 28, 2010  
Page Two

In closing, we appreciate the professionalism displayed by your audit staff. Please let us know if we can provide any additional information.

Sincerely,



E. Douglas Beach, Ph.D.  
Secretary

CC: Chuck Corley, Deputy Secretary and Chief of Staff  
Dean Kowalchyk, General Counsel  
Marcy Hajdukiewicz, Director Statewide Community Based Services  
Tonya, Kidd, Chief Financial Officer  
Stanley Behmke, Inspector General  
Tony Hernandez, Director of Internal Auditing