8/14/2013

Elizabeth Dudek, Secretary
Agency for Health Care Administration
2727 Mahan Drive
Tallahassee, Florida 32308

Dear Secretary Dudek:

In accordance with Internal Auditing Standards, attached is the six-month status report from the Division of Medicaid in response to our report #12-10 *Medicaid Risk Management Processes Review* published on February 11, 2013.

A detailed description of all issues, recommendations, and management's responses can be found in the attached table. We will schedule another follow-up review in six months to assess the status of the efforts taken by the Division of Medicaid to correct all open issues.

If you have any questions regarding this status report, please let me know.

Respectfully,

Mary Beth Sheffield for

Eric W. Miller
Inspector General

EWM/lfs
Enclosure
cc: Jenn Ungru, Chief of Staff
    Michelle Dahnke, Director of Communications
    Justin Senior, Deputy Secretary of Medicaid
    Stacey Lampkin, Acting Assistant Deputy Secretary of Medicaid Finance
    Beth Kidder, Assistant Deputy Secretary of Medicaid Operations
    David Rogers, Assistant Deputy Secretary of Medicaid Health Systems

Agency for Health Care Administration
Office of Inspector General – Bureau of Internal Audit
Report Title: Medicaid Risk Management Processes Review
Report Number: 12-10 issued 2/11/2013
Six-Month Follow-up Status as of 8/11/2013

ERM Component	No.	Recommendations	Management Response	Status Update	Anticipated Date of Completion and Contact Name
Internal Environment	1.	Medicaid formally establish an ERM Steering Committee to oversee efforts to identify, assess, measure, respond to, monitor, and report risks. The Committee should include an executive sponsor and articulate the benefits of ERM.	Medicaid will form a steering committee sponsored by the Deputy Secretary for Medicaid that will meet monthly. The steering committee will consist of key managers from the bureaus that will develop an understanding of ERM principles; determine what level of implementation of ERM is feasible; and develop an ERM implementation plan based on the level of implementation adopted.	A risk management steering committee has been established.	In progress July 2015 Kristin Sokoloski
	2.	Medicaid establish a core team consisting of individuals from the various bureaus. The team should: • Become familiar with the framework's components, concepts, and principles to obtain a common understanding, language, and foundation base needed to design and implement an ERM process; • Assess how ERM components, concepts, and principles are currently being applied across Medicaid; • Develop a ERM Vision that explains how ERM will	The steering committee will consist of key managers from the bureaus that will develop an understanding of ERM principles; determine what level of implementation of ERM is feasible; and develop an ERM implementation plan based on the level of implementation adopted.	A risk management steering committee has been established and consists of the Deputy Secretary for Medicaid, the Assistant Deputy Secretary's for Medicaid and the Administrator of the Divisions External Affairs and Project Management Unit.	July 2015 Kristin Sokoloski

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		integrate within Medicaid to achieve its objectives and goals including how to align risk appetite and strategy; and • Develop an implementation plan to adopt ERM.			
	3.	Medicaid develop a comprehensive ERM policy. An ERM policy should also clearly communicate Medicaid's risk management philosophy. Components of an ERM policy should include: • Purpose of the policy; • Owner of the policy and stakeholders; • Background information (definition of ERM, its components, and other related terms); • Responsible parties and duties including the roles of the business units as a part of an active ERM process; and • Identification of person(s) who can test compliance with the policy.	An enterprise risk management approach would be most effective if implemented across the Agency, rather than in one division. The Deputy Secretary for Medicaid will raise the issue of ERM to the Agency Management Team for a determination of whether ERM could be implemented Agency-wide.	The issue of an agency wide enterprise risk management approach has been raised with the Agency Management Team.	July 2015 Kristin Sokoloski
	4.	Medicaid appoint an ERM Officer and a business unit responsible for promoting and teaching risk assessment methods to business owners throughout Medicaid.	An enterprise risk management approach would be most effective if implemented across the Agency, rather than in one division. The Deputy Secretary for Medicaid	The issue of an agency wide enterprise risk management approach has been raised with the Agency Management Team.	July 2015 Kristin Sokoloski

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			will raise the issue of ERM to the Agency Management Team for a determination of whether ERM could be implemented Agency-wide.		
Objective Setting	1.	The Bureaus formalize and document their process of setting objectives.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	2.	Medicaid management periodically reviews objectives to determine if they continue to be consistent with the Agency's and Medicaid's goals and objectives. The review should also be documented.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
Event Identification	1.	Medicaid develop and document the process of identifying events that could impact the Agency.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	2.	Medicaid identify risks related to each objective (i.e. Strategic, Operations, Reporting, and Compliance).	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will	At this time, formal structures and/or processes outside of the risk management steering	July 2015 Kristin

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			be dependent on the steering committee's determination.	committee have not been established.	Sokoloski
	3.	Medicaid identify risks related to each objective (i.e. Strategic, Operations, Reporting, and Compliance).	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	4.	Medicaid management periodically review risks with senior management.	The steering committee sponsor will periodically review risks with senior management.	This is occurring through the structure of the risk management steering committee.	July 2015 Kristin Sokoloski
Risk Assessment	1.	Bureaus periodically conduct and document a formal risk assessment.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	2.	Medicaid assign the duty of compiling all assessments into a comprehensive risk assessment to the ERM Officer and a business unit.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski

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Risk Response	1.	Bureaus formalize and document risk response as a part of the risk assessment.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	2.	Bureaus create an implementation plan to outline how responses are executed.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
Control Activities	1.	Bureaus identify control activities that help mitigate identified risks as a part of their risk assessment.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	2.	Medicaid management periodically review control activities to identify potential gaps and vulnerabilities and to ensure that the controls are current.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
Information and	1.	Medicaid review its information and communication systems and corresponding outputs to determine if	The level of implementation of ERM will be determined by the Medicaid steering	At this time, formal structures and/or processes outside of the	July 2015 Kristin

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Communication		they are sufficient to implement the ERM process.	committee. Implementation of this step will be dependent on the steering committee's determination.	risk management steering committee have not been established.	Sokoloski
	2.	Medicaid management should establish formal communication protocols and procedures, such as meeting minutes, to share risk information.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
Monitoring	1.	Medicaid management create and document processes to assess and monitor the effectiveness of the ERM framework.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski
	2.	Medicaid management create and document processes and procedures for reporting and tracking deficiencies discovered during its monitoring activities.	The level of implementation of ERM will be determined by the Medicaid steering committee. Implementation of this step will be dependent on the steering committee's determination.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	July 2015 Kristin Sokoloski