August 22, 2014

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 eighteen-month status report from the Division of Medicaid in response to the report indexed as Report #12-10, *Medicaid Risk Management Processes Review,* published February 11, 2013.

As this follow-up report details, substantive progress in establishing an enterprise risk management framework has not been accomplished, primarily due to the heavy workload of the Division of Medicaid's implementation of the Statewide Medicaid Managed Care Managed Medical Assistance Program. However, as you instructed, the Office of Inspector General will immediately initiate development of an enterprise risk management framework, assessment, reporting and monitoring function within the HIPAA Compliance Office.

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

Respectfully,

Eric W. Miller
Inspector General

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

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Agency for Health Care Administration
Office of Inspector General –Internal Audit
Report No. and Title: 12-10 Medicaid Risk Management Processes Review, issued 2/11/2013
Eighteen-Month Follow-up Status as of August 11, 2014

ERM Component	No.	Recommendations	Previous 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.	**Status as of February 11, 2014** A risk management steering committee has been established. <u>Anticipated Date of Completion: In progress – July 2015</u> **Status as of August 11, 2013** A risk management steering committee has been established. <u>Anticipated Date of Completion: In progress – July 2015</u> **Status as of February 11, 2013** 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. <u>Anticipated Date of completion: February 2013</u>	A risk management steering committee has been established. **Auditor's Note:** Although a risk management steering committee has been established, Medicaid has not provided any documentation to support implementation of the recommendation.	Kristin Sokoloski
	2.	Medicaid establish a core team consisting of individuals from the various bureaus. The team should:	**Status as of February 11, 2014** A risk management steering committee has been established and consists of the Deputy Secretary for	A risk management steering committee has been established and consists of the Deputy	Kristin Sokoloski

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		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 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.	Medicaid, the Assistant Deputy Secretary's for Medicaid and the Administrator of the Divisions External Affairs and Project Management Unit. Anticipated Date of Completion: July 2015 **Status as of August 11, 2013** 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. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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. Anticipated Date of Completion: July 2013	Secretary for Medicaid, the Assistant Deputy Secretary's for Medicaid and the Administrator of the Divisions External Affairs and Project Management Unit. **Auditor's Note:** Although a risk management steering committee has been established, Medicaid has not provided any documentation to support implementation of the recommendation.	
	3.	Medicaid develop a comprehensive ERM policy. An ERM policy should also clearly communicate Medicaid's	**Status as of February 11, 2014** The issue of an agency wide enterprise risk management approach has been raised with the	The issue of an agency wide enterprise risk management approach has been raised with	Justin Senior

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ERM Component	No.	Recommendations	Previous Management Response	Status Update	Anticipated Date of Completion and Contact Name
		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.	Agency Management Team Anticipated Date of Completion: July 2015 **Status as of August 11, 2013** The issue of an agency wide enterprise risk management approach has been raised with the Agency Management Team. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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. Anticipated Date of Completion: June 2013	the Agency Management Team.	
	4.	Medicaid appoint an ERM Officer and a business unit responsible for promoting and teaching risk assessment methods to business owners throughout Medicaid.	**Status as of February 11, 2014** The issue of an agency wide enterprise risk management approach has been raised with the Agency Management Team. Anticipated Date of Completion: July 2015 **Status as of August 11, 2013** The issue of an agency wide enterprise risk	The issue of an agency wide enterprise risk management approach has been raised with the Agency Management Team.	Justin Senior

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			management approach has been raised with the Agency Management Team. Anticipated Date of Completion: July 2015		
			Status as of February 11, 2013 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. Anticipated Date of Completion: June 2013		
Objective Setting	1.	The Bureaus formalize and document their process of setting objectives.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	TBD/ No earlier than 2015
			Status as of August 11, 2013 At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015		

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			Status as of February 11, 2013 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.		
	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.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	TBD/ No earlier than 2015
Event Identification	1.	Medicaid develop and document the process of identifying events that	**Status as of February 11, 2014** At this time, formal structures and/or processes	At this time, formal structures and/or processes outside of the	TBD/ No earlier than

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		could impact the Agency.	outside of the risk management steering committee have not been established. <u>Anticipated Date of Completion: No earlier than 2015</u> **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. <u>Anticipated Date of Completion: July 2015</u> **Status as of February 11, 2013** 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.	risk management steering committee have not been established.	2015
	2.	Medicaid identify risks related to each objective (i.e. Strategic, Operations, Reporting, and Compliance).	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	TBD/ No earlier than 2015

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			Status as of February 11, 2013 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.		
	3.	Medicaid identify risks related to each objective (i.e. Strategic, Operations, Reporting, and Compliance).	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	TBD/ No earlier than 2015
	4.	Medicaid management periodically reviews risks with senior management.	**Status as of February 11, 2014** This is occurring through the structure of the risk	This is occurring through the structure of the risk management	Justin Senior

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			management steering committee. Anticipated Date of Completion: July 2015 **Status as of August 11, 2013** This is occurring through the structure of the risk management steering committee. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** The steering committee sponsor will periodically review risks with senior management. Anticipated date of completion: Ongoing	steering committee. **Auditor's Note:** Although a risk management steering committee has been established, Medicaid has not provided any documentation to support implementation of the recommendation.	
Risk Assessment	1.	Bureaus periodically conduct and document a formal risk assessment.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	TBD/ No earlier than 2015

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			Status as of February 11, 2013 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.		
	2.	Medicaid assign the duty of compiling all assessments into a comprehensive risk assessment to the ERM Officer and a business unit.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	TBD/ No earlier than 2015
Risk Response	1.	Bureaus formalize and document risk response as a part of the risk	**Status as of February 11, 2014** At this time, formal structures and/or processes	At this time, formal structures and/or processes outside of the	TBD/ No earlier than

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		assessment.	outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	risk management steering committee have not been established.	2015
	2.	Bureaus create an implementation plan to outline how responses are executed.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	TBD/ No earlier than 2015

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			outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.		
Control Activities	1.	Bureaus identify control activities that help mitigate identified risks as a part of their risk assessment.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** The level of implementation of ERM will be determined by the Medicaid steering committee.	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	TBD/ No earlier than 2015

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			Implementation of this step will be dependent on the steering committee's determination.		
	2.	Medicaid management periodically review control activities to identify potential gaps and vulnerabilities and to ensure that the controls are current.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	TBD/ No earlier than 2015
Information and Communication	1.	Medicaid review its information and communication systems and corresponding outputs to determine if they are sufficient to implement the ERM process.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than	At this time, formal structures and/or processes outside of the risk management steering committee have not been	TBD/ No earlier than 2015

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			2015	established.	
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			Status as of February 11, 2013 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.		
	2.	Medicaid management should establish formal communication protocols and procedures, such as meeting minutes, to share risk information.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015	At this time, formal structures and/or processes outside of the risk management steering committee have not been established.	TBD/ No earlier than 2015
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Monitoring	1.	Medicaid management create and document processes to assess and monitor the effectiveness of the ERM framework.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	TBD/ No earlier than 2015

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	2.	Medicaid management create and document processes and procedures for reporting and tracking deficiencies discovered during its monitoring activities.	**Status as of February 11, 2014** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: No earlier than 2015 **Status as of August 11, 2013** At this time, formal structures and/or processes outside of the risk management steering committee have not been established. Anticipated Date of Completion: July 2015 **Status as of February 11, 2013** 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.	TBD/ No earlier than 2015