



AUDIT UPDATE

Finance and Operations Committee
October 23, 2017

List of Audits

Completed

- Kunding, Corder & Engle, PC
 - Financial Audit and Single Audit
 - Fiscal Years Ending - 2014, 2015, 2016 and 2017
- BKD, LLP
 - Programmatic Audit or SMART Audit
 - Fiscal Years Ending - 2014, 2015 and 2016
- Colorado Office of the State Auditor
 - Limited Performance Audit 2014
 - Full Performance Audit 2016
- Office of the Inspector General
 - Report Number A-07-14-031399 - Not All of the Colorado Marketplace's Internal Controls Were Effective in Ensuring the Individuals Were Enrolled in Qualified Health Plans According to Federal Requirements
 - Report Number A-07-14-02801 - Colorado Did Not Correctly Expend Establishment Grant Funds for Establishing a Health Insurance Marketplace

Open

- Office of the Inspector General
 - Audit Number 07-16-02804 - Establishment Grant and Shared Eligibility System

Audit Status

Implementation Status	Office of State Auditor - 2017 Audit Financial Recommendations	Progress to Date
	Implement financial policy and procedure update process	Inventory and review tracking sheet of policies and procedures is implemented. Policies and Procedures have be distributed to relevant departments/managers. First Quarterly review to be completed by October 31.
	Implement contract review/revision process.	Updating existing Contract Management Procedure document is in process. Contract management checklist is in draft form and has been distributed for comment. Inventorying all contracts to distribute to contract managers for initial review and possible revisions.
	Corrective action plan for prior audit findings	Action Plan has been developed for addressing the 2014 comments - implmentation of actions in process
	Implementation of audit recommendation compliance and internal audit status reporting and documentation of review.	Audit tracking matrix is in place and includes implementation status, progress and dates. The Matrix will track Internal Audit signoff and assist in audit planning. Draft of the Audit Plan is being reviewed. Next quarterly teport to Finance and Ops Committee on Oct 23.
	Implement training program for financial policies and procedures and contracts.	Evaluating the use of the learning management system (LMS) to distribute and administer training to staff. Analysis is in process to determine the form of training needed that best fits the subject matter and audience. Training to be completed upon updating policies and procedures.

Audit Status

Implementation Status	Office of State Auditor - 2017 Audit Appeals and Complaints Recommendations	Progress to Date
	Ensuring staff follow the procedures for entering appeals information into its database and submitting cases to the Office of Administrative Courts by implementing supervisory review of data.	<p>Appeals:</p> <ul style="list-style-type: none"> - Process documentation is being reviewed and updated as necessary. - Updates to process documentation will be complete and training will begin on updates on 10/16/2017. - Periodic case review will begin on 11/1/2017. The review will initially be scheduled quarterly, but we will reevaluate that frequency as needed. <p>Complaints:</p> <ul style="list-style-type: none"> - Procedures are drafted and in the review process.
	Establishing and implementing processes for reporting timeliness of appeals to the Board.	Currently researching which information will inform the board in a meaningful way and also researching the best way to report that information to the board.
	Establishing and implementing methods to prioritize appeals to meet timeliness standards, and filling open appeals staff positions.	Process documentation is being reviewed and updated as necessary. Updates to process documentation will be complete by 10/16/2017. The team is working on clearing the back log of appeal cases. Staffing resources are analyzed as often as needed and we will attempt to align with need despite competing budget priorities.
	Implementing a written policy and procedure for complaint processing.	Procedures are drafted and in the review process they included definitions, provision for logging, tracking and monitoring complaints E2E.
	Update website to make complaint filing information easier to find and provide accurate instructions on how customers may file complaints.	Designs for the website are in process.

Audit Status

Implementation Status	Office of Inspector General - 2016 Recommendations	Progress to Date
	<p>We recommend that the Colorado marketplace refund to the Federal Government \$9,678,635, consisting of:</p> <ul style="list-style-type: none"> - \$4,398,333 in inadequately documented costs that it charged to the establishment grants, - \$4,504,799 in unallowable hardware and software operational support and maintenance contract costs whose periods of benefit occurred after December 31, 2014 - \$312,449 in costs that were improperly transferred from one establishment grant to another, and - \$463,054 in costs that the Colorado marketplace did not efficiently and effectively administer and that it therefore unallowably charged to the establishment grants; 	<p>We have filed our formal response with OIG and CMS addressing and requesting closure of these findings. We met with CMS to discuss the report in the Summer of 2017. CMS has sent a resolution to OIG and we are waiting for formal response from the OIG and CMS.</p>
	<p>We recommend that the Colorado marketplace:</p> <p>develop, finalize, and implement policies and procedures to ensure that it expends Federal grant funds in accordance with Federal, State, and Colorado marketplace requirements, including:</p> <ul style="list-style-type: none"> - policies and procedures to ensure that all contracts require invoices to specifically describe the services to be performed and show in detail how billed amounts are to be calculated; - policies, procedures, and internal controls to ensure that marketplace staff follow Federal requirements and contract provisions when reviewing invoices before approving them for payment; - controls to ensure that grant funds are drawn down only as and when needed; - finalizing policies and procedures regarding contract administration to ensure that all contracts, contractual expenditures, and associated invoices contain all necessary elements of information and are approved in accordance with the marketplace's existing policy; and - finalizing policies and procedures to ensure that equipment is properly inventoried and properly disposed of so that Federal grant funds and assets are properly safeguarded. 	<p>We have filed our formal response with OIG and CMS addressing and requesting closure of these findings. We met with CMS to discuss the report in the Summer of 2017. CMS has sent a resolution to OIG and we are waiting for formal response from the OIG and CMS.</p>

Audit Status

Implementation Status	SMART Audit (BKD) - 2016 Recommendations	Progress to Date
	It's recommended Connect for Health Colorado continue to work with their local information technologies and compliance groups to develop a process to verify the required eligibility information for all enrollees.	The IT assessment is complete. We are developing a strategy to work with the our state partners. We anticipate resolution after HCPF has completed their transformation of CBMS.
	It's recommended Connect for Health Colorado continue to work with their information technologies and compliance groups to determine a process for internally monitoring these highly automated components of internal controls which could then potentially be relied upon for purposes of internal control testing. Alternatively, testing of these internal controls by independent auditors should be scheduled prior to the fiscal year-end while the control environment is still in existence. Furthermore, we recommend that Connect for Health Colorado and the Division of Insurance review their responsibilities under the agreement and ensure that clear roles for each entity are firmly established.	Updating existing QHP Certification process to included Q&A activity for auditor testing. Evaluating how to explicitly certify QHP's with state partners
Implementation Status	Single/A-133 Audit (KCE) - Fiscal Year 2016 Recommendations	Progress to Date
	The Exchange should implement proper procedures that allow for thorough documentation of the procurement process, in accordance with OMB Circular A-110. Furthermore, the Exchange should adhere to its policy, requiring approval by the Board for any contract of \$150,000.	In response to a similar finding in the prior year audit , Connect for Health successfully implemented new procurement procedures during fiscal year 2016 to improve documentation of the contract/procurement process. These new procedures were implemented subsequent to the procurement of the contract associated with this audit finding. To be cleared in FY17 Singel Audit.

Internal Audit Planning Areas

Procurement Process

- Sufficient Detail for the History of the Process to Ensure Competition
- Proper Approval Levels
- Proper Approval Timing

Contract Management

- Contract Billing Documentation
- Contract Monitoring
- Contract Reporting

Sub-Recipients

- Payment Support
- Compliance Monitoring