

**Colorado Health Benefit Exchange
(dba Connect for Health Colorado)**

Single Audit Reports

June 30, 2017

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

**Colorado Health Benefit Exchange
Single Audit Reports**

Table of Contents

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards, Year Ended June 30, 2017.....	5
Schedule of Findings and Questioned Costs, Year Ended June 30, 2017	6
Summary Schedule of Prior Audit Findings	7

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

**Board of Directors
Colorado Health Benefit Exchange:**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Colorado Health Benefit Exchange (the Exchange), which comprise the statement of net position as of June 30, 2017, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Exchange's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Exchange's internal control. Accordingly, we do not express an opinion on the effectiveness of the Exchange's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Exchange's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
Colorado Health Benefit Exchange**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kuendinger, Cordia & Congle, P.C.

October 23, 2017

**Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by the Uniform Guidance**

**Board of Directors
Colorado Health Benefit Exchange:**

Report on Compliance for Each Major Federal Program

We have audited Colorado Health Benefit Exchange's (the Exchange's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Exchange's major federal programs for the year ended June 30, 2017. The Exchange's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Exchange's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the USA; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Exchange's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Exchange's compliance.

Opinion on Each Major Federal Program

In our opinion, the Exchange complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the Exchange is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Exchange's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Exchange's internal control over compliance.

**Board of Directors
Colorado Health Benefit Exchange**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Exchange as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Exchange's basic financial statements. We issued our report thereon dated October 23, 2017, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Kuendinger, Cochrane & Gingle, P.C.

March 28, 2018

Colorado Health Benefit Exchange
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal grantor/pass-through grantor/program title	Federal award year	Federal CFDA number	Federal expenditures
<i>U.S. Department of Health and Human Services:</i>			
Passed through Colorado's Department of Health Care Policy and Financing:			
Medical Assistance Program	7/1/16-6/30/17	93.778	\$ <u>2,833,710</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,833,710</u>
Total Expenditures of Federal Awards			<u>\$ 2,833,710</u>

Notes to the Schedule of Expenditures of Federal Awards:

(1) Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Colorado Health Benefit Exchange (the Exchange) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Exchange, it is not intended to and does not present the net position, changes in net position, or cash flows of the Exchange.

(2) Summary of Significant Accounting Policies:

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate:

The Exchange has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

(4) Subrecipient Awards:

There were no awards passed through by the Exchange to subrecipients.

Colorado Health Benefit Exchange
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Colorado Health Benefit Exchange (the Exchange) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Exchange were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award program for the Exchange expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The major program tested was the Medical Assistance Program (CFDA No. 93.778).
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. The Exchange did not qualify as a low-risk auditee.

B. Findings—Financial Statements Audit

None.

C. Findings and Questioned Costs—Major Federal Award Programs Audit

None.

Colorado Health Benefit Exchange
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2017

2016-001 U.S. Department of Health and Human Services
CFDA No. 93.525 State Planning and Establishment Grants for the Affordable Care Act
(ACA)'s Exchanges

Procurement, Suspension and Debarment - Significant Deficiency

Condition: During fiscal 2016, expenditures totaling \$3,095,896 were applied to the federal grant, under three separate contracts, related to improvements made to the Shared Eligibility System (SES). The Exchange believed that procurement was permitted by noncompetitive proposals for the three contracts as the services were only available from the sources used. However, the Exchange was unable to provide supporting records that detailed the history of procurement and basis for selection of the vendors, including documentation supporting that the contractors met the criteria to be chosen through noncompetitive proposals.

Also, as part of the procurement process, the Exchange requires Board approval for contracts over \$150,000. Board approval was noted for the entire SES project, with a maximum placed on project expenses by the Board. However, board approval was not obtained for each individual contract.

Recommendation: We recommended that the Exchange implement proper procedures that allow for thorough documentation of the procurement process. Furthermore, the Exchange should adhere to its policy, requiring approval by the Board for any contract in excess of \$150,000.

Current Status: The recommendation was implemented during fiscal 2017. The Exchange has implemented new policies, requiring documentation of the procurement process, including documentation of the criteria met in order to choose vendors through noncompetitive proposals.