



AUDIT UPDATE

September 24, 2018

Internal Audit Focus Areas

Procurement Process and Procurify Audit (in Progress)

The focus for the audit is:

- ❖ Compliance with the Uniform Guidance
- ❖ Proper Approval Levels
- ❖ Proper Approval Timing

Contract Management Audit (in Progress)

The focus for the audit is:

- ❖ Contract Billing Documentation
- ❖ Contract Monitoring
- ❖ Contract Reporting

Payments to Vendors, Employees and Assisters Audits

The focus for these audits are:

- ❖ Payment Documentation
- ❖ Compliance with the Uniform Guidance
- ❖ Compliance with C4HCO Procedures
- ❖ Proper Approval

Internal Audit Focus Areas

Appeals Supervision and Review – Update

We have completed three quarters of review and feedback. We are now reporting out information to both the Board of Directors and to CMS/CCIIO on a quarterly basis and will continue to do so until further notice.

Complaints Review – Update

We have completed three quarters of review and feedback. We are reporting to the Board of Directors on a quarterly basis and will continue to do so until further notice. We have also updated the process and work to improve the quality of data we receive from the service center as part of the review and feedback.

Internal Controls

Internal Control Improvements - Implemented

- Implement the Purchase Request Form and process
- Updating and implementing financial policies and procedures
- Filled open accounting vacancies with qualified permanent staff
- Review and update certain vendor contracts
- Guidance for monitoring, reporting and documentation
- Quarterly audit updates to Finance and Operations Committee
- Individual staff training and development on contract management
- Quarterly review of policies and procedures to match the organization's practices
- Tools implemented for staff accountability regarding monitoring budgets and contracts
- Individual staff training and development on procurement process

Internal Control Improvements - In Process

- Distribute training modules through the Learning Management System to assist staff and manager's with tracking and documenting the training process

Audit Status

Implementation Status	SMART Audit (BKD) - 2017 Recommendations	Progress to Date
	It's recommended that 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.	C4HCO will be implementing a new eligibility system that will provide the required verifications for all customers. Implementation is scheduled for November 2018.
	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. Additional documentation of items reviewed and discussed in DOI and Board meetings along with an SSAE 16 report from the service organization could possibly provide sufficient information for testing outside of the automated environment. .	C4HCO is working closely with the DOI to obtain the SSAE 16 for the SERFF system. Also, procedures have been established for the Board of Directors to officially certify the QHP plans offered on the Exchange.

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 on January 17, 2017. 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 CMS. Further clarification was provided by C4 in April, 2018.</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 on January 17, 2017. 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 CMS.</p>

Audit Status

Implementation Status	Office of Inspector General – 2018 Recommendations	Progress to Date
	<p>Recommendation: Develop and implement a cost allocation methodology that is based on relative benefits received by the Colorado marketplace and that is based on an updated, better data regarding expected transactions and program population as the data become available.</p> <p>Recommendation: Develop and implement written policies, reinforced by adequate internal controls, that explain how to develop a CAP based on relative benefits received, expected transactions, and expected population; how to provide formal input to HCPF and CMS during the development of cost allocation ratios; and how to adequately document the development of these ratios.</p> <p>Recommendation: Develop and implement written policies and procedures to ensure that future Federal grant award costs are allocated to it in the appropriate period in accordance with Federal requirements.</p>	<p>OIG response was filed on March 14, 2018.</p>
	<p>Recommendation: Work with CMS to certify the cost transfers associated with the remaining 352 expenditures totaling \$3,177,310, ensure that each expenditure transferred was allowable, and refund any unallowable expenditures to the Federal Government.</p> <p>Recommendation: Develop and implement written policies and procedures to ensure that it administers its financial management system accurately and reliably to ensure that for any future Federal grant awards, the marketplace’s financial management system maintains effective control over and accountability for grant funds.</p> <p>Recommendation: Refund to the Federal Government \$2,567,604, consisting of: \$1,998,617 in costs that were improperly transferred between grants and \$568,987 in payments that were related to obligations that were not incurred during the grant funding period</p>	<p>Our response was filed on May 24, 2018. We anticipate further discussions with CMS regarding these recommendations and resolution on the allowability of the questioned expenditures.</p>