



**INDEPENDENT EXTERNAL AUDIT:**

**2014 AUDIT FINDINGS REPORT**

*CONNECTICUT*

*CONNECTICUT HEALTH INSURANCE EXCHANGE*

*DBA ACCESS HEALTH CT (AHCT)*



## INDEPENDENT EXTERNAL AUDIT: 2014 AUDIT FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP  
FROM: WHITTLESEY & HADLEY, PC  
DATE: MARCH 26, 2015  
SUBJECT: AUDIT FINDINGS REPORT FOR CONNECTICUT

### I. EXECUTIVE SUMMARY

#### **PURPOSE**

The purpose of this independent external audit is to ensure that the Connecticut Health Insurance Exchange in the state of Connecticut is in compliance with the financial and programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS).

Name of SBM: Connecticut Health Insurance Exchange

State of SBM: Connecticut

Name of Auditing Firm: Whittlesey and Hadley, PC, Hartford, Connecticut

Our responsibility is to perform a programmatic audit to report on Connecticut Health Insurance Exchange's compliance with 45 CFR Part 155 as described in the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of State-based Marketplaces (SBMs). The Program Integrity Rule Part II ("PI Reg."), 45 CFR §155.1200 (c), states, "The State Marketplace must engage an independent qualified auditing entity which follows generally accepted governmental auditing standards (GAGAS) to perform an annual independent external financial and programmatic audit and must make such information available to the U.S. Department of Health and Human Services for review."

#### **SCOPE**

The scope of this engagement includes an audit of financial statements of Connecticut Health Insurance Exchange (hereafter referred to as Access Health CT ("AHCT")), which comprise the statement of net position as of June 30, 2014, and the related statement of changes in net position, revenues, expenses and change in net position, and cash flows for the year then ended, and the related notes to the financial statements. We conducted our audit in accordance with 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. We completed AHCT's financial statement audit and the audit of AHCT's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and issued unmodified reports thereon dated December 18, 2014.

We performed inquiries, observations, testing and staff interviews to determine whether AHCT is in compliance with 45 CFR Part 155.

We reviewed processes and procedures designed to prevent improper eligibility determinations and enrollment transactions and identification of errors that resulted in incorrect eligibility determinations.

We reviewed oversight monitoring and policies and procedures.

## METHODOLOGY

- **Audit Firm Background:**

Whittlesey and Hadley, P.C. has over 50 years of auditing and compliance experience, specializing in financial audits in accordance with accounting principles generally accepted in the United States of America and compliance audits following the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

- **Audit of the Financial Statements in accordance with GAAP and GAGAS:**

We have audited, in accordance with 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 AHCT, which comprise the statement of net position as of June 30, 2014 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 a report thereon dated December 18, 2014.

We have audited AHCT's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Access Health CT's major federal programs for the year ended June 30, 2014, and have issued a report thereon dated December 18, 2014.

The full audit report referred to above will accompany this report under separate copy.

- **Programmatic audit in accordance with CMS requirements:**

### **Report on compliance with 45 CFR Part 155**

We have audited AHCT' compliance with the types of compliance requirements described in 45 CFR Part 155 for the year ended June 30, 2014.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to 45 CFR Part 155.

#### Auditors' Responsibility

Our responsibility is to express an opinion on AHCT's compliance 45 CFR Part 155. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and CMS. Those standards 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 the program occurred. An audit includes examining, on a test basis, evidence about AHCT'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 with 45 CFR Part 155. However, our audit does not provide a legal determination of Access Health CT's compliance.

### Opinion on Compliance with 45 CFR Part 155

In our opinion, AHCT complied in all material respects with the compliance requirements referred to above for the year ended June 30, 2014.

### Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with CMS requirements and which are described in the accompanying audit findings report, finding #2014-001, finding #2014-002. Our opinion on AHCT's compliance with the requirements described in 45 CFR Part 155 is not modified with respect to these matters.

AHCT's response to the noncompliance findings is identified in the accompanying intended correction action plan.

AHCT's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

#### • **Summary of Programmatic Procedures**

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to perform procedures to test AHCT's compliance and program effectiveness of the subparts of 45 CFR Part 155:

- General Standards (Subpart B)
- General functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Appeals of Eligibility Determinations (Subpart F)
- Exemptions (Subpart G)
- SHOP (Subpart H)
- Certification of Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)
- State Flexibility (Subpart N)
- Quality Reporting Standards (Subpart O)

We reviewed documentation obtained from AHCT:

- Public Act No.11-53, An Act Establishing a State Health Insurance Exchange
- Access Health CT Privacy Policy
- CT Privacy Impact Assessment
- Privacy Impact Assessment (PIA) Mitigation Plan
- Access Health CT 2014 Producer Guide
- AHCT Training and Education Plan for 2014
- AHCT SHOP Broker Certification Training Agenda
- AHCT's Training Modules and Exams
- AHCT's Policy for Establishing Requirements for Certification, Recertification and Decertification of Qualified Health Plans
- AHCT's Sample Applications
- AHCT's Navigator and In-person Assister Training and Certification Program
- AHCT's Ethics Policy

- AHCT's Accounting Policy and Procedure Manual
  - AHCT's By-Laws
  - AHCT's Policy for Procurement: Contracting for Personal Services
- We interviewed the following AHCT staff, performed walkthroughs of data systems and operations to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR Part 155:
    - Controller
    - General Counsel
    - Director of Policy and Plan Management
    - Director of Operations
    - Manager of Operations
    - Manager of Issue Resolution
    - Training Manager
    - Outreach Coordinator
    - Enrollment Specialist
  - We interviewed the following non-AHCT staff, performed walkthroughs of data systems and operations to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR Part 155:
    - Manager, Call Center, Maximus
    - Contact Center Representative, Maximus
    - Broker, Crystal Financial
  - We analyzed samples from AHCT's eligibility, enrollment and qualified healthcare provider universes and performed on-site walkthroughs of operations and data examination to evaluate compliance with 45 CFR Part 155:
    - A listing of 191,280 enrolled participants at June 30, 2014 was provided to us from AHCT operations. A random sample of 45 enrolled participants was selected to test the compliance of 45 CFR 155 Subpart D, Eligibility Functions, and 45 CFR 155 Subpart E, Enrollment Functions.
    - A listing of 203 exemption applications at June 30, 2014 was provided to us from AHCT legal department. A random sample of 10 exemption applications was selected to test the compliance of 45 CFR 155 Subpart G, Exemptions.
    - A listing of 4 Quality Healthcare Providers used by AHCT was provided to us from AHCT Policy and Plan Management. A sample of 1 provider was selected to test compliance with 45 CFR 155 Subpart K, Certification of Qualified Health Plans.
  - We performed site-visits and walkthroughs of one of AHCT's storefront facilities and one of AHCT's contracted call centers. We interviewed staff at those locations to understand operational functions and the application process as it applies to 45 CFR Part 155.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

## II. AUDIT FINDINGS

### KEY FINDINGS

#### Finding #2014-001

**Condition:** Under Subpart E—Exchange Functions in the Individual Market: Enrollment in Qualified Health Plans, §155.400 Enrollment of qualified individuals into QHPs.

(d) *Reconcile files.* The Exchange must reconcile enrollment information with QHP issuers and HHS no less than on a monthly basis.

**Criteria:** Per discussion with AHCT management, AHCT did not reconcile enrollment information with Qualified Health Care Providers (“QHP”) issuers and HHS no less than on a monthly basis as of June 30, 2014.

**Cause:** Per management, this reconciliation process began during July 2014.

**Effect:** If reconciliation of enrollment information with QHP issuers and HHS occur no less than on a monthly basis, incorrect enrollment information may not be discovered on a timely basis.

#### Finding #2014-002

**Condition:** We noted 2 out of 45 eligibility records reviewed did not provide requested documentation to verify their income.

**Criteria:** Under Subpart D - Exchange Functions in the Individual Market: Eligibility Determinations for Exchange Participation and Insurance Affordability Programs, section 155.320, if the Exchange finds that an applicant's attestation to the individuals that comprise his or her household for Medicaid and CHIP is not reasonably compatible with other information provided by the application filer for the applicant or in the records of the Exchange, in which case the Exchange must utilize data obtained through electronic data sources to verify the attestation. If such data sources are unavailable or information in such data sources is not reasonably compatible with the applicant's attestation, the Exchange must request additional documentation to support the attestation.

If, at the conclusion of the 90 days the Exchange remains unable to verify the applicant's attestation for the tax filer and the income verification is unavailable, the Exchange must determine the tax filer ineligible for advance payments of the premium tax credit and cost-sharing reductions, notify the applicant of such determination in accordance with the notice requirement specified in §155.310(g), and discontinue any advance payments of the premium tax credit and cost-sharing reductions in accordance with the effective dates specified in §155.330(f).

**Cause:** AHCT management is aware of this system error and has been implementing system fixes subsequent to June 30, 2014.

**Effect:** If additional supporting income verification is deemed necessary to determine eligibility and not received, then eligibility determinations may be incorrect.

**AUDITOR'S OPINION**

Based on the Key Findings above, it is Whittlesey and Hadley, PC's opinion that the accounting practices and financial statements reviewed during the year ended June 30, 2014 independent external audit are:

MODIFIED       UNMODIFIED       ADVERSE       DISCLAIMER

**III. RECOMMENDATIONS****Finding #2014-001**

AHCT should reconcile enrollment information with QHP issuers and HHS no less than on a monthly basis.

**Finding #2014-002**

AHCT should implement system update to capture consumers who do not supply the required income verification information during the time stipulated in the regulations and withdraw eligibility determinations based on incomplete data.

**IV. CONCLUSION**

We confirm to the best of our knowledge that the information included in this Audit Findings Report is accurate and based on a thorough review of the documentation required for this report.

SIGNATURE OF AUDIT FIRM:

Whittlesey & Hadley, P.C.

COMPLETION DATE OF AUDIT FINDINGS REPORT:

March 26, 2015