



# OIG REPORT SUMMARY

January 4, 2017

# OIG Report Key Points

- The recommendations in the report relate to expenses during the start-up phase of the organization, in 2013 and 2014.
- The \$9.7 million in recommended refunds represents about 5% of the \$184 million Connect for Health Colorado start-up grant.
- Nearly 50% of the \$9.7 million recommended for refund was previously reallocated to non-federal funds as they were identified as unallowable (prepaid maintenance and operating costs and promotional giveaways).
- We had mixed advice early on regarding allowable expenses and corrected allocations when rules were clarified.
- Expenditures identified in the report were supported by relevant documents including public procurement processes for larger expenditures.
- Our processes and procedures have improved as our organization matures and they are better developed than they were for the period covered in this audit. Our work with auditors, which is on a continual basis, assists that improvement process, even when we do not agree with every finding.
- We are in ongoing conversations with the Centers for Medicare and Medicaid Services (CMS) who administered our grant and who is aware of these findings on next steps and whether any repayment or reallocation is required.
- Full report is available at <https://oig.hhs.gov/>

# OIG Recommendations Summary

OIG Recommendations	Connect for Health Response/Actions
<b>Develop, finalize and implement policies, procedures and internal controls to ensure:</b>	<b>These are similar to recommendations for improving internal controls made by State and independent auditors</b>
all contracts require invoices to specifically describe the services to be performed and show in detail how billed amounts are to be calculated;	implemented contracting and payment procedures to improve expense documentation including references to underlying contract
marketplace staff follow Federal requirements and contract provisions when reviewing invoices before approving them for payment;	enhanced staff training and processes for expense approvals
grant funds are drawn down only as and when needed;	even though no longer receiving Federal funds, processes were implemented in the last 12 months to assure timely drawdowns
contracts, contractual expenditures, and associated invoices contain all necessary elements of information and are approved in accordance with the marketplace's existing policy;	implemented contracting and payment procedures to improve expense documentation including references to underlying contract and enhanced staff training and processes for expense approvals
equipment is properly inventoried and properly disposed of so that Federal grant funds and assets are properly safeguarded.	improved equipment/asset inventory tracking processes

# OIG Findings Summary

OIG Findings	Connect for Health Colorado Response/Actions
Charged the establishment grants \$4,504,799 for unallowable hardware and software operational support and maintenance contract costs whose periods of benefit occurred after December 31, 2014	Initially mixed messaging on allowability of expenditures, upon clarified federal direction disallowing expenses they were reallocated to non-federal funds and federal funds reassigned to allowable expenses
Did not adequately document \$4,398,333 in costs that it charged to the establishment grants	Consists of 43 contractor/consultant expenses. Expenses were supported by invoices and underlying contracts. Over 70% of costs were related to 3 invoices for the initial exchange development and maintenance supported by agreed upon and accepted contractual deliverables. Resolution of these findings to be discussed with CMS.
Improperly transferred costs totaling \$312,449 from one establishment grant to another without demonstrating that these cost transfers were performed to correct bookkeeping or clerical errors	Exchange funding was provided through 3 overlapping grants. Allowability of expenses was similar under all 3 grants. These transfers were related to bookkeeping errors as the result of controls/procedures lacking for the initial assignment of expenses to specific grants requiring follow-up corrections. Resolution of these findings to be discussed with CMS.
Did not efficiently and effectively administer establishment grant funds totaling \$463,054.	Findings primarily related to performance bonuses for staff, payments to assistance network subgrantees and promotional giveaways. Unallowable expenses were reallocated to non-federal sources of funds and federal funds reassigned to allowable expenses. Resolution of the remaining findings to be discussed with CMS.