



# AUDIT UPDATE

February 12, 2018

# Internal Audit Focus Areas

## Procurement Process Audit

Scheduled to start Spring 2018

- The focus for the audit is:
  - ❖ Sufficient Detail for the History of the Process to Ensure Competition
  - ❖ Proper Approval Levels
  - ❖ Proper Approval Timing

## Contract Management Audit

Scheduled to start Spring 2018

- The focus for the audit is:
  - ❖ Contract Billing Documentation
  - ❖ Contract Monitoring
  - ❖ Contract Reporting

## Sub-Recipients Audit

- Payment Support
- Compliance Monitoring

# Internal Audit Focus Areas

## Appeals Supervision and Review

November 2017 Started

- The focus is a periodic review and feedback of the following areas:
  - ❖ Complete data records in ATLAS
  - ❖ Timeliness of resolution
  - ❖ Prioritization of cases

## Complaints Review

January 2018 Started

- The focus is a periodic review and feedback of the following areas:
  - ❖ Complete data records in ATLAS
  - ❖ Accurate categorization
  - ❖ Timeliness of resolution
  - ❖ Accurate disposition

# 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

## Internal Control Improvements - In Process

- Individual staff training and development on procurement 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 | 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 and regular review process implemented.   |
|                       | Implement contract review/revision process.  | Revised contract management procedure is implemented. Inventory of contracts has been completed and contract checklists completed by contract managers. Training of contract managers on the process was completed in December 2017. New ongoing contract review process has been established.      |
|                       | Corrective action plan for prior audit findings  | Action Plan has been developed for addressing the 2014 comments - implementation of actions in process and incorporated into the implementation of processes/procedures in response to 2017 audit findings  |
|                       | 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. Audit Plan is completed and will be updated as necessary.  |
|                       | Implement training program for financial policies and procedures and contracts.                                    | Training program developed and completed in key areas of contract management and purchasing process (including use of new procurement/bill payment system). Learning Management System (LMS) being incorporated into financial training processes when one-on-one training not needed or practical. |

# 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"> <li>- Process documentation is being updated.</li> <li>- Training began in October 2017 and will continue with new staff.</li> <li>- Periodic case review will begin in November 2017. The review will initially be scheduled quarterly, but we will reevaluate that frequency as needed.</li> </ul> <p>Complaints:</p> <ul style="list-style-type: none"> <li>- Procedures are completed and the process was implemented December 2017.</li> </ul> |
|                       | Establishing and implementing processes for reporting timeliness of appeals to the Board.   | Reviewed and analyzed historical appeals data. Identifying and classifying appeals activity to more accurately reflect timeliness of appeals. Working, in conjunction with the Board, on the desired level of appeals reporting.   |
|                       | Establishing and implementing methods to prioritize appeals to meet timeliness standards, and filling open appeals staff positions.   | Process documentation is being updated. 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 complete and have been implemented.   |
|                       | Update website to make complaint filing information easier to find and provide accurate instructions on how customers may file complaints.  | The website is functional for receiving complaints   |

# 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"> <li>- \$4,398,333 in inadequately documented costs that it charged to the establishment grants,</li> <li>- \$4,504,799 in unallowable hardware and software operational support and maintenance contract costs whose periods of benefit occurred after December 31, 2014</li> <li>- \$312,449 in costs that were improperly transferred from one establishment grant to another, and</li> <li>- \$463,054 in costs that the Colorado marketplace did not efficiently and effectively administer and that it therefore unallowably charged to the establishment grants;</li> </ul>   | <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"> <li>- 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;</li> <li>- policies, procedures, and internal controls to ensure that marketplace staff follow Federal requirements and contract provisions when reviewing invoices before approving them for payment;</li> <li>- controls to ensure that grant funds are drawn down only as and when needed;</li> <li>- 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</li> <li>- 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.</li> </ul> | <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.   | In cooperation with Federal and State agencies, developing alternative approach to eligibility verification to comply with CMS requirements prior to open enrollment (Nov, 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. 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 Single Audit currently underway. |