



# Auditor Presentation of Programmatic Audit Results to the Audit Committee



## Presented By

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April 19, 2018





# Agenda

- Programmatic Audit Overview
- Three Year Programmatic Audit Plan
- Suggested Audit Procedures by CMS
- Eligibility, Enrollment, and Verification Testing Highlights
- CMS Findings Report Terminologies
- Finding #2017-001
- Next Steps – Plan for FY18 Audit
- Questions/Contact Us

# Programmatic Audit Overview

## INDEPENDENT EXTERNAL AUDIT REQUIREMENT

- State Based Marketplaces (SBMs) are required to engage an independent external or independent state-government auditing entity to conduct an external financial and programmatic audit.

## AUDIT STANDARDS

- The annual financial and programmatic independent external audit should follow generally accepted governmental auditing standards (GAGAS).

## DEADLINE AND SUBMISSION METHODS

- By June 1, 2018, SBMs are required to submit documents or attest to the submission of documents for the following components of the State-Based Marketplace Annual Reporting Tool (SMART) :
  - Eligibility and Enrollment
  - Financial and Programmatic Audit
  - Program Integrity
  - Attestation of Completion

# Three Year Programmatic Audit Plan

Subpart	Audit Year 1 (18 mons from 1/1/15-6/30/16)	Audit Year 2 (12 mons from 7/1/16 – 6/30/17)	Audit Year 3 (12 mons from 7/1/17 – 6/30/18)
B – General Standards	Yes	No	No
C – General Functions of an Exchange	Yes	<b>Yes</b>	Yes
D – Eligibility	Yes	<b>Yes</b>	Yes
E – Enrollment	Yes	<b>Yes</b>	Yes
F – Appeals of Eligibility Determinations	Yes	No	No
G – Exemptions	No	No	No
H – SHOP	Yes	No	No
K – QHP Certifications	Yes	<b>Yes</b>	Yes
M – Oversight	Yes	<b>Yes</b>	Yes
N – State Flexibility	No	No	No
O – Quality Reporting	No	No	No*

\*Subpart O only includes two requirements: To display the Quality Rating information and the Enrollee Satisfaction Survey for each QHP on its website. These requirements are also included in Subpart C and will be covered during the FY18 audit.

# Suggested Audit Procedures by CMS

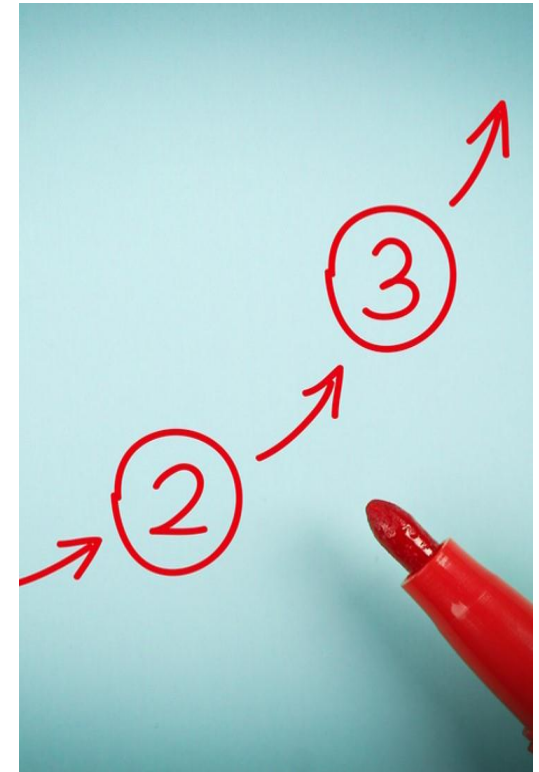
The independent external auditor can define its own methodology, as long as guidelines set for the in GAGAS are followed.

The auditor should consider including the following procedures in its field work and associated test steps:

- ✓ Review of SBM policies and procedures
- ✓ Review of staff training materials
- ✓ Review of notices to consumers
- ✓ Randomly select and interview Marketplace staff members to determine understanding of Marketplace requirements
- ✓ Select a sample of eligibility files to validate proper processing
- ✓ Select a sample of enrollment files to validate proper processing
- ✓ Review/select a sample of completed QHP issuer applications for compliance with certification requirements

# Eligibility, Enrollment, and Verification Testing Highlights

- Entire population: 2,127,612 applicants who had an eligibility determination completed between July 1, 2016 and June 30, 2017.
- We selected 95 cases to test for compliance with eligibility rules, which included both Apple Health and QHP applicants.
- We selected 95 cases to test for compliance with enrollment rules, which include QHP applicants only .
  - Note that 21 of the cases were used for both eligibility and enrollment testing, so a total of 169 individual cases were used for testing compliance with enrollment and eligibility rules.
- We selected 15 cases that were given conditionally eligible status during the audit period to test for compliance with data verification requirements.



# CMS Findings Report Terminologies

## Criteria

- The laws, regulations or other standards against which performance is compared or evaluated. They identify the required or desired state or expectation for the program or operation, and provide a context for evaluating evidence and understanding findings.

## Condition

- The situation as it exists.

## Cause

- Identifies the reason for the difference between the condition and the criteria, and may provide a basis for recommending corrective action.

## Effect

- Identifies the outcomes or consequences of the condition.

## Recommendation

- Our recommended corrective action.

# Finding #2017-001

## Condition

- Of 15 cases BerryDunn reviewed, we discovered exceptions to the notification criteria for two of these applications. For one case, the notification to the applicant of the data inconsistency, and request to provide additional information to resolve the inconsistency, was not sent until four months after the original conditional eligibility was granted. In the other case, the original data inconsistency notification included an incorrect due date and an updated notification with the correct due date set at the 90th day from issuance was not sent until six months later.
- Subsequent to the issuance of the previous examination report, WAHBE identified six defects in the system that were independently causing the issues described above. During the year ended June 30, 2017, WAHBE management indicated they resolved five out of the six identified defects, leaving one known defect that caused the system to leave the document due date field in income verification notices null. WAHBE management indicated they released the code fix for this defect in September 2017 and verified that the code fix passed post-validation testing in October 2017.

## Effect

- The failure to issue appropriate notices of discrepancy may have resulted in WAHBE providing Advance Premium Tax Credit and Cost Sharing Reduction to applicants who were not eligible for the benefit during the audit period.

## Recommendation

- WAHBE informed us that all the known system defects causing this condition have been addressed as of this report date. We recommend WAHBE continue monitoring and verification activities to ensure that notifications are sent in a timely manner.





## Next Steps – Plan for FY18 Audit

### Planned field work schedule:

- Financial Audit: Week of August 7, 2018
- Programmatic Audit: TBD

### Targeted Audit Report Due Dates:

- Financial Audit: September 28, 2018
- Programmatic Audit: March 29, 2019

## Contact Us

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*This communication is intended solely for the information and use of the Audit Committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.*



# Washington Health Benefit Exchange

PROGRAMMATIC COMPLIANCE REPORT

For the Year Ended June 30, 2018

With Independent Accountant's Report





## INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors and Management  
Washington Health Benefit Exchange

### Report on Compliance

We have examined the compliance of Washington Health Benefit Exchange (the Exchange or WAHBE), a component unit of the State of Washington, with the requirements in Title 45, Part 155, Subparts C, D, E, K, and M of the Code of Federal Regulations (CFR) during the year ended June 30, 2018. Our examination for Subpart K was limited to a review of WAHBE's policies and procedures to test whether those policies and procedures are in compliance with the programmatic requirements under that Subpart. Management is responsible for the Exchange's compliance with the specified requirements. Our responsibility is to express an opinion on the Exchange's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Exchange complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Exchange complied with the specific requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Exchange's compliance with specified requirements.

In our opinion, WAHBE complied in all material respects with Title 45, Part 155, Subparts C, D, E, K, and M of the CFR during the year ended June 30, 2018

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019 on our consideration of the Exchange's internal control over compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Exchange's internal control over compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Exchange's internal control over compliance.

### Intended Use

This report is intended to describe the scope of our examination of compliance and the results of the examination based on attestation standards established by the AICPA and *Government Auditing Standards* and it is not suitable for any other purpose.

*BerryDunn McNeil & Parker, LLC*

Portland, Maine  
March 13, 2019



**INDEPENDENT EXTERNAL AUDIT:  
2018 AUDIT FINDINGS REPORT  
WASHINGTON  
WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)**



# INDEPENDENT EXTERNAL AUDIT: 2018 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

FROM: BERRY DUNN MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: MARCH 13, 2019

SUBJECT: AUDIT FINDINGS REPORT FOR WASHINGTON

AUDIT PERIOD: JULY 1, 2017 – JUNE 30, 2018

## I. EXECUTIVE SUMMARY

### PURPOSE

The purpose of this independent external audit is to assist the State of Washington in determining whether the Washington Health Benefit Exchange (WAHBE), the Washington State-Based Marketplace (SBM), is in compliance with the financial and programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS).

Name of SBM: Washington Health Benefit Exchange (WAHBE)

State of SBM: Washington

Name of Auditing Firm: BerryDunn

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

### SCOPE

The scope of this engagement included an audit of the financial statements of WAHBE, as well as an examination of WAHBE's compliance with the programmatic requirements under 45 CFR 155, Subparts C, D, E, K, and M for the 12-month period July 1, 2017 through June 30, 2018. Our examination for Subpart K was limited to interviews and review of documents. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. We completed an examination of WAHBE's compliance with the programmatic requirements under 45 CFR 155 and issued our reports dated March 13, 2019. We also performed an audit of its financial statements for the year ended June 30, 2018 and issued our report dated October 1, 2018.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether WAHBE is in compliance with 45 CFR 155 in all material respects. We also selected a sample of clients and tested for compliance with requirements under Title 45, Part 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP).

## METHODOLOGY

### **Audit Firm Background:**

BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 360 professionals. BerryDunn has, for more than 40 years, provided comprehensive audit and tax services for a broad range of healthcare, not-for profit, and governmental entities. Those services include conducting Financial and/or Programmatic audits of four State Based Marketplaces which operate Health Benefit Exchanges. In addition, we have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance, previously referred to as OMB Circular A-133) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

### **Financial Statement Audit:**

We have audited, in accordance with U.S. generally accepted auditing standards 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 WAHBE, for the year ended June 30, 2018, and related notes to the statements, and have issued a report thereon dated October 1, 2018.

### **Programmatic Audit:**

We have examined WAHBE's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2018, and have issued a report thereon dated March 13, 2019.

**Summary of Programmatic Audit Procedures:**

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test WAHBE's compliance with certain subparts of 45 CFR Part 155. BerryDunn examined compliance with the requirements under Title 45, Part 155, in the following programmatic areas:

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

We reviewed the processes and procedures under Title 45, Part 155, in the following programmatic areas in order to determine whether they are in compliance with the requirements of the ACA:

- Assistors, Navigators, Certified Application Counselors, and Brokers
- Privacy and Security
- Eligibility Processes and Procedures
- Qualified Health Plan (QHP) Certification
- Compliance and Program Integrity
- Contact Center

We reviewed the following documentation, which was obtained directly from WAHBE, or located on either the WAHBE website or the CMS website:

- 42 CFR Parts 431, 435, and 457, Medicaid Program Eligibility Changes Under the Affordable Care Act of 2010
- Affordable Care Act (ACA) # 22—Conversion of Net Income Standards to MAGI Equivalent Income Standards
- 2018 Contracts, including Amendments and Updates to ongoing contracts.
- 2018 Second Lowest Cost Silver Plan Data
- Application for Health Care Coverage
- Assister and Navigator Forms and Guidelines:
  - Assister Attestation Forms
  - Navigator Contract Template
  - Navigator Tools and Resources
  - Onboarding Policies and Guides
  - Training Materials



- Consumer Assistance Personnel:
  - List of Assisters
  - List of Navigators, IPAs and CACs
- Eligibility and Enrollment:
  - APTC Initial Enrollment Guide
  - Calculating the APTC Policy
  - Consent Form
  - Cost Sharing Reduction Guide
  - Eligibility Policy Manual
  - Enrollment and Payment Processing Guide
  - Household Composition & Income Tipsheet
  - List of Eligibility & Enrollment Management Reports
  - Verifications Manual
- Equity Diversity and Inclusion Manager Position Description
- Exchange Operations Guidelines:
  - Authorized Representative Form
  - Employee Training Manual
  - Exchange Handbook
  - Income Information Authorization to Renew Coverage
  - Outreach Enrollment Support Program Documentation
- Notices:
  - Additional Verification Notices
  - Eligibility Decision Notices
  - Incomplete Application Notices
  - Notice of Renewal sent to the Consumer
- Privacy and Security:
  - Access Control Policy - Healthplanfinder
  - Compliance Program Strategic Plan - Oversight and Monitoring Plan
  - Data Sharing Agreement - WA DSHS
  - Data Sharing Agreement - WA OIC and Healthplanfinder
  - Incident Reports
  - Interconnection Agreement CMS and WAHBE
  - IRS Safeguard Security Report
  - Language Line Contract
  - Personnel Action Request - Healthplanfinder
  - Personnel Security Policy - Healthplanfinder
  - Plan of Action and Milestones
  - Privacy Impact Assessment
  - Privacy Policy - Healthplanfinder
  - System Interconnection Agreement

- System Security Plan (SSP) and Workbook
- Third-Party Independent Security Risk Assessment
- QHP:
  - 2018 QHP and QDP Guidance for Participation
  - List of QHPs offered in 2018 by the exchange
  - QDP Certification Guidance
  - QHP Certification Guidance
  - Rate Summaries
- Summary of Broker Incident
- WAHBE 2017-2018 Strategic Plan
- WAHBE Organization Chart

In order to understand management and staff responsibilities and processes as they relate to compliance with 45 CFR, Part 155, we performed walkthroughs of data systems and operations and interviewed the following WAHBE staff:

- Associate Director for the Communications Department – Kelly Boston
- Associate Director of Eligibility, Appeals & Review – Margaret Eby
- Associate Director of Operations for the Call Center – Randi Schaff
- Association Director of Policy – Christine Gilbert
- Chief Information Security Officer – Mark Riley
- Chief Operating Officer – Beth Walter
- Chief Policy Officer – Molly Voris
- Conditional Eligibility Verification Supervisor – Melissa Zuniga-Espinoza
- Deputy Director of Operations and Compliance – Joanna Donbeck
- Deputy Insurance Commissioner – Molly Nollette
- General Council and Chief Strategist – Lia Hole-Marshall
- Senior Policy Advisor – Jane Dyer
- Training and Certification Manager for the Navigator Program – Chris Brown

We analyzed the following information to assess WAHBE's compliance with the requirements of 45 CFR 155:

- A listing of 1,890,287 applicants who had an eligibility determination completed on or before June 30, 2018. We selected 95 cases to test for compliance with eligibility rules, and 95 cases to test for compliance with enrollment rules. Note that 17 of the cases were used for both eligibility and enrollment testing, so a total of 173 cases were used for testing compliance with enrollment and eligibility rules.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

**II. AUDIT FINDINGS**

N/A

**AUDITOR'S OPINION**

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2018, reflecting the following type of opinion:

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

**ADDITIONAL COMMENTS**

N/A

### III. 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:

Berry Dunn McNeil & Parker, LLC

COMPLETION DATE OF AUDIT FINDINGS  
REPORT:

March 13, 2019



**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE WITH REQUIREMENTS OF TITLE 45, PART 155,  
SUBPARTS C, D, E, K AND M OF THE CODE OF FEDERAL REGULATIONS**

Board of Directors  
Washington Health Benefits Exchange

We have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the compliance of Washington Health Benefit Exchange (WAHBE), a component unit of the State of Washington, with the requirements in Title 45, Part 155, Subparts C, D, E, K, and M of the Code of Federal Regulations during the year ended June 30, 2018. Our examination for Subpart K was limited to interviews and review of documents. We have issued our report on WAHBE's compliance with the above stated requirements dated March 13, 2019 which contained an unmodified opinion.

Management of WAHBE is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements described in Title 45, Part 155, Subparts C, D, E, K, and M of the Code of Federal Regulations. In planning and performing our audit of compliance, we considered WAHBE's internal control over compliance with the requirements described above to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those requirements, 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 WAHBE's internal control over compliance.

*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 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 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 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 second paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not 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 *Government Auditing Standards*. Accordingly, this report is not suitable for any other purpose.

*BerryDunn McNeil & Parker, LLC*

Portland, Maine  
March 13, 2019