



FY2025 Programmatic Compliance Audit Results

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Programmatic Audit Overview



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).



Deadlines

- By June 1, 2026, 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

Suggested Audit Procedures by CMS

The independent external auditor can generally define its own methodology, as long as guidelines set forth in *Government Auditing Standards* are followed.



Document Review

- Training materials
- Policies and procedures
- Contracts
- Notices to consumers
- Website contents



Interviews

Randomly select and interview Marketplace staff members to determine understanding of Marketplace requirements



Testing

- Select a sample of verification files to validate proper processing
- Select a sample of eligibility and enrollment files to validate proper processing
- Select a sample of Qualified Health Plan certifications to validate compliant plan review

Eligibility, Enrollment, and Verification Testing Highlights

We selected samples from a listing of eligibility determination transactions completed between July 1, 2024, and June 30, 2025.

Verification Testing

- We selected 60 cases to test for compliance with verification rules which included QHP applicants only.

Eligibility and Enrollment Testing

- We selected 60 cases to test compliance with eligibility rules, which included Medicaid.
- We selected 60 cases to test compliance with enrollment rules, which included QHP applicants only.

Outcome

- We reported three findings.
- Our Independent Accountant's Report reflects a qualified opinion.

Types of Deficiencies in a Programmatic Examination



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 a 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.

Findings Terminology

Criteria

- The regulation that the condition is being evaluated against.

Condition

- A description of the actual situation that exists. It should be a factual description supported in context by the audit evidence, in this case, likely testing.

Cause

- The reason the condition exists. It should be identified, if possible, and supported by audit evidence. Management often needs to assist in identifying the cause.

Effect

- The consequence of the condition. It should be described in terms of the impact on the entity's operations and compliance with the relevant laws and regulations.

Recommendation

- How to correct the condition. It should be realistic and achievable and often needs management input.

Finding 2025-001

Condition

- Applicants were provided with the 90-day timeline to respond to income inconsistencies and then were provided with the 60-day extension due to the flexibility provided by the Centers for Medicare & Medicaid Services (CMS) post-pandemic, allowing a total of 150 days. BerryDunn identified, through inquiry with the Exchange, that 8,800 applicants had an income inconsistency extend beyond the 150 days. The Exchange attempted a batch redetermination for the applicants that were in conditional status, due to non-verification of income, and discovered a workload backlog resulting from additional effort required by the additional 60-day extension period which caused delays of eligibility calculations.

Cause

- The Exchange reported that this was due to workload volume that created a backlog of processing eligibility updates to applicants with a conditional status.

Effect

- Applicants remained conditionally eligible for financial assistance beyond 150 days.

Recommendation

- BerryDunn recommends the Exchange identify solutions to mitigate the workload volume from affecting timely updates to the applicant's eligibility in the future.

Finding 2025-002

Condition

- Applicants who attested that they were lawfully present and were under 100% of the Federal Poverty Line (FPL) were incorrectly denied APTC after a system update on 04/20/2025. These customers should have been granted conditional eligibility or approved, if eligible. The Exchange provided detail of the scope of impacted parties, explaining a manual work-around was in place in July 2025 to restore APTC to eligible consumers who were categorized into three groups. There were 1,406 customers denied APTC who were enrolled in other programs, 319 customers who were enrolled and terminated after this issue, and 1,819 customers who were eligible, but never enrolled in the program.

Cause

- The Exchange reported that the error was due to a system update that misconfigured the system processing of applicants under this scenario.

Effect

- Applicants were improperly denied eligibility for APTC.

Recommendation

- The Exchange should conduct eligibility determinations for APTC in accordance with the standards set forth in 155.305 for the applicable benefit year. The Exchange confirmed in interviews that the identified errors were manually corrected to align with the criteria in effect when the determinations were made. That process was completed in July 2025. Denial of APTC for applicants who attest to lawful presence with household income below 100% of the FPL will be the correct determination beginning on January 1, 2026, and therefore no system changes were required or implemented. The Exchange should conduct ongoing monitoring efforts to help ensure that eligibility determinations remain aligned with current.

Finding 2025-003

Condition

- In November 2024, an error occurred during the Exchange's process of loading plan year 2025 rates in preparation for the upcoming open enrollment period. The error resulted in the incorrect calculation of advance premium tax credit (APTC) for approximately 1,500 applications due to the use of plan year 2025 rates. The applications were not seeking a determination for plan year 2025, and the 2024 benchmark rates should have been used in the calculation of APTC. The Exchange assessed the impact of the erroneous benchmark plan usage and determined that approximately 400 applications were impacted by either an overpayment of \$1 or more or underpayment of \$10 or more for the month of December 2024.

Cause

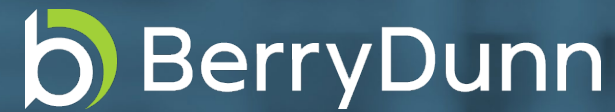
- The error in loading of rates caused the Healthplanfinder system to use the plan year 2025 rates for applications where plan year 2024 rates should have been used.

Effect

- Incorrect APTC amounts for approximately 1,500 applications filed in November 2024 were awarded for December 2024. Due to the timing of the error coinciding with open enrollment operations, the Exchange did not have the capacity to perform remediation activities.

Recommendation

- BerryDunn recommends the Exchange continue with its planned system enhancement, which includes a rate validation function, and the associated revised business process, to reduce the risk of recurrence.



Thank You

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