



# Auditor Presentation of Programmatic Audit Results to the Board of Directors



## Presented By

Bill Brown, CPA, CFE, MAFF

Yoko McCarthy, MBA, CISA, CFE, CGFM

May 17, 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

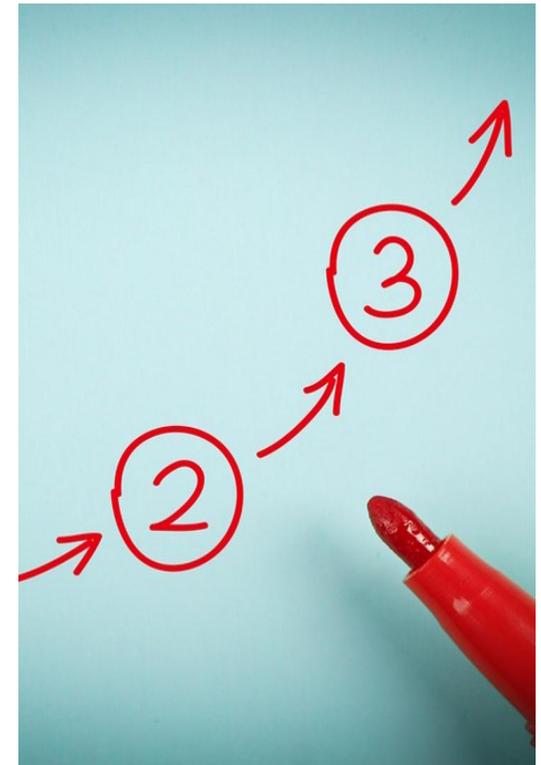
The independent external auditor can define its own methodology, as long as guidelines set for the in GAGAS are followed.

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, 2017**

**With Independent Accountant's Report**





## INDEPENDENT ACCOUNTANT'S REPORT

The Board of Directors and Management of  
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, 2017. 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.

Our examination disclosed the following material noncompliance with Title 45, Part 155, Subparts C, D, E, K and M applicable to the Exchange during the year ended June 30, 2017.

As described in the accompanying schedule of findings as finding 2017-001, during the year ended June 30, 2017 the Exchange did not comply with the requirements of Subpart D of Title 45, Part 155 examined by us. This condition was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2017 financial statements, and this report does not affect our report dated October 3, 2017 on those financial statements.

In our opinion, except for the material noncompliance described in the preceding paragraph, the Exchange complied, in all material respects, with the requirements in Title 45, Part 155, Subparts C, D, E, K and M of the CFR during the year ended June 30, 2017.

The Exchange's response to the finding identified in our examination of compliance is described in the accompanying schedule of findings. The Exchange's response was not subjected to the procedures applied in the examination of compliance and, accordingly, we express no opinion on the response.

The Board of Directors and Management of  
Washington Health Benefit Exchange

This report is intended solely for the information and use of the Exchange Board and management and the Centers for Medicare & Medicaid Services and is not intended to be, and should not be, used by anyone other than these specified parties.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2018 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 audit of compliance and the results of the audit based on attestation standards established by the AICPA and *Government Auditing Standards* and it is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
April 17, 2018

# WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)

## Schedule of Findings

Year Ended June 30, 2017

### FINDING #2017-001

**Criteria:**

Subpart D –45 CFR §155.315(f) requires the Exchange to make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside data sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency. Pursuant to 45 CFR §155.315(f)(2)(ii), the Exchange must provide the applicant with a period of 90 days (beginning with the date when the applicant receives the notice requesting documentation) to resolve an inconsistency between the self-attested data and the data received from outside sources. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan and is eligible for insurance affordability programs (45 CFR § 155.315(f)(4)). WAHBE refers to these cases as “conditionally eligible.” If, after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with applicant-provided information, then it must reperform the eligibility calculations and notify the applicant of their new eligibility determination.

**Condition and Context:**

As part of our verification testing, we examined 15 applications which resulted in the provision of conditional eligibility at the time of application. 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.

During the previous examination, covering the 18-month period ended June 30, 2016, WAHBE discovered that the Healthplanfinder (HPF) did not consistently issue notices to applicants asking them to reconcile discrepancies between their self-attested data and data found in outside data sources, such as the Federal Data Services Hub. Upon further review, WAHBE also discovered that the HPF did not always include the due date (90 days from the issue date) in the notification of data inconsistency. As a result of this deficiency, WAHBE could not complete verification for a significant number of applications within the required 90-day period.

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.

**Cause:**

The six defects in the system identified by WAHBE were independently causing the condition.

**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 April 17, 2018. We recommend WAHBE continue monitoring and verification activities to ensure that notifications are sent in a timely manner.

**WAHBE Response:**

The Washington Health Benefit Exchange (WAHBE) concurs with this finding. The three most recent major system and corresponding process improvements have successfully addressed the resolution of inconsistencies within the required period.

**Corrective Action Plan:**

WAHBE has taken multiple steps to improve the identification and processing of applications with inconsistencies. As a result, WAHBE now has tools and processes in place to ensure that customer whose attested data could not be verified through outside sources are notified of their conditional status with accurate dates for the submission of documentation. Our Conditional Eligibility Verification team processes those applications in a timely manner.

During the three most recent major system releases, (Fall 2016, Spring 2017, and Fall 2017), WAHBE implemented multiple system design changes to the WA Healthplanfinder system, as well as to the Customer Service Application (CSA), our internal workload management tool. Those design changes gave WAHBE the ability to identify accurately all conditional applications and to calculate correct document due dates for those applications.

As of today, WAHBE sends two notices to customers whose applications are in conditional status. WAHBE sends two or three additional email notifications to customers who have valid email addresses on their application. The notifications have been re-written to improve the way we communicate how the customer can resolve the inconsistency. The notifications include correct document due dates. The WAHBE Conditional Eligibility Team is resolving inconsistencies within the time allowed by federal rules, and currently has no backlog.

**Responsible WAHBE Official:**

Brian Peyton, Director of Legal Services



**INDEPENDENT EXTERNAL AUDIT:  
2017 AUDIT FINDINGS REPORT  
WASHINGTON  
WASHINGTON HEALTH BENEFIT EXCHANGE (WAHBE)**



# INDEPENDENT EXTERNAL AUDIT: 2017 FINDINGS REPORT

TO: CCIIO STATE EXCHANGE GROUP

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

DATE: APRIL 17, 2018

SUBJECT: AUDIT FINDINGS REPORT FOR WASHINGTON

AUDIT PERIOD: JULY 1, 2016 – JUNE 30, 2017

## 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 and 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, 2016 through June 30, 2017. 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. 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 April 17, 2018. We also performed an audit of its financial statements for the twelve months ended June 30, 2017 and issued our report, dated October 3, 2017.

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 QHP.

## METHODOLOGY

### **Audit Firm Background:**

BerryDunn is the largest certified public accounting and consulting firm headquartered in New England, with more than 280 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 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, 2017, and related notes to the statements, and have issued a report thereon dated October 3, 2017.

### **Programmatic Audit:**

We have examined WAHBE's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2017, and have issued a report thereon dated April 17, 2018.

### **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:

- Navigators, Certified Application Counselors, and Brokers
- Privacy and Security
- Eligibility Processes and Procedures
- Qualified Health Plan Certification
- Compliance and Program Integrity

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
- Application for HealthCare Coverage
- Authorized Representative Form
- Board Meeting Minutes
  - Meeting Minutes 12-1-2016
  - Meeting Minutes 01-26-2017
- Charter
  - Advisory Committee
  - Navigator and CAC Committee
- Brokers
  - Current HBE Brokers List
  - Producer Participation Agreement
- Consumer Resources
  - Contact Navigators
  - Cost Calculator
  - Healthcare Provider Search

- How to Submit Documents
- Insurance Company Payment Options
- Know Your Plan
- Metal Level Guide
- Plan Quality Ratings
- Report a Change
- Tribal Members
- Website Accessibility
- Website Language Resources
- Consumer Satisfaction Survey
- Contracts
  - BetterDoctor (Provider Directory Services)
  - Ciber (IT Resources)
  - Cognizant (Software Provider)
  - Coolsoft (IT Resources)
  - Deloitte (Systems Integrator)
  - eHealth (Software Provider)
  - Faneuil (Call Center)
  - GetInsured (Decision Support Tool Services)
  - GMMB (Marketing and Advertising Strategy)
  - KP Printing (Printing and Mailing)
  - Milestone (Software Provider)
  - TEK Systems (Software Provider)
- Employee Onboarding
  - Employee Onboarding Checklist
  - Employee Onboarding Guide
  - Employee Onboarding Timeline
- Enrollment and Payment Process Guide
- Navigator and CAC Forms
  - CAC Agreement
  - CAC Attestation
  - HBE Assister Attestation
  - HBE User Attestation and Agreement
- Navigator and CAC Program
  - CAC Guidelines
  - CAC Implementation Guidelines

- Lead organization RFP
  - Lead Organizations Navigators and CACs List
- Notices
  - Additional Verification Required Notice
  - Electronic Notices Policy
  - Eligibility Decision Notices
  - Incomplete Application Notice
  - Medicare Age 65 Notice
  - Updated Eligibility Decision Notices
- Online Application
- Policies and Procedures for Privacy and Security
  - Access Control Policy
  - FTI Safeguard Policy
  - Incident Reporting and Response Policy
  - Personnel Security Policy
  - Privacy Policy
  - Record Retention Policy
- QHP Information
  - 2017 QHPs Offered by WAHBE
  - QHP Guidance for Participation
- Second Lowest Cost Silver Plan Data
- Security Documents
  - Authority to Connect
  - Computer Matching Agreement
  - DSHS Data Sharing Agreement
  - Information Exchange Agreement (CMS)
  - Interconnection Security Agreement (CMS)
  - Plan of Action and Milestone Templates
  - Privacy Impact Assessment
  - System Security Plan
  - User Attestation and Agreement
- SHOP
  - SHOP Field Names
  - SHOP Monthly Data
- Training Materials for Navigators and CACs
  - American Indian/Alaska Native Module

- Appendix A Conflict of Interest Standards
- Appendix G Navigator Code of Ethics
- Carrier Approved Changes
- Citizenship and Lawful Presence
- Customer Enrollment Processes
- HBE Plan Comparison Worksheet
- Income Reporting and HPF
- Metal Level Guide
- Navigator Plan Selection Webinar for Assisters
- Qualified Health Plans
- Role Of The Navigator
- Special Enrollment Periods
- Tax Credit Reconciliation
- Training Plan
- WAHBE Handbook
- WAHBE Organization Charts

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 of Call Center Operations
- Associate Director of Communication
- Associate Director of Eligibility, Appeals, and Review
- Associate Director of Policy
- Assistant Director of Operations
- Chief Information Security Officer
- Director of Legal Services
- Director of Policy
- Training and Certification Manager for Navigator Program

We interviewed the following staff at the Call Center:

- Operations Director
- Program Coordinator

We interviewed the following staff from CHOICE Regional Health Network:

- Program Director
- Program Coordinator

We interviewed the following staff from the Office of the Insurance Commissioner:

- Deputy Insurance Commissioner

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

- A listing of 2,127,612 applicants who had an eligibility determination completed on or before June 30, 2017. We selected a sample of 169 cases to test the compliance with 45 CFR 155 Subpart D Eligibility and Subpart E Enrollment. We selected 95 cases to test for compliance with eligibility rules, and 95 cases to test for compliance with enrollment rules. Note that 21 of the cases were used for both eligibility and enrollment testing, so a total of 169 cases were used for testing compliance with enrollment and eligibility rules.

**CONFIDENTIAL INFORMATION OMITTED**

N/A

## II. AUDIT FINDINGS

### KEY FINDINGS

#### FINDING #2017-001

**Criteria:**

Subpart D –45 CFR §155.315(f) requires the Exchange to make a reasonable effort to identify and address any inconsistency between the self-attested data in the application and the information obtained from outside data sources by contacting the applicant and requesting them to provide additional information to resolve the inconsistency. Pursuant to 45 CFR §155.315(f)(2)(ii), the Exchange must provide the applicant with a period of 90 days (beginning with the date when the applicant receives the notice requesting documentation) to resolve an inconsistency between the self-attested data and the data received from outside sources. During this inconsistency period, an applicant (who is otherwise qualified) is eligible to enroll in a Qualified Health Plan and is eligible for insurance affordability programs (45 CFR § 155.315(f)(4)). WAHBE refers to these cases as “conditionally eligible.” If, after the 90-day period (or applicable extensions), the Exchange is unable to resolve the discrepancy between the self-attested information and the data sources with applicant-provided information, then it must reperform the eligibility calculations and notify the applicant of their new eligibility determination.

**Condition:**

As part of our verification testing, we have examined 15 applications which resulted in the provision of conditional eligibility at the time of application. 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.

During the previous examination, covering the 18-month period ended June 30, 2016, WAHBE discovered that the Healthplanfinder (HPF) did not consistently issue notices to applicants asking them to reconcile discrepancies between their self-attested data and data found in outside data sources, such as the Federal Data Services Hub. Upon further review, WAHBE also discovered that the HPF did not always include the due date (90 days from the issue date) in the notification of data inconsistency. As a result of this deficiency, WAHBE could not complete verification for a significant number of applications within the required 90-day period.

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.

**Cause:**

The six defects in the system identified by WAHBE were independently causing the condition.

**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.

**AUDITOR'S OPINION**

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2017, reflecting the following type of opinion:

QUALIFIED       UNQUALIFIED       ADVERSE       DISCLAIMER

**ADDITIONAL COMMENTS**

N/A

### III. RECOMMENDATIONS

#### FINDING #2017-001

WAHBE informed us that all the known system defects causing this condition have been addressed as of this April 17, 2018. We recommend WAHBE continue monitoring and verification activities to ensure that notifications are sent in a timely manner.

### 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:

*Berry Dunn McNeil & Parker, LLC*

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COMPLETION DATE OF AUDIT FINDINGS  
REPORT:

April 17, 2018

**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, 2017. 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. We have issued our report on WAHBE's compliance with the above stated requirements dated April 17, 2018, which contained a qualified opinion due to material noncompliance with the functional requirements.

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 first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as Finding 2017-001 to be a material weakness.

WAHBE's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings. WAHBE's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
April 17, 2018