

MEMORANDUM

To: Health Connector Board of Directors
Cc: Louis Gutierrez, Executive Director
From: Ed DeAngelo, General Counsel
Chad Fame, Compliance Manager
Date: Friday, February 3, 2017
Re: Fiscal Year 2016 Programmatic Audit

BACKGROUND

The Health Connector is required to undergo regular audits in accordance with the Affordable Care Act (ACA), section 113, and with the Office of Management and Budget (OMB) Circular A-133. To satisfy these requirements, after a competitive procurement process, the Health Connector has engaged KPMG, LLP in the past and has asked them to provide a revised scope of work under our current agreement.

The Health Connector went through a competitive procurement process in 2014, selecting KPMG, LLP and recommended to the Board that KPMG be selected, based on their knowledge, expertise of the law, resources and price. For Fiscal Year 2016 (FY16), a competitive procurement was not conducted as we currently have a Master Services Agreement with KPMG.

KPMG audited the Health Connector’s finances for state FY16, in order to provide a report of the Health Connector’s financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The financial audit was completed by KPMG in November 2016, which covered FY16 and FY15, and satisfies the requirements of OMB Circular A-133.

The second part of the audit, which this memorandum will focus on and for which a Board vote is being sought, is a programmatic audit in conformity with Generally Accepted Governmental Auditing Standards (GAGAS). The programmatic audit will include an assessment of the Health Connector’s policies and procedures related to eligibility determination, enrollment transactions, privacy and security safeguards, call center training standards, record maintenance, Qualified Health Plan (QHP) certification process and internal controls that ensure program integrity.

PROGRAMMATIC AUDIT SCOPE OF WORK

The programmatic audit will review processes and procedures designed to prevent incorrect eligibility determinations and enrollment transactions, as well as identify errors that may have resulted in incorrect eligibility determinations. The FY16 programmatic audit is slated to commence mid-February and be completed in early to mid-summer. Suggested elements to review for these areas include, but are not limited to: eligibility and enrollment policies and procedures, internal and system controls, IT privacy and security, results of internal auditing, the monitoring of eligibility and enrollment processes as well as error logs and corrective actions. In addition, the auditors will evaluate privacy and security protocols and

procedures, the QHP certification process and call center performance and training standards. The federal Centers for Medicare & Medicaid Services (CMS) requires that all State-based Marketplaces, such as the Health Connector, engage an independent auditor to perform an annual programmatic audit and submit an audit report each year.

Staffing & Cost

Cost associated with this scope of work are based on KPMG hourly rates for staff resources.

Level	Cost Rate / Hour	Hours				Cost (not to exceed)
		Planning/ Initiation	Analysis	Execution	Reporting / Meeting	
Partner	\$333	18	6	24	17	\$21,645
IT Dir. / Senior Manager	\$351	1	12	50	9	\$25,272
Dir. / Senior Manager	\$324	35	42	74	20	\$55,404
IT Senior Staff	\$243	2	46	116	9	\$42,039
Senior Staff	\$207	111	59	216	35	\$87,147
EE SMP	\$225	1	26	92	0	\$26,775
Associate Staff	\$135	1	87	406	1	\$66,825
Total cost (not to exceed)						\$325,107

As compared to the last time the Board was notified of our programmatic audit costs, which covered only half of FY15, this programmatic audit will review the entirety of FY16. The purpose of conducting a half-year audit at that time was to acknowledge the change in system from 2014 to 2015 as well as to align to the fiscal year schedule set out by CMS, allowing us to conduct a full year programmatic audit for FY16. The cost of the second half FY15 audit was \$238,249, while the full Calendar Year (CY) 2014 programmatic audit cost \$299,500.

BOARD RECOMMENDATION

Health Connector staff recommend KPMG to perform the Health Connector’s required programmatic audit for FY16 for a cost not to exceed \$325,107. KPMG’s procurement response and past programmatic audit work for the Health Connector indicate a comprehensive understanding of what is required. They have proposed a team with considerable experience and strong expertise in the areas related to the programmatic audit and has demonstrated robust knowledge of these audits under the ACA as well as familiarity with the Health Connector, specifically.