



# Financial and A133 Audit Implementation Plan

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RECOMMENDATIONS & RESPONSES

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## Implementation Dashboard

Section	Date to be Completed	%	Notes
2014-1	6/15	75%	Quickbooks to Intacct conversion has been completed and subsequent clean-up has occurred. Current accounting staff have been trained on the system and proper accounting methods. Permanent CFO search continues.
2014-2	4/15	60%	Management and CMS/CCIIO are working together on resolving the expenses allocated to Level 2 Grant outside the period of availability. This is anticipated to be resolved by the end of April.
2014-3	5/15	50%	Staff is working with subrecipients to document fiscal year, if A133 audits apply to organization, and to obtain the current A133 audit report. These are being reviewed and determination if corrective action is needed. Ongoing, this will be reviewed monthly.
2014-4	4/15	90%	Staff has submitted FFATA reports for 90% of subrecipients. The remaining 10% will be submitted within the next week. Going forward, the staff has been trained to submit the FFATA report by the end of the month following the month in which a subrecipient is awarded grant funds.
2014-5	3/15	100%	Staff understands the federal grant criteria and will ensure that any future advances of federal grant funding will be maintained in an interest bearing account.
2014-6	12/14	100%	Staff has identified and reclassified funding for amounts specifically disallowed from using federal grant funds under the program.

## FINDINGS – FINANCIAL STATEMENT AUDIT

**2014-001: Controls over Financial Reporting (Material Weakness)** – Recommendation: Consideration should be given to new activity and accounting transactions, as to the proper accounting treatment that should be applied, in accordance with generally accepted accounting principles. Furthermore, accounting should be knowledgeable of generally accepted accounting principles and requirements under the accrual basis of accounting. Finally, the financial statements should be reviewed thoroughly by management to determine proper inclusion and treatment of all activity.

- ◆ The Exchange's Board of Directors and management team are actively engaged in identifying and hiring of additional staff to manage and operate accounting and finance functions, including a Chief Financial Officer, Senior Internal Auditor, and others as needed. An interim CFO joined the Exchange on February 17, 2015. The current staff continues to improve financial policies and procedures, and internal controls.

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## FINDINGS and QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

**2014-002: Period of Availability (Material Weakness)** – Recommendation: We recommend that management further develop and implement policies and procedures to properly identify costs that fall outside of the award period. In situations where this may occur or has occurred, management should obtain a waiver or documentation of pre-approval for the identified costs.

- ◆ The Exchange agrees with the finding. Prior to purchasing services outside the applicable grant period, Exchange staff obtained approval to expend the grant funds from representatives of CMS/CCIIO. CMS/CCIIO inadvertently approved contract terms related to the management and support of software licenses outside the associated grant period of availability; and CMS/CCIIO concur with the findings herein. Moreover, CMS/CCIIO have agreed to work with the Exchange to amend federal grant documentation to resolve the inadvertent approval.

**2014-003: Subrecipient Monitoring (Material Weakness)** – Recommendation: The Exchange should establish internal control procedures that ensure compliance with the monitoring of subrecipient audits.

- ◆ The Exchange agree that an audit requirements exists with respect to a subset of the subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year. The draft report indicates that the total amount paid to subrecipients was \$5,008,388. However, the relevant portion for purposes of the findings herein should directly correlate only with the subrecipients receiving \$500,000 or more, not all subrecipients. The Exchange's corrective actions require implementation of procedures; (1) that ensure subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met



the audit requirements of OMB Circular A-133 and that the required audits are completed within the nine months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings, if any.

**2014-004: Reporting (Material Weakness)** – Recommendation: The Exchange should comply with the reporting requirements as soon as possible. Additionally, the Exchange should implement control procedures to ensure that reporting requirements are met timely in the future.

- ◆ The Exchange remains aware of the reporting requirements under FFATA, and will comply with the reporting requirements as soon as possible. Additionally, the Exchange will implement control procedures to ensure that reporting requirements are met timely moving forward.

**2014-005: Cash Management (Significant Deficiency)** – Recommendation: The Exchange should ensure that any federal funds received in advance are maintained in interest-bearing accounts. The interest earned on the account will need to be tracked throughout the year and any interest earned over \$250 should be remitted to the U.S. Department of Health and Human Services.

- ◆ The Exchange will ensure that any federal funds received in advance are maintained in interest-bearing accounts and that any interest earned on such accounts will be tracked throughout the fiscal year and any interest earned over \$250 remitted to the U.S. Department of Health and Human Services.

**2014-006: Activities Allowed and Allowable Costs (Significant Deficiency)** – Recommendation: Employees with procurement responsibility should be adequately trained and able to identify unallowable costs under the federal program.

- ◆ The Exchange's procurement policies and procedures will entail such periodic and on-going training as required to allow responsible staff members to identify unallowable costs associated with federal grant monies.