

# REPORT HIGHLIGHTS



COLORADO HEALTH INSURANCE BENEFITS

OCTOBER 2014

EXCHANGE: CONNECT FOR HEALTH COLORADO

LIMITED PERFORMANCE AUDIT

## CONCERN

We found that Connect for Health Colorado has not sufficiently ensured that public funds have been spent in accordance with federal requirements, that staff follow internal financial and accounting policies and procedures consistently, and that financial controls adequately safeguard its resources as its last federal grant enters its final stage and the organization moves to become self-sustaining.

## KEY FACTS AND FINDINGS

- We identified problems with 35 out of the 92 vendor and grantee payments and contracts that we sampled (38 percent), resulting, in part, in \$412,137 in questioned costs due to noncompliance with federal or contract requirements.
- Connect for Health paid \$55,975 to vendors and \$432,809 to grantees that were unallowable or unreasonable uses of federal funds. Connect for Health also paid some sampled vendors and grantees \$185,866 without support for the payment amounts or services provided.
- Connect for Health made high-dollar payments to some vendors without fully executed contracts or without the Board's approval, as required by internal procedures.
- Connect for Health did not consistently or accurately record all transactions in its general ledger, or have sufficient controls over user access to its accounting system.
- Connect for Health did not take steps to contain administrative costs in some areas. For example, during Fiscal Years 2013 and 2014, it paid two contractors over \$2.2 million to negotiate and monitor information technology contracts.

## BACKGROUND

- Connect for Health Colorado was created in 2011 pursuant to the federal Affordable Care Act that requires all states to either have a state-run health exchange or use the federal health exchange.
- Connect for Health administers Colorado's health exchange that consumers can use to purchase private health insurance.
- Connect for Health was awarded \$177.7 million in federal grants to implement Colorado's health exchange. As of September 2014, it had spent \$136.5 million of these federal grant funds.
- Connect for Health is overseen by a 12-member Board of Directors appointed by State government, and is administered on a day-to-day basis by an Executive Director/CEO.

## KEY RECOMMENDATIONS

Connect for Health Colorado should:

- Establish comprehensive procurement and payment policies and procedures, document purchases prior to payment, monitor payments to contractors, and obtain Board approval for contracts in line with federal requirements.
- Establish policies for administering its grant program, pay grantees accurately and in compliance with federal requirements and grant contracts, and evaluate whether to continue making advance payments to grantees.
- Improve internal controls over accounting and financial transactions to ensure compliance with applicable laws, regulations, and internal requirements.

Connect for Health agreed with all of the recommendations.