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QUESTIONS ARISE OVER THE COLORADO HEALTH INSURANCE BENEFIT EXCHANGE'S OVERSIGHT AND USE OF PUBLIC FUNDS

DENVER—The Colorado Office of the State Auditor (OSA) has found that Connect for Health Colorado, the State Health Insurance Benefits Exchange, has not ensured that it spent public funds in line with federal laws and requirements. In its report released today, the OSA found that Connect for Health staff did not follow internal financial and accounting procedures consistently, and adequately safeguard its resources through financial controls as its federal grant enters its final stage and the organization moves to become self-sustaining without public funds in 2015.

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 was awarded \$177.7 million in federal grants to implement Colorado's health exchange, which is overseen by a Board of Directors appointed by State government, and administered by an Executive Director/CEO. As of September 2014, it had spent \$136.5 million in federal grant funds.

Auditors identified over \$32 million in problems with 35 of the 92 payments and reimbursements they sampled, and contracts they reviewed. Problems included \$488,784 that Connect for Health paid to vendors and subgrantees that were unallowable or unreasonable uses of federal funds, as well as \$185,866 paid without support for the payment amounts or services provided. The OSA also found high-dollar payments to some vendors without executed contracts or without Board approval, and found that Connect for Health did not consistently take steps to contain its administrative costs. For example, during State Fiscal Years 2013 and 2014, it paid two contractors over \$2.2 million

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to negotiate and monitor some of its information technology contracts. The OSA made four recommendations to improve Connect for Health's use and oversight of its remaining federal grant funds.

Due to the OSA's limited statutory authority to audit Connect for Health, the OSA reviewed the public funds that Connect for Health received and its management of those funds, but it did not audit any other areas of Connect for Health's responsibilities or operations, such as the effectiveness of the exchange website or its processes for determining consumers' eligibility to enroll in health plans and receive premium tax credits. The *Colorado Health Insurance Benefits Exchange: Connect for Health Colorado* limited performance audit report is available electronically on the OSA's website, <http://www.state.co.us/auditor>, via the link called "OSA Audit Reports."

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.