

## **Summary of Independent External Audit Maryland Health Benefit Exchange Plan Year 2016**

The Affordable Care Act requires state-based exchanges to have an annual external independent audit of financial and program activities in accordance with 45 CFR 155.1200-1210, Subpart M – Oversight and Program Integrity Standards for State Exchanges. Accordingly, the Maryland Health Benefit Exchange (MHBE) contracted Hamilton Enterprises LLC (Hamilton) to perform the required audit. The auditors reviewed processes in place during MHBE’s plan year 2016, which ran from January 1, 2016 to December 31, 2016.

The audit included a review of MHBE’s accounting of expenditures<sup>1</sup> and of regulatory standards for general functions of State-based Exchanges. Specific areas of examination included, but were not limited to, certification of Qualified Health Plans (QHPs), enrollment in QHPs, data reporting, information disclosures, and quality improvement strategies.

Hamilton followed generally accepted governmental auditing standards (GAGAS) and made its report available to the U.S. Department of Health and Human Services for review. In our opinion, MHBE was compliant with 45 CFR part 155, Subpart M for the recording of Exchange expenditures in accordance with GAAP. In our opinion, except for the non-compliant issue (Subpart E) noted below, MHBE was compliant with 45 CFR Part 155, Subparts C, D, E, K, and M.

### Subpart E Non-compliance:

Hamilton identified one instance in our testing where an applicant was able to obtain coverage without answering the question as to whether the individual had been incarcerated, which is non-compliant with 45 CFR 155.305(a)(2). MHBE created a stop gap that disallows submission of the application without answering the question in early 2017.

Two other issues were identified in the review which required corrective action. MHBE further refined its accounting controls to ensure proper segregation of duties in the preparation and approval of journal entries, especially when exigent circumstances arise. Secondly, MHBE will perform a root cause analysis to determine and implement internal controls that identify and address causation of a non-requested enrollment.

MHBE has taken great efforts to improve our internal control system and document policies and procedures. This is evidenced by the resolution of all prior year audit findings. These efforts are expected to continue as the organization grows.

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<sup>1</sup> Financial statements are not prepared at the agency level as MHBE is included in the Maryland State Comprehensive Annual Financial Report. As such the Comprehensive Annual Financial Report for the State of Maryland is separately submitted to serve as confirmation that receipts are recorded in accordance with Generally Accepted Accounting Principles.