

A diverse family of four is shown laughing joyfully together on a couch. A woman with dark hair is on the left, smiling broadly. In the center, a young girl with curly hair is laughing with her mouth wide open. To her right, a man with glasses is smiling. On the far right, a young boy is also laughing. The background consists of light-colored curtains.

Audit Committee Meeting

November 14, 2024

Audit Committee Meeting Agenda

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***Mission:** To decrease the number of uninsured residents, improve the quality of healthcare and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health coverage that give them the best value.*

***Vision:** Provide Connecticut residents with access to the most equitable, simple and affordable health insurance products to foster healthier communities.*

Public Comment

Vote:

Review and Approval of Minutes

- June 13, 2024



Connecticut Health Insurance Exchange

Audit Results

June 30, 2024



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Audit Objectives

- ▶ We are required to conduct our audit of the Authority's financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.
- ▶ Those standards require that we obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- ▶ Our audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. Our audit was not designed to provide assurance on internal control or to identify reportable conditions.
- ▶ We perform a risk assessment to determine the extent of testing across all financial statement line items. We focused our audit effort on higher risk and high dollar areas and performed limited testing in the lower risk and lower dollar areas. Our audit effort was focused on the Authority's critical accounting estimates and areas requiring judgment that have the highest risk of material misstatement.
- ▶ Throughout the audit we remained cognizant of fraud risk. Our audit approach included gaining an understanding of controls designed to prevent, deter and detect fraud.



Overview of Audit Results

- ▶ We have prepared an initial draft of the auditors' report that has been reviewed by management.
- ▶ Our independent auditors' opinion as of and for the year ended June 30, 2024, will conclude that the financial statements are presented fairly, in all material respects, in accordance with U.S. Generally Accepted Accounting Principles (GAAP).
- ▶ As part of the audit, an IT controls specialist at Whittlesey reviewed the Authority's IT environment and general IT related internal controls.
- ▶ We encountered no difficulties in dealing with management and completing the audit. All information requested from management was provided promptly allowing us to complete the audit on schedule.
- ▶ All adjusting journal entries were discussed with management.
- ▶ There were no uncorrected misstatements.

Required Communications

Matters to be Communicated	Whittlesey Responses
Auditor Responsibilities Under Generally Accepted Auditing Standards and Government Auditing Standards	Communicated in our engagement letter dated May 13, 2024, and further discussed in this presentation.
Our Judgments About the Company's Accounting Policies	Significant accounting policies are appropriate and have been consistently applied.
Changes in Accounting Policies	No new accounting policies were adopted in 2024. The application of existing accounting policies was not changed.
Accounting Estimates	We have evaluated the key factors and assumptions used to develop the key accounting estimates and found them to be reasonable in relation to the financial statements taken as a whole.
Significant Audit Adjustments or Unadjusted Audit Differences	There were no unadjusted differences. All audit adjustments were made by management.
Fraud and Illegal Acts	We noted no instances of fraud or illegal acts.
Material Weaknesses in Internal Control	No material weaknesses were identified.
Disagreements with Management	None.
Difficulties Encountered in Dealing with Management when Performing the Audit	None.
Independence	We confirm to you that we are independent with respect to the Authority under all relevant professional and regulatory standards.



Required Communications

Other Information	Whittlesey Responses
Required supplementary information (RSI)	With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.



Significant Audit Areas and Transactions

The following audit areas and transactions were significant, either due to the number of transactions, the balances, or their infrequency:

Significant Audit Areas	Audit Procedures
Cash and Cash Equivalents	We confirmed 100% of the cash and STIF accounts and obtained and audited each reconciliation which includes deposits in transit and outstanding checks
Accrued Liabilities	We obtained management reconciliations and obtained support for accrued expenses by vendor to determine liabilities were recorded in the proper period. We also selected disbursements made after June 30 to determine if these were recorded in the proper period.
Marketplace Assessments	We recalculated assessments on a quarterly basis and compared to management reconciliations and sampled assessment invoices from various health insurers.
Expenses	We sampled disbursements made during the fiscal year to determine the amounts agreed to the invoiced amounts, were properly approved, charged to the correct account and paid from the proper account. We also performed various analytics and made inquiries with management about year over year variances.
Programmatic Audit	Our audit consisted of specific procedures and objectives to test AHCT's compliance and program effectiveness with all subparts of 45 CFR Part 155 listed above and we are reporting on the following key subparts comprising the core functions of Marketplace operations under 45 CFR Part 155 as defined by CMS



Significant Accounting Estimates

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The following table lists the significant accounting estimates, our audit procedures and related conclusions.

Significant Audit Areas	Audit Procedures
Subscription Liability (SPITA)	We reviewed the assumptions used by management to calculate subscription liability and corresponding right of use subscription asset
Lease Liability	We reviewed the assumptions used by management to calculate lease liability and corresponding right of use lease asset, including the discount rate and lease options

Financial Statement Highlights (\$ in thousands)

	2024	2023
Assets:		
Cash and cash equivalents	\$ 28,388	\$ 29,474
Accounts receivable	280	179
Prepaid expenses	236	196
Capital assets	13,456	15,924
Total Assets	\$ 42,360	\$ 45,773
Liabilities:		
Accounts payable and accrued liabilities	\$ 5,599	\$ 6,431
Unearned revenue	1,371	426
Lease liabilities	2,931	3,452
Subscription liabilities	172	327
Total Liabilities	10,073	10,636
Net Position:		
Net investment in capital assets	11,309	11,538
Unrestricted	20,978	23,599
Total net position	32,287	35,137
Total Liabilities and Net Position	\$ 42,360	\$ 45,773



Financial Statement Highlights (\$ in thousands)

	<u>2024</u>	<u>2023</u>
Operating Revenue:		
Marketplace Assessment	\$ 33,357	\$ 31,392
Other	73	391
Total Operating Revenue	<u>33,430</u>	<u>31,783</u>
Operating Expenses:		
Wages and benefits	12,275	11,242
Consultants	14,761	12,839
Maintenance, admin., travel and supplies	3,795	4,001
Equipment	1,069	615
Depreciation and amortization	5,517	4,194
Total Operating Expenses	<u>37,417</u>	<u>32,891</u>
Interest Income	<u>1,137</u>	<u>898</u>
Change in Net Position	<u><u>\$ (2,850)</u></u>	<u><u>\$ (210)</u></u>



Current and Emerging Accounting Issues

- ▶ GASB No. 100 *Accounting Changes and Error Corrections* (effective 7/1/2023) enhances accounting and financial reporting requirements for accounting changes and error corrections. This standard update did not have an impact to the Authority.
- ▶ GASB No. 101 *Compensated Absences* updates the recognition and measurement guidance for compensated absences (effective July 1, 2024)
- ▶ GASB No. 102 *Certain Risk Disclosures* provides users of government financial statements with essential information about risks related to vulnerabilities due to certain concentrations and constraints. (effective July 1, 2024)
- ▶ GASB No. 103 *Financial Reporting Model Improvements* improves key components of the financial reporting model to enhance effectiveness essential for decision making and accountability. (effective July 1, 2025)



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Votes:

**FY 2024 – AHCT Audited Financial Statements
FY 2024 Programmatic Audit Report**

CMS State-Based Marketplace Annual Reporting Tool (SMART)

Adjournment