AUDITORS' REPORT

Connecticut Health Insurance Exchange

FISCAL YEARS ENDED JUNE 30, 2020 AND 2021

STATE OF CONNECTICUT
Auditors of Public Accounts

JOHN C. GERAGOSIAN
State Auditor

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State Auditor

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May 15, 2024

INTRODUCTION

We are pleased to submit this audit of the Connecticut Health Insurance Exchange for the fiscal years ended June 30, 2020 and 2021 in accordance with the provisions of Sections 1-122 and 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant management's attention.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Health Insurance Exchange during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Victoria Losh
Joe Onion

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Associate Auditor

Approved:

John C. Geragosian
State Auditor

Craig A Miner
State Auditor

STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Health Insurance Exchange disclosed the following six recommendations, of which three were repeated from the previous audit.

Finding 1

Lack of Compliance with Data Protection and Statutory Breach Reporting Requirement

Criteria

Section 4-33a of the General Statutes requires that all quasi-public agencies promptly notify the Auditors of Public Accounts and the State Comptroller of any breach of security.

Title 45 U.S. Code of Federal Regulations (CFR) Part 155 requires state exchanges to protect personally identifiable information with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access. The CFR requires state exchanges to oversee and monitor non-exchange entities and ensure that they comply with the privacy and security standards established and implemented by a state exchange.

Condition

The exchange incurred 51 breaches of clients' personally identifiable information, with one breach affecting 160 clients. The exchange did not report three of the breaches to the Auditors of Public Accounts and the State Comptroller. Additionally, the exchange did not take sufficient actions to ensure the confidentiality, integrity, and security of client data when one of its contractors incurred 14 of the breaches.

Context

The exchange experienced 51 breaches of client data from July 2021 through April 2023. The breaches were incurred at the exchange and five of its contractors.

Effect

Breaches of data increase the client's risk of identity theft, medical insurance abuse, and financial fraud. The exchange incurred costs of one-year security monitoring for clients who experienced a breach. The exchange did not comply with Section 4-33a of the General Statutes.

Cause

The exchange was not aware of the breach of security notification requirements of the General Statutes. The exchange did not implement sufficient internal controls to prevent breaches of client data.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2019.

Recommendation

The Connecticut Health Insurance Exchange should promptly notify the Auditors of Public Accounts and the State Comptroller of any breach of security, in accordance with Section 4-33a of the General Statutes.

The exchange should ensure that it has sufficient internal controls to safeguard clients' personally identifiable information.

Agency Response

"The Exchange recognizes the importance of strong information security controls especially given the sensitive nature of data the Integrated Eligibility System (IES) processes and stores. The Exchange monitors vendor compliance with security requirements and has implemented additional protocols to monitor compliance and improve vendor security practices. In FY23, the Exchange amended its vendor agreement with its call center vendor to add additional breach reporting requirements as well as new penalties for breaches caused by the vendor. In addition, the Exchange requires any vendor causing a breach to cover the cost of security monitoring for clients who experienced a breach and requires vendors to maintain sufficient liability insurance in case of a breach.

The Exchange engages third-party vendors to conduct regular IT security audits of vendors whose employees have access to consumer information in the Exchange's systems. The Exchange reviews these security audits and requires vendors to remediate any findings.

The Exchange has notified the Auditors of Public Accounts and the State Comptroller of any breach of security since 2021 when it became aware of this additional reporting requirement."

Finding 2

Lack of Controls over Eligibility and Coverage Overrides

Background

The exchange uses the health insurance exchange eligibility and enrollment system (HIX) to facilitate client enrollment for qualified health plans (QHP). HIX offers an online self-service platform to provide clients health insurance eligibility predeterminations and allow them to shop for qualified health plans. Exchange customer relation specialists and call center staff can access HIX, assist clients with enrollment, and perform coverage overrides. The exchange authorizes customer relation specialists to perform eligibility overrides in HIX. The Department of Social Services (DSS) staff can access HIX and perform eligibility and coverage overrides for Medicaid clients.

Criteria

Good business practice dictates that the exchange should establish and maintain effective internal controls over the administration of its programs and information systems. Effective internal controls include establishing policies and procedures, documenting system overrides, monitoring internal controls, and addressing deficiencies.

Condition

The exchange did not track or monitor its staff's eligibility and coverage overrides. In addition, the exchange did not require supervisors to approve eligibility and coverage overrides.

We judgmentally selected 15 eligibility and coverage overrides to determine whether the exchange adequately documented the reason for the override. The exchange did not maintain support in HIX to justify override decisions for three eligibility and coverage determinations.

Context

The exchange and DSS generated 23,252 eligibility and coverage overrides in HIX during fiscal years 2020 and 2021.

Effect

A lack of internal controls increases the risk that clients receive improper health insurance coverage or are enrolled in programs they are not eligible for.

Cause

Lack of management oversight contributed to these conditions.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Connecticut Health Insurance Exchange should establish and implement internal controls to track and monitor system overrides and ensure that it maintains support for each override in the health insurance exchange eligibility and enrollment system.

Agency Response

"The Integrated Eligibility System (IES) is jointly used by the Exchange and the Department of Social Services (DSS) for eligibility determinations and enrollment in the insurance affordability programs through the Affordable Care Act and the State of Connecticut, qualified health plans and Modified Adjusted Gross Income (MAGI) Medicaid and Children's Health Insurance Program (CHIP) through the DSS. Two types of overrides are used when necessary: eligibility overrides for changes to eligibility for various programs when valid and necessary; and coverage overrides for changes to dates of enrollment. Eligibility overrides may only be completed by the Exchange's Customer Resolution (CRT) members and DSS users. Exchange CRT members and DSS users may also perform coverage overrides, as well as a very limited number of supervisors at the Call Center.

Written policies delineate when eligibility and coverage overrides are permitted, and periodic reports of overrides are reviewed by Exchange managers and supervisors on a regular basis. Reports on overrides are run periodically, and any type of reports may be run for overrides.

The finding notes an instance as having no documentation justifying the override decision, however no override was performed in this instance. Two other instances were noted where DSS workers performed overrides granting eligibility for a DSS program but may not have documented the action.

As an additional control, the Exchange has a Quality Assurance (QA) Process and Department performing ongoing reviews to ensure that workers are following Exchange and Affordable Care Act policies and procedures. If the QA team determines that a coverage override did not follow Exchange policies and procedures, the worker's supervisor is notified, and corrective action is performed."

Auditors' Concluding Comments

The exchange did not provide documentation to support its staff's monitoring of eligibility and coverage overrides.

The override in question is included as a coverage override on the exchange's list of eligibility and coverage overrides.

The exchange maintains oversight of HIX and should implement internal controls to ensure all users document the justification for an override.

Finding 3
Weakness in Purchasing Process

Criteria

The Accounting Policy and Procedure Manual requires a purchase order for all purchases to financially commit funds. The manual requires approval of the purchase order prior to ordering goods or services.

The Accounting Policy and Procedure Manual requires a minimum of three written price quotations from qualified vendors for purchases between $5,000 and $75,000.

The exchange's credit card policy limits credit card uses to travel except for the purchase of services or goods necessary for business operations in which a credit card is the only acceptable form of payment. The policy requires credit card holders to submit an expense report with supporting receipts for each month that they use the credit card. The policy requires new vendors to complete IRS Form W-9 when credit card charges exceed $600. Additionally, the policy requires a purchase order for all credit card purchases greater than $600.

Condition

In our review of 25 expenditures, 15 credit card transactions, and ten contracts, we noted that the exchange:

- Received services prior to the approval of ten purchase orders totaling $1,816,299.
- Lacked price quotations for three contracts totaling $151,080.
- Purchased unallowable goods and services for eight credit card transactions totaling $15,606.
- Lacked purchase orders for six credit card transactions totaling $11,240.
- Lacked Form W-9 for six credit card transactions totaling $9,743.
- Lacked expense forms for six credit card transactions totaling $11,361.
- Lacked an invoice for one credit card transaction totaling $2,590.

Context

The exchange expended $40,797,386 for non-payroll goods and services during the 2020 and 2021 fiscal years. We judgmentally selected $3,392,160 in expenditures, $25,503 in credit card transactions, and $2,513,713 in contracts for compliance with purchasing policies.

Effect

The exchange has reduced assurance that funding will be available at the time of payment without the proper commitment of funds. Noncompliance with purchasing policies increases the risk of improper purchases.

Cause

The exchange did not comply with established purchasing policies and procedures.

Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2019.

Recommendation

The Connecticut Health Insurance Exchange should strengthen internal controls to ensure compliance with established purchasing policies and procedures.

Agency Response

"Access Health Connecticut's (AHCT) Accounting Policy and Procedure Manual does not specifically state that purchase order approval is required prior to ordering Goods and Services. In most instances, AHCT executes a purchase order before the purchase of goods and services. In some instances, time is of the essence and a purchase order is approved slightly after performance has begun. For all the testing exceptions, purchase orders were approved very shortly after the start of services and well before the completion of services. For one instance noted, the purchase order was created 9 days prior to the event so the Exchange did not receive goods or services prior to the approval of the purchase order.

The Exchange allows certain instances when 3 price quotations may not be required. The Exchange will examine its procurement procedures and processes and will ensure that any waiver of the price quotation requirement is documented and appended to the procurement requisition.

The eight credit card exceptions noted were appropriate and allowable pursuant to Exchange policy. In these instances, the vendor requested payment via credit card.

Purchase orders and W9 forms have never been required for employee travel expenses. The above referenced findings did not require a purchase order. Updates to AHCT's credit card policy will be more specific to reflect this going forward.

For any travel expenses, and for any purchases under $600, the Exchange requires the employee submit an expense report with

receipts, but no other documentation is required. For purchases over $600 for non-travel expenses, the Exchange requires submission of a W9 form, a procurement requisition and a purchase order. The noted findings are for non-travel expenses that were over $600 and therefore do not require the submission of an expense report."

Auditors' Concluding Comments

The purchase order serves to approve and commit funding prior to purchase. The Accounting Policy and Procedure manual states that a purchase order must be approved before it can be received against. In the one instance noted in the response, the exchange incurred the expense prior to the approval of a purchase order.

The exchange did not provide documentation to support vendor requests for payment through credit card.

The credit card policy does not differentiate requirements between travel and non-travel expenditures. The credit card policy notes that expenditures over $600 require a W-9 form and a purchase order for new vendors, and only a purchase order for current vendors.

The credit card policy requires credit card holders to submit an expense report with supporting receipts for each month they use the credit card. The credit card policy does not differentiate requirements between travel and non-travel expenditures. If the exchange feels that such differentiation is necessary, it should modify its credit card policy.

Finding 4

Inadequate Documentation – Criminal Background Checks

Background

Title 45 CFR Part 155.210 and Section 38a-1087 of the General Statutes require the exchange to establish a Navigator grant program to provide educational and enrollment assistance to uninsured Connecticut residents. The exchange awards grants to eligible entities to market the exchange and the availability of qualified health plans sold through the exchange. The exchange requires all Navigator personnel to undergo a criminal background check because they have access to client personally identifiable information.

Criteria

Sound internal control policies require the exchange to maintain adequate documentation to support its activities and ensure it complies with established policies.

Condition

The exchange did not maintain a list of all Navigator personnel who were required to complete criminal background checks. We were unable to verify whether any personnel who did not undergo a criminal background check participated in the program.

Context

The exchange paid $372,459 to five Navigator organizations during the fiscal years ended June 30, 2020 and 2021.

Effect

There is reduced assurance that the Navigator organizations protected personally identifiable information.

Cause

The exchange lacked monitoring controls over the Navigator program.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Connecticut Health Insurance Exchange should maintain sufficient records to document that Navigator personnel with access to personally identifiable information completed criminal background checks.

Agency Response

"The Exchange's Navigator Grant Program requires each Navigator organization, through a contract with the Exchange, to ensure personnel have passed a criminal background check before performing Navigator services. For privacy reasons, the Exchange does not request the actual results of the background checks. However, each contract provides that the "[Navigator] shall not allow any individual who has been convicted of (i) any felony or (ii) a misdemeanor involving dishonesty, breach of trust, or money laundering to perform any [Navigator Services] for the Exchange, except where prohibited by local or state law."

For FY20, the Exchange received email confirmation from each Navigator that its personnel passed the requisite background check. With respect to FY21, the Exchange contacted each Navigator and, except in the case of one person, received confirmation that its personnel passed the requisite background check.

For FY22 and FY23 the Exchange maintained records of all Navigator personnel who completed criminal background checks; and for FY24, the Exchange will maintain records of all Navigator personnel who completed criminal background checks. Beginning with FY25, the Exchange will require each Navigator to provide a written certification to the Exchange that its personnel have passed the requisite background check prior to such personnel providing Navigator services."

Auditors' Concluding Comments

The documentation provided did not indicate which Navigator personnel required a criminal background check. We were unable

to determine if all required Navigator personnel completed criminal background checks.

Finding 5

Inadequate Overtime Monitoring

Criteria

The exchange's employee handbook requires each employee to verify the completeness and accuracy of their hours worked on a weekly timecard. Nonexempt employees are eligible to receive overtime pay for hours over 40 hours in a work week. A supervisor must preauthorize the overtime.

Condition

We judgmentally selected for review 15 nonexempt employees that received 182 hours of overtime. Our review noted three instances in which overtime earned exceeded the amount approved by five, seven, and five hours. The unauthorized overtime totaled $645.

Context

The exchange paid 35 employees for 2,668 hours of overtime in fiscal year 2020 and 33 employees for 1,315 hours of overtime in fiscal year 2021.

Effect

The exchange may not detect overtime abuse and timesheet charges by employees who did not obtain proper preauthorization.

Cause

The exchange did not have effective internal controls to enforce overtime policies.

Prior Audit Finding

This finding has not been previously reported.

Recommendation

The Connecticut Health Insurance Exchange should strengthen internal controls to ensure compliance with agency overtime policies.

Agency Response

"The Exchange requests that some non-exempt employees work overtime hours during peak times of the year as it is critical to the Exchange's business needs. Supervisors work closely with their staff every week to clearly communicate overtime needs, preauthorization, and maximum hours allowed. During the audit period, non-exempt Exchange employees worked a total of 3,983 overtime hours totaling $136,770. Documentation of prior authorization for overtime hours for non-exempt staff is accomplished through supervisor e-mail communication. Due to the timing of the completion of this audit, these authorizations date back

over 4 years ago in some cases. The Exchange provided adequate email preauthorization for all but 12.9 overtime hours tested, totaling $451. This time represents less than 1% of overtime paid during the audit period.

The Exchange has internal controls in place to detect abuses of overtime and timesheet charges. As a compensating control, the Exchange's payroll system requires supervisor approval of each employee's timecard before the bi-weekly payroll may be processed. This required approval limits the Exchange's exposure for any potential overtime abuse to a maximum time period of 2 weeks. The Exchange will ensure that prior authorization of all overtime is properly documented."

Auditors' Concluding Comments

We reviewed 182 hours of overtime for proper preauthorization and found that 17 hours were unauthorized. This represents approximately nine percent of the overtime reviewed.

Finding 6

Lack of Compliance with Statutory Reporting Requirements

Criteria

Section 1-123(a) of the General Statutes requires the board of directors of each quasi-public agency to annually submit a comprehensive report on agency operations to the Governor and the Auditors of Public Accounts. Sections 1-123(b) and 1-123(c) of the General Statutes requires that the board of directors of each quasi-public agency to submit quarterly reports on spending, revenue, and personnel to the legislative Office of Fiscal Analysis. Section 1-123 sets forth specific information that must be included in these reports.

Section 16 of the exchange's investment policy requires the director of finance or any outside investment manager to prepare and submit a semi-annual investment report to the Connecticut Health Insurance Exchange Board of Directors Finance Committee. They shall submit the semi-annual investment report within 60 days following the end of the period covered by the report. The report shall contain information sufficient to provide a comprehensive review of the investment activity and performance and shall include, but not be limited to: a summary of the investment strategies employed in the most recent period; a summary of portfolio information including maturity distribution, asset allocations, and risk characteristics; representative portfolio performance; and a summary of broker activity.

The investment policy also requires the semi-annual investment report to include a statement that the exchange's portfolio is compliant with the investment policy; a statement denoting the ability of the exchange to meet its expenditure requirements for the next nine months; and any area of policy concern and suggested or planned revision of investment policies.

Within 120 days after the end of the exchange's fiscal year, the director of finance shall provide the board's Finance Committee with a comprehensive report, using the audited financial statements, on the exchange's investment program and investment activity.

Condition

The exchange did not promptly submit annual and three quarterly reports as required by Section 1-123 for fiscal year 2021 to the Governor, Auditors of Public Accounts, and Office of Fiscal Analysis. The exchange submitted the annual report in May 2022, the September 30, 2020, and December 30, 2020, quarterly reports in August 2021, and the June 30, 2021, quarterly report in March 2022.

Additionally, the exchange did not prepare the semi-annual and annual investment reports for fiscal years 2020 and 2021.

Context

We judgmentally selected five statutory and two policy reporting requirements for review. The exchange did not comply with three statutory and two policy reporting requirements.

The exchange carried $30,509,624 and $26,445,685 in cash equivalents for the fiscal years ended June 30, 2020, and 2021, respectively.

Effect

Intended recipients of the reports may not have current information required to make informed decisions regarding the exchange's operations.

Cause

The late and missing reports appear to be the result of staffing changes and a lack of management oversight.

Prior Audit Finding

This finding has previously been reported in the last two audit reports covering the fiscal years 2016 through 2019.

Recommendation

The Connecticut Health Insurance Exchange should comply with the reporting requirements in Section 1-123 of the General Statutes and its investment policy.

Agency Response

"This finding was noted in 2020 during the prior audit. The untimely filing of certain reports was an oversight due to staffing changes and all delinquent reports were filed while the FY18 and FY19 audit was

being completed. The quarterly accounting close process was enhanced to include these reports, and the Exchange filed all annual and quarterly reports within a reasonable time period. Reports with June 30 dates require more time as the Exchange must wait for completion of audited financial statements from its independent auditors in the final quarter of the calendar year.

The Exchange provides regular reports to its Finance Committee and board of directors on its finances, including the value of all funds in its reserves as well as interest earned on these funds. The Exchange's reserve funds are maintained in an account with the State of Connecticut Treasurer's Short-Term Investment Fund (STIF). The STIF is an investment pool of high-quality, short-term money market instruments for state and local governments, and provides a safe, liquid, and effective investment vehicle for the operating cash of the State Treasury, state agencies and authorities, municipalities, and other political subdivisions of the state.

The Exchange does not actively invest or trade its reserve funds in any particular instruments. There is no investment activity to report other than the value of the funds in the Exchange's STIF account and the interest earned during each period. Audited financial statements are presented to the Exchange's Audit Committee and Board of Directors each year including this information. An annual Investment Report for FY22 and FY23 was presented to the Board and the Exchange will prepare a semi-annual and annual Investment Report for the Board going forward."

Auditors' Concluding Comments

We reported the untimely submission of reports required by Section 1-123 through fiscal year 2020 in the prior audit report. The exchange did not resolve this condition during fiscal year 2021.

The investment reports provided by the exchange did not meet the criteria established in its investment policy. If the exchange believes this information is not necessary, it should update its policy.

STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our prior audit report on the Connecticut Health Insurance Exchange contained four recommendations. One has been implemented or otherwise resolved and three have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
The Connecticut Health Insurance Exchange should promptly notify the Auditors of Public Accounts and the State Comptroller of any breach of security, in accordance with Section 4-33a of the General Statutes. The exchange should ensure that sufficient internal controls are in place to safeguard clients' personally identifiable information.	REPEATED Recommendation 1
The Connecticut Health Insurance Exchange should revise its personal services procurement policy to include specific criteria for awarding sole source contracts.	RESOLVED
The Connecticut Health Insurance Exchange should strengthen internal controls to ensure compliance with established purchasing policies and procedures.	REPEATED Recommendation 3
The Connecticut Health Insurance Exchange should comply with the reporting requirements in accordance with Sections 1-123 and 9-612(g)(1) of the General Statutes.	REPEATED Modified Form Recommendation 6

OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Connecticut Health Insurance Exchange in fulfillment of our duties under Sections 1-122 and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2020 and 2021. The objectives of our audit were to evaluate the:

1. Exchange's significant internal controls over compliance and its compliance with policies and procedures internal to the exchange or promulgated by other state agencies, as well as certain legal provisions, including as applicable, but not limited to whether the exchange has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance;

2. Exchange's internal controls over certain financial and management functions; and

3. Effectiveness, economy, efficiency, and equity of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the exchange and certain external parties. We also tested selected transactions. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the exchange's management and the exchange's information systems. It was not subject to the audit procedures applied in our audit of the exchange. For the areas audited, we identified

1. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

2. Deficiencies in internal controls; and

3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Connecticut Health Insurance Exchange.

ABOUT THE AGENCY

Overview

The Connecticut Health Insurance Exchange, which does business as Access Health CT (AHCT), operates under the provisions of Title 38a, Chapter 706c, of the General Statutes. The exchange is a public instrumentality and political subdivision of the state, created to develop and implement a state-based health insurance marketplace in accordance with the federal Patient Protection and Affordable Care Act. Pursuant to Chapter 12 of the General Statutes, the exchange is classified as a quasi-public agency.

The goal of the exchange is to reduce the number of uninsured individuals in Connecticut and assist them and small employers in the procurement of health insurance by offering easily comparable and understandable information. The exchange accomplishes this by operating an online marketplace where individuals, families, and small employers can compare and purchase health insurance from a choice of qualified health plans. The exchange's website also operates as a portal for low-income adults and families to apply for Medicaid and the Children's Health Insurance Program coverage. The exchange had its first open enrollment on October 1, 2013, for the benefit year beginning January 1, 2014.

Organizational Structure

Pursuant to Section 38a-1081 of the General Statutes, the exchange operates under a 14-member board of directors. The board of directors consists of 11 voting and three nonvoting members.

The chief executive officer is appointed by the board of directors. James Michel was appointed chief executive officer on September 20, 2018.

Significant Legislative Changes

There were no notable legislative changes that took effect during the audited period.

Financial Information

Statement of Revenues, Expenses, and Changes in Net Position

Based on the exchange's audited financial statements, a summary of revenues, expenses, and changes in net position for the audited period and the preceding fiscal year follows:

	As of June 30,		
	2021	2020	2019
Operating Revenue			
Marketplace assessment	$33,248,504	$34,202,731	$ 32,287,139
Miscellaneous revenue			32,301
Total operating revenues	33,248,504	34,202,731	32,319,440
Operating Expenses			

Wages	7,780,126	7,365,537	6,935,673
Fringe benefits	3,001,740	2,844,256	2,440,310
Consultants	15,621,005	16,626,189	13,689,760
Maintenance	2,219,368	1,555,495	2,460,513
Administration	1,040,892	979,231	1,133,782
Equipment	748,221	792,460	565,144
Travel	6,311	35,008	62,751
Supplies	6,337	16,039	24,064
Depreciation and amortization	1,257,641	935,604	1,957,316
Total operating expenses	31,681,641	31,149,819	29,269,313
Net Operating Gain (Loss)	1,566,863	3,052,912	3,050,127
Nonoperating revenues			
Interest income	26,828	383,172	407,614
Change in net position	1,593,691	3,436,084	3,457,741
Net position, beginning of year	32,951,879	29,515,795	26,058,054
Net Position, End of Year	**$34,545,570**	**$32,951,879**	**$29,515,795**

Marketplace assessments are the main sources of the exchange's revenue and are issued annually to health and dental carriers that are capable of offering a qualified health plan through the exchange. Section 38a-1083(c)(7) of the General Statutes authorizes the exchange to charge assessments to fund its operations.

Total revenues increased during fiscal year 2020 primarily due to an anticipated growth in marketplace assessments. Total operating expenses increased during fiscal year 2020 primarily due to growth in the Small Business Health Options Program, individual outreach efforts, filled vacancies and additional employee medical plan costs.

Total revenues decreased during the fiscal year 2021 primarily due to an anticipated reduction in marketplace assessments. Total operating expenses increased during the fiscal year 2021 due to information technology enhancements.

Statement of Net Position

Based on the exchange's audited financial statements, a summary of assets, liabilities, and net position for the audited period and the preceding fiscal year follows:

	As of June 30,		
	2021	2020	2019
Assets			
Current Assets:			
Cash and cash equivalents	$27,483,157	$31,436,272	$28,774,149
Accounts Receivable	873,786	71,082	37,083
Prepaid expenses	253,085	250,191	189,512
Total current assets	**28,610,028**	**31,757,545**	**29,000,744**
Noncurrent assets:			
Security deposit	1,197	1,197	1,197
Capital assets not being depreciated	4,391,962	2,766,114	466,009
Capital assets, net of accumulated depreciation	7,651,305	4,243,130	4,717,643
Total noncurrent assets	**12,044,464**	**7,010,441**	**5,184,849**
Total assets	40,654,492	38,767,986	34,185,593
Liabilities			
Current liabilities:			
Accounts payable	155,429	43,920	119,910
Accrued liabilities	5,555,221	5,408,128	4,026,989
Unearned revenue	398,272	364,059	522,899
Total current liabilities	**6,108,922**	**5,816,107**	**4,669,798**
Net position:			
Net investment in capital assets	10,598,580	6,376,011	5,183,652
Unrestricted	23,946,990	26,575,868	24,332,143
Total Net Position	**$34,545,570**	**$32,951,879**	**$29,515,795**

Cash and cash equivalents primarily consisted of funds received by the Department of Social Services (DSS) for the reimbursement of costs as well as marketplace assessments.

Accounts receivable includes amounts owed from DSS and carriers for marketplace assessments. The amount due from DSS reflects its portion of accrued expenses. The exchange does not bill DSS for its portions of the costs until the exchange pays the related expenses.

As of June 30, 2021, the exchange had $55.2 million, $12 million net of accumulated depreciation, invested in software and equipment, respectively. These amounts primarily consisted of the capitalization of software development costs as well as equipment.

Accounts Payable represented amounts due for consulting services, administrative services, and amounts due to DSS for shared services incurred on behalf of the exchange.

Other Audits and Engagements

Independent public accountants audited the exchange's financial statements for the years under review. The audits provided opinions that the financial statements present fairly, in all material respects, the

financial position of the Connecticut Health Insurance Exchange in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants provided reports on compliance and internal control over financial reporting. The reports on compliance with certain laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.