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Independent External Audit:
State of Kentucky
July 1, 2024, to June 30, 2025
Audit Findings Report

Independent External Audit: 2025 Findings Report

TO: CCIIO STATE EXCHANGE GROUP

FROM: BDMP ASSURANCE, LLP (BerryDunn)

DATE: JULY 15, 2026

SUBJECT: AUDIT FINDINGS REPORT FOR KENTUCKY

AUDIT PERIOD: JULY 1, 2024 – JUNE 30, 2025

I. Executive Summary

PURPOSE

The purpose of this independent external audit is to assist the Commonwealth of Kentucky in determining whether the Kentucky Health Benefit Exchange (KHBE), a State-Based Marketplace (SBM), is in compliance with the programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS) during the audit period.

Name of SBM: Kentucky Health Benefit Exchange (KHBE)
State of SBM: Kentucky
Name of Auditing Firm: BerryDunn

Our responsibility was to perform a financial and programmatic audit to report on KHBE's compliance with Title 45, Code of Federal Regulations, Part 155 (45 CFR 155) as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows U.S. generally accepted governmental auditing standards (U.S. GAGAS) to perform an annual independent external programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

SCOPE

The scope of this engagement included an examination of KHBE's compliance with the programmatic requirements under 45 CFR 155, Subparts C, D, E, K, and M for the 12-month period July 1, 2024, through June 30, 2025. We conducted our examination in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We completed an examination of KHBE's compliance with the applicable programmatic requirements under 45 CFR 155 and issued our reports dated July 15, 2026.

We also performed an audit of KHBE's financial statements for the year ended June 30, 2025, and issued our report dated June 4, 2026.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether KHBE is in compliance with 45 CFR 155 in all material respects. We also selected a sample of eligibility

and enrollment transactions and tested for compliance with requirements under 45 CFR 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP).

METHODOLOGY

Audit Firm Background

BerryDunn is a national consulting and certified public accounting firm with multiple practice groups dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 50-year history. Today, BerryDunn employs 900+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Hawaii, Massachusetts, New Hampshire, West Virginia, and Puerto Rico. The firm has experienced professionals who provide a full range of services, including IT consulting; management consulting; and audit, accounting, and tax services. Those services include conducting financial and/or programmatic audits of multiple State-Based Marketplaces. We also have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, previously referred to as OMB Circular A 133) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

Financial Statement Audit

We have audited—in accordance with U.S. GAAS and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States—the financial statements of KHBE, for the year ended June 30, 2025, and related notes to the statements. We have issued a report thereon dated June 4, 2026.

Programmatic Audit

We have examined KHBE's compliance with the programmatic requirements described in 45 CFR 155 for the year ended June 30, 2025, and have issued a report thereon dated July 15, 2026.

Summary of Programmatic Audit Procedures

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test KHBE's compliance with certain subparts of 45 CFR 155. BerryDunn examined compliance with the requirements under 45 CFR 155 in the following programmatic areas:

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of QHPs (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

Audit Findings Report

We reviewed the processes and procedures under 45 CFR 155 in the following programmatic areas in order to determine whether they were in compliance with the requirements of the Affordable Care Act (ACA):

- Assisters, Navigators, Certified Application Counselors, and Brokers
- Compliance and Program Integrity
- Contact Center
- Eligibility and Enrollment Processes and Procedures
- Privacy and Security
- QHP Certification

We reviewed the following documentation, which was obtained directly from KHBE, or located on either the KHBE website or the CMS website:

- Brokers:
    - Agent and Navigator Oversight SOP
- Contracts and Amendments:
    - Agent Agreement
    - Certified Application Counselor Program Designated Organization Agreement
    - Kynect Program Binder
    - Operator Agreement
- Eligibility and Enrollment:
    - Eligibility and Enrollment SOP
    - Consumer Facing Privacy Policy
    - Eligibility and Enrollment Guide for Contact Center Staff
    - Eligibility and Enrollment Policy Manual
    - Training Materials for Consumer Facing Staff Regarding the ACA (Metal Levels, APTC, CSR)
    - Verification Manual
- General Exchange Policies and Procedures:
    - Automatic Renewal Policy and Process Documentation
    - Application for Health Care Coverage
    - Eligibility and Enrollment Internal Process Policy or Manual
    - General Appeals Process Documentation

    - Income Information Authorization to Renew Coverage (FTI)
    - Onboarding Process for Employees Who Will Have Access to PII
- Navigators:
    - Authorized Representative Consent Form
    - Confidential and Sensitive Information Agreement Form for External Vendors
    - Conflict of Interest Standards Agreement Form
    - Kynector List
- Organization Chart:
    - Exchange Organizational Chart
- Privacy and Security:
    - Computer Matching Agreement
    - Data Sharing Agreement
    - KHBE Internal Privacy Policy
    - Privacy and Security Guide
    - System Security Plan
- QHP:
    - Plan Management Standard Operating Procedures
    - Insurer Agreement (QHP)
    - List of Insurers and Plan Offerings
    - QHP Complaint Process Documentation

To understand management and staff responsibilities and processes as they relate to compliance with 45 CFR 155, we interviewed the following KHBE staff:

- KHBE Assistant Director
- KHBE Chief Privacy Officer
- General Counsel
- Human Services Program Supervisor

We interviewed the following staff from agencies other than KHBE that are involved in functions related to the exchange:

- Cabinet for Health and Family Services (CHFS) – IT Manager of Audit and Compliance
- DOI Acting Director

We interviewed the following staff from contractors of KHBE that are involved in function related to the exchange:

- Conduent – Deputy Director

We analyzed the following information to assess KHBE's compliance with the requirements of 45 CFR 155:

- From a listing of 938,000 eligibility determination transactions completed between July 1, 2024, and June 30, 2025, we selected 60 cases to test for compliance with eligibility and QHP enrollment rules and 60 cases to test for compliance with data verification rules.

CONFIDENTIAL INFORMATION OMITTED

N/A

II. Programmatic Audit Findings

MATERIAL NONCOMPLIANCE

N/A

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

N/A

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

N/A

Programmatic Auditor's Opinion

Unmodified

Additional Comments

N/A

III. Financial Statement Auditor's Opinion

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2025, reflecting the following type of opinion:

Unmodified

IV. Conclusion

Based on a review of the documentation required for this report, in our opinion, KHBE complied with the requirements of 45 CFR § 155, Subparts C, D, E, K, and M during the year ended June 30, 2025, in all material respects.

SIGNATURE OF AUDIT FIRM

BDMP Assurance, LLP

COMPLETION DATE OF AUDIT

FINDINGS REPORT: July 15, 2026