

Agency Name	NH Insurance Department
Audit Name	Financial Audit Report
Audit Period	For the nine months ended March 31, 2021
Status Report Date	June 14, 2023

Summary of Audit Observations/Findings					
Number	Observation Title	Status [place X in status column]			
		Unresolved	Partially Resolved	Substantially Resolved	Fully Resolved
1	Independent SOCs Reports		X		
2	Controls over Dept Financial Database		X		
3	Continue development of a formal risk assessment process		X		
4	Controls over expenditure review and reconciliation process		X		
5	Establish policy for transfer from the Department to NH Granite Advantage Healthcare Trust Fund				X

EXAMPLE Observation 1: No Formal Risk Assessment over XYZ program

Summary of Finding: Agency has not performed a formal risk assessment. An effective assessment is the foundation for developing and implementing effective internal controls to eliminate, mitigate or otherwise manage identified risks.

Current Status: Substantially Resolved. Agency in connections with DAS, utilized the Internal Control Toolkit and performed a formal risk assessment. The next step is to implement new processes and controls to minimize the identified risks. Completion Date estimated: August 2019

Observation 1: Independent Service Auditor's Reports should be reviewed, and applicable complementary user entity controls implemented.

Summary of Finding: The Insurance Department does not review the annual service auditor's reports (SOC) on controls in place over significant areas of its operations that are processed by third parties.

Current Status: Partially Resolved. The NHID plans to request, during the next legislative budget cycle, an internal auditor to accomplish NHID strategic planning objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, SOC compliance, risk management, and control procedures. In this role, the NHID internal auditor will work closely with teams within the Department as a key contributor in planning, executing, and reporting on financial, operational and IT compliance audits. Finally, our strategic plan in the areas of regulatory modernization encompasses improvements to the effectiveness of governance, risk management, and control process as well as aspects of consumer protection.

Observation 2: Controls over the Department's Financial Database should be strengthened.

Summary of Finding: The Department has not implemented an effective process for performing periodic reconciliations of its subsidiary system to the State accounting system to ensure revenues are posted completely and accurately, and that the reconciliations are performed timely and appropriately reviewed.

Current Status: Partially Resolved. The NHID added a layer of supervision/management within its Business Unit by dedicating a position and accountabilities that encompass implementation of effective controls over the Department's Financial Database. Once this new hire is fully trained, the Department will also update its Manuals of Procedures to accurately reflect improvements to the Business Unit procedures.

As noted above in Observation 1, the NHID plans to request, during the next legislative budget cycle, an internal auditor to accomplish NHID strategic planning objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, SOC compliance, risk

management, and control processes. In this role, the NHID internal auditor will work closely with teams within the Department as a key contributor in planning, executing, and reporting on financial, operational and IT compliance audits. As noted earlier, our strategic plan in the area of regulatory modernization encompasses improvements to the effectiveness of governance, risk management, and control process, as well as aspects of consumer protection.

Observation 3: Continue Development of a formal Risk Assessment process.

Summary of Finding: The Department does not have a fully developed, formal risk assessment process in place for its financial accounting and reporting, and information technology functions.

Current Status: Partially Resolved. The NHID has begun using the DAS templates while also incorporating all aspects of the LBA financial audit into its risk assessment process and findings. Given the complexity and manpower required to undertake an accurate risk assessment, the Department will move forward in the fiscal year 2024-2025 with the RFP process to secure a Risk Assessment consulting vendor.

Observation 4: Controls over expenditure review and reconciliation process should be strengthened.

Summary of Finding: The Insurance Department does not have adequate control procedures in place to effectively review and approve invoices related to inter-agency payments, or for the monthly reconciliation of expenditures.

Current Status: Partially Resolved. The NHID added a layer of supervision/management within its Business Unit and dedicated a position and accountabilities that encompasses implementation of effective controls over the Department's Financial Database. As we proceed with the new hire, the Department will also update its Manuals of Procedures.

As noted above in Observations 1 & 2, the NHID plans to request, during the next legislative budget cycle, an internal auditor to accomplish NHID strategic planning objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, SOC compliance, risk management, and control processes. In this role, the NHID internal auditor will work closely with teams within the Department as a key contributor in planning, executing, and reporting on financial, operational and IT compliance audits. Our strategic plan in the area of regulatory modernization encompasses improvements to the effectiveness of governance, risk management, and control process, as well as aspects of consumer protection.

Observation 5: Transfers to the New Hampshire Granite Advantage Healthcare Trust Fund should be performed in accordance with the established policy.

Summary of Finding: The Insurance Department will adopt a formal policy and will update its manual or procedures for areas of reconciliation to strengthen accuracy of the Department's audits on interagency payments.

Current Status: Fully Resolved. The Department has updated and adopted a policy for the transfer of funds and has updated its manual of procedures while working with the managed care organizations and the Department of Health and Human Services. Please see the attached procedural update from 2022.