

From: Mike Nunez <mnunez@nmhia.com>
Sent: Tuesday, October 23, 2012 5:57 PM
To: Rachel.Clement@cms.hhs.gov; Sanchez, Milton, HSD; Pool, Jonni, HSD
Cc: Bruce Butler
Subject: NMHIA Business Assessment Application
Attachments: NMHIA Business Assessment and Evaluation_October_23,_2012.pdf; Operations Manager_job description_Claudia_Sitrick_2011.pdf; ED_job description_Mike Nunez_2011.pdf; NMHIA EMPLOYEE HANDBOOK_Nov 2011.pdf; 2011_Audit_NMHIA Financial Statements.pdf; 2011 revised Plan of operations 4-29-11.pdf

Attached for your review and processing is the New Mexico Health Insurance Alliance (NMHIA) Business Assessment application for approval to receive federal grants. We have attached the following documents to assist you in the review of NMHIA current operations.

Attached for your review are:

- 1) Alliance job descriptions for Executive Director and Financial Operations Manager
- 2) NMHIA Employee Handbook
- 3) 2011 Audit
- 4) NMHIA Plan of Operations

Should you have any questions, please let me know.

Kindest Regards,
Mike

Mike Nuñez/ Executive Director/ New Mexico Health Insurance Alliance
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**Office of Acquisition and Grants Managements:
Vivian Smith**

NMHIA - Background

The New Mexico Health Insurance Alliance (NMHIA) provides small business and certain individuals access to health coverage not available in the commercial marketplace. NMHIA is carrier funded, partnering with New Mexico Brokers to place clients.

- Created in 1994 as a non-profit third party administrator
- Governed by a Board of Directors
 - Nine Governor Appointees
 - 4 small employers, 1 nonprofit, 4 small business employees
 - Five elected carrier directors
- Funded by Employer/Employee & individual premiums & and carrier assessments

At the present time, the Alliance covers over 4,200 total lives and processes more than \$18 million dollars in premiums and more than \$11,000,000 in assessments.

The questionnaire below contains responses based on our current operations. With new Health Insurance Exchange responsibilities we will hire additional financial personnel which will provide opportunity for greater separation of duties. We plan to hire a Chief Financial Officer with appropriate accounting and financial expertise.

A. General Information

1. Does the organization have a Board of Directors with specific functions and responsibilities (by-laws)?

The New Mexico Health Insurance Alliance (the “Alliance”) Board is created under the Health Insurance Alliance Act (the “Act”), New Mexico Statutes Annotated (1978), 59A-56-1 through 25. The Board powers and duties are described under 59A-56-6 of the Act.

2. Are minutes of the Board of Directors’ meetings maintained?

Yes, the Alliance Board meets five times per year, January, April, June, September and November. Meeting minutes are recorded and published on our website (www.nmhia.com).



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3. Is there an organizational chart or similar document establishing clear lines of responsibility and authority?

Yes, The Alliance Plan of Operations (13.10.11) establishes organizational duties.

4. Are duties for key employees of organization defined?

Yes, key and staff Alliance employees have job descriptions. See attached Job descriptions.

5. Does the organization have grants or cost-reimbursement contracts with other OPDIVs or other Federal agencies?

No, the Alliance has not received any grants or cost-reimbursement contracts, contracts with other OPDIV or other Federal Funding agency.

6. Have any aspects of the organization's activities been audited recently by a Government agency or independent public accountant?

Annual audits conducted by independent external public accountants are required by state statutes. See attached Plan of Operations, 13.10.111.14 Records and Audit, Item B).

7. Has the organization obtained fidelity bond coverage for responsible officials and employees of the organization?

The Alliance carries Crime, Employee dishonesty policies but does not have fidelity bond coverage. As the Alliance converts to our Exchange capacity we will review coverages and obtain any required coverages.

8. Has the organization obtained fidelity bond insurance in amounts required by statute or organization policy?

Not Applicable.

B. Accounting System

1. Is there a chart of accounts?

Yes, the Alliance maintains a chart of accounts. See attached Chart of accounts for current operations.



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2. Is a double-entry accounting system used?

Yes, financial transactions are recorded in QuickBooks.

3. Does the organization maintain the basic books of account as applicable?

Yes, The Alliance maintains basic books of accounting. Please see attached Financial Statements report from 2010 Audit.

- | | |
|------------------------------|-----|
| a. General ledger | Yes |
| b. Operating ledger | Yes |
| c. Project (Job) cost ledger | Yes |
| d. Cash receipts journal | Yes |
| e. Cash disbursement journal | Yes |
| f. Payroll journal | Yes |
| g. Income (sales) journal | Yes |
| h. Purchase journal | Yes |
| i. General journal | Yes |

4. Does the accounting system adequately identify receipt and disbursement for each grant (or contract)?

Yes, our system has the capability to identify receipt and disbursement by expense category for any contract category.

5. Does the accounting system provide for the recording of expenditures for each program by required budget cost categories?

Yes, the accounting system allows tracking of each expense against budgeted cost income and expense category.

6. Does the accounting system provide for recording the non-Federal share and in-kind contributions?

We have a flexible system that can separate income categories which can be used to record any number of income sub-categories.

7. Does the organization prepare financial statements at least annually? If not, how often?

The Alliance prepares and reconciles financial statements monthly and reports to our board and finance committee on a quarterly basis.



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8. Have the financial statements been audited within the past 2 years by an independent public account?

Yes, annual external audits are conducted every year.

9. Does the organization have a bookkeeper or accountant?

Yes, the Alliance staff records financial transactions which are reconciled and reviewed with a local accountant, Zlotnick, Laws & Sandoval, P.C. - Santa Fe, NM.

10. Is there an accounting instruction manual?

No, we do not have an instructional manual.

C. Budgetary Controls

1. Does the organization use an operating budget to control project funds?

Yes, annual budgets are prepared with income and expenses projected and approved by our finance committee and board for coming year.

2. Are persons in the organization who approve budget amendments authorized to do so by the Board of Directors or top management?

Budget amendments are approved by the Alliance Finance Committee and the Board. The Finance Committee members are Board members.

3. Are there budgetary controls in effect to preclude incurring obligations in excess of:

- a. Total funds available for an award?
- b. Total funds available for a budget cost category?

The Alliance has the capability to establish and monitor separate grant award and expenses against any grant project categories.

4. Are cash requirements and/or draw downs limited to immediate need?

Not applicable under current Alliance operations.

D. Personnel



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1. Are personnel policies established in writing or in the process of preparation which detail at a minimum:

Yes, the Alliance has established written personnel policies for the employees and detailed information of their job obligations and duties. Please see attached employee handbook and job descriptions for key employees.

Duties and responsibilities of each employee's position?	Yes
Qualifications for each position?	Yes
Salary ranges associated with each job?	set by Exec Dir
Promotion plan?	No
Equal employment opportunity?	Yes
Annual performance appraisals?	Yes
Types and levels of fringe benefits paid to professionals, nonprofessionals, officers, or governing board members?	Yes

2. Is employee compensation reasonable and comparable to that paid for similar work in the competitive labor market?

Yes, Alliance salaries are appropriate to New Mexico non-profit organization market.

3. Are salary comparability surveys conducted? How often?

No salary surveys have been conducted to date. Salaries are reviewed annually along with the employee's performance plan. Comparability surveys would be planned for NMHIX key employees.

4. Are salaries of personnel assigned to Government projects about the same as before assignment?

Not applicable to date for Alliance operations.

5. Does the organization maintain a payroll distribution system which meets the required standards as contained in the applicable cost principles for that organization?

Not applicable for current operations.

6. Does the organization maintain daily attendance records for hourly employees? Does this show actual time employees sign in and out?



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The Alliance does not employ hourly employees but does use time sheets to track hours worked.

7. Does the payroll distribution system account for the total effort (100%) for which the employee is compensated by the organization? **Yes.**
8. Who signs and certifies work performed in items 5, 6, and 7 above?

The executive director signs and approves employee timesheets.

9. Where duties require employees to spend considerable time away from their offices, are reports prepared for their supervisors disclosing their outside activities?

Yes, the Alliance requires timesheet reporting which include outside activities for all hours including hours worked outside the office.

E. Payroll

1. Does preparation of the payroll require more than one employee?

Due to the current number of employees, the operations manager prepares payroll and executive director approves all payroll transactions and confirms direct deposit transfers with fiscal agent.

2. Are the duties of those individuals preparing the payroll related?

Currently the operations manager prepares the payroll which is reviewed by the executive director.

3. Are the names of employees hired reported in writing by the personnel office to the payroll department?

Due to the size of the Alliance (at present the Alliance employs a total of seven employees), there is no a payroll department. The Operations manager prepares payroll and coordinates with new hires.

4. Are the names of employees terminated reported in writing by the personnel office to the payroll department?

The Alliance maintains employee files from hire to termination.



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5. Is the payroll verified at regular intervals against the personnel records? **Yes.**
6. Are all salaries and wage rates authorized and approved in writing by a designated official or supervisor?

Yes, all salaries and wages are approved by the executive director.

7. Are vacation and sick leave payments similarly authorized and approved? **Yes**
8. Is there a verification against payments for vacation, sick leave, etc., in excess of amounts approved and/or authorized?

Yes, payroll deductions and sick leave transactions are reviewed on a semi-monthly basis by the executive director.

9. Is the payroll double-checked as to:
a. Hours? **Yes**
b. Rates? **Yes**
c. Deductions? **Yes**
d. Extensions, etc.? **Yes**

10. Are signed authorizations on file for all deductions being made from employees' salaries and wages? **Yes, Executive director signs off on all payrolls.**

11. Is the payroll signed prior to payment by the employee preparing the payroll? The employee checking the payroll?

Yes, payroll time sheets are reviewed by the executive director prior to payment to employees.

12. Are salary payrolls approved by an authorized official prior to payment?

The executive director approves all payrolls.

13. Are employees paid by check or direct deposit? **Direct Deposit.**

14. If paid by check, are the checks pre-numbered? **Not applicable.**

15. Are checks drawn and signed by employees who do not:

Not applicable as all employees receive payroll by direct deposit.

Prepare the payroll?



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Have custody of cash funds?
Maintain accounting records?

16. Are payroll checks distributed to employees by someone other than the supervisor? **Not applicable, payroll checks are not used.**

Is there a payroll bank account?

Payroll is paid from the general fund account from which operational disbursements are paid.

17. Is the payroll bank account reconciled by someone other than payroll staff or personnel who sign and distribute the pay checks?

Yes, bank reconciliations are performed monthly by Zlotnick, Laws & Sandoval, P.C.- Santa Fe, NM.

F. Consultants

1. Are there written policies or consistently followed procedures regarding the use of consultants which detail at a minimum:

Consultant contracts, performance and reimbursement rates are evaluated annually in June during the mandated Annual Board meeting.

Circumstances under which consultants may be used?

Consultants perform the current functions, accounting, actuarial services, IT services, Web services, IT hardware and software services, and public relation and marketing services.

Consideration of in-house capabilities to accomplish services before contracting for them? **Yes.**

Requirement for solicitation or bids from several contract sources to establish reasonableness of cost and quality of services to be provided? **Yes.**

Consulting rates, per diem, etc.? **Yes.**

Are consultants required to sign consulting agreements outlining services to be rendered, duration of engagement, reporting requirements, and pay rates? **Yes.**

F. Property Management



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1. Are records maintained which provide a description of the items purchased, the acquisition cost, and the location?

Yes, asset records are kept that detail description, acquisition cost, and location.

2. Are detailed property and equipment records periodically balanced to the general ledger?

Physical assets are compared to asset inventory and the general ledger annually in conjunction with our annual audit.

3. Are detailed property and equipment records periodically checked by physical inventory?

Asset schedules are reviewed annually in conjunction with annual audits.

4. Are there written procedures governing the disposition of property and equipment?

The executive director decides the disposition of property.

5. Are periodic reports prepared showing obsolete equipment, equipment needing repair, or equipment no longer useful to the organization?

As a component of our annual audit, asset schedules are reviewed and adjusted for obsolete equipment.

6. Does the organization have adequate insurance to protect the Federal interest in equipment and real property?

The Alliance has a business policy "owner's package policy" with CNA Insurance for any damage to premises and equipment. The Alliance does not have any Federal interest in equipments.

H. Purchases

1. Does the organization have written purchasing procedures? If not, briefly describe how purchasing activities are handled.

Equipment purchases over \$1,000 are capitalized. Three or more quotes are evaluated.



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2. Does the policy/procedure consider such matters as quality, cost, delivery, competition, source selection, etc.? **Yes.**
3. Has the responsibility for purchasing been assigned to one department, section, or individual within the organization? If not, explain. **Yes.**
4. Is the purchasing function separate from accounting and receiving? **NO**
5. Are competitive bids obtained for items such as rentals or service agreements over certain amounts? **Yes.**
6. Are purchase orders required for purchasing all equipment and services?

Budgets which include capital expenditures are approved by the Finance Committee and the Board.

7. Is control maintained over items or dollar amounts requiring the contracting or grants management officer's advance approval?

All purchases are approved by the executive director.

8. Is the accounting department notified promptly of purchase goods returned to vendors? **Yes.**
9. Is there an adequate system for the recording and checking of partial deliveries and checking deliveries against purchase orders?

All invoices are reviewed and approved by the executive director. Purchase orders have not been implemented.

10. When only a partial order is received, is the project account credited for the undelivered portion of the purchase order?

Yes. Process is managed by operations manager.

11. Are the vendor invoices checked for:

Prices and credit terms?	Yes
Extensions?	Yes
Errors and omissions?	Yes
Freight charges and disallowances?	Yes



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12. Are vouchers, supporting documents, expenses, or other distributions reviewed and cleared by designated staff before payment is authorized?

All invoices are reviewed and approved by the executive director who signs checks.

I. Travel

1. Does the organization have formal travel policies or consistently followed procedures which, at a minimum, state that:

Travel charges are reimbursed based on actual costs incurred or by use of per diem and/or mileage rates?

Yes, The Alliance has a per diem and mileage reimbursement policy

Receipts for lodging and meals are required when reimbursement is based on actual cost incurred? Yes.

Per diem rates include reasonable dollar limitations? Subsistence and lodging rates are comparable to current Federal per diem and mileage rates? Yes.

Commercial transportation costs are incurred at coach fares unless adequately justified? Yes.

Travel requests are approved prior to actual travel? Yes.

Travel expense reports show purpose of trip? Yes.

J. Internal Controls

1. Is there a separation of responsibility in the receipt, payment, and recording of cash?

The Alliance does not allow cash payments, however the deposit function is performed by the account receivables clerk.

For example: Are the duties of the record keeper or bookkeeper separated from any cash functions such as the receipt or payment of cash? See response above.



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Or, is the signing of checks limited to those designated officials whose duties exclude posting and/or recording cash received, approving vouchers for payment, and payroll preparation? **Not Applicable.**

Are all checks approved by an authorized official before they are signed?

Yes, all checks are signed by the executive director.

2. Are all accounting entries supported by appropriate documentation (e.g., purchase orders, vouchers, vendor payments)? **Yes.**
3. Does the organization have an internal auditor or internal audit staff?

Our independent accountant, who is a CPA, reconciles monthly bank reconciliation and reviews financial statements on our behalf,

4. Is there a petty cash fund where responsibility is vested in one individual; limited to a reasonable amount; restricted as to purchase; and counted, verified, and balanced by an independent employee at time of reimbursement? **No.**

Are all checks pre-numbered and accounted for when general purpose bank account is reconciled? **Yes.**

5. If a mechanical or facsimile signature is used for cash disbursements, is the signature plate, die, key, electronic card, etc., under strict control? **Not applicable.**
6. Are bank accounts reconciled by persons not handling cash in the organization?

Yes.

7. Are all employees who handle funds required to be bonded against loss by reason of fraud or dishonesty?

The Alliance has a crime/employee theft policy in place.

CC: Katherine Bryant