

July 27, 2017

Ms. Mila Kofman
Executive Director
Health Benefit Exchange Authority
1225 I St. NW, 4th Fl
Washington, DC 20005

Re: Response to DC HBX Letter Dated on July 24, 2017

Dear Ms. Kofman:

On July 24, 2017, Ms. Onorato sent us a Management Response related to this year audit. The 2017 DC HBX report did not include any findings. Therefore, the issuance of a Management Response Letter was not necessary. However, Castro & Company is respectfully responding to each of the items included in your letter dated July 24, 2017. We appreciate all of the assistance and professionalism provided by the DC HBX team during the audit, and we look forward to continuing working with DC HBX in the near future.

Item 1 - Failure to properly reference HBX operating expenses/budget –

Based on the audit requirements, including the operating expenses/budget amounts is not required to be included in the audit report. The following procedures, as required and detailed in our workpapers, were performed to examine the DC HBX budget.

As stated in item 3 procedures of our report, we performed the following procedures.

1. Obtain an understanding of the budget approval process.

We interviewed Ms. Kara Onorato to obtain further understanding of the budget process. We also asked Ms. Onorato if they were taking into consideration the grants that DC HBX may receive and she responded with the following **“Grants are never considered to estimate the budget because HBX does not know at the time the budget is being formulated if they will be granted the extensions for the following year”**. This was also stated by DC HBX in the prior year audit.

2. Compared the 2016 approved budget with the assessment collections to determine the reasonableness of the budget.
 - a. We obtained the approved budget for FY 2016 to verify if it was properly prepared and adequately supports the assessment calculations.
 - b. We also compared the FY 2016 budget with the total amount assessed. We considered the estimate to be appropriate based on the process performed to determine the total amount assessed.

There is no requirement to present the budget in the audit report. As stated in item 7, page 7 of our report, the only reporting requirement is to report the amount of any accumulated surplus dollars as a result of total annual assessment revenues less total annual expenditures for the fiscal year 2016, which was included on page 9. This was also true for the 2016 audit covering FYs 2015 and 2014.

Item 2 – Failure to provide management with draft audit report and final report

On June 21, 2017, we sent Ms. Onorato an e-mail informing her that due to the short time limitation because the Regulatory Trust Fund Board (the Board) had scheduled the meeting to discuss the report on June 29, 2017, and some information/documentation related to the audit was still pending, we were going to present a draft report at the meeting on June 29, 2017. We also informed Ms. Onorato that the Final Report was going to be submitted after the approval of the Draft Report by the Board.

In that same e-mail, we also asked Ms. Onorato to discuss the surplus, which was going to be included in the draft report for DC HBX review, before submitting/discussing the draft report with the Board. We discussed the Schedule on Friday, June 23, 2017. Due to the importance of ensuring the fairness presentation of the Schedule of Assessment Revenues and Expenses (The Schedule), and the fact that no findings were going to be included at that time, we just discussed the Schedule with Ms. Onorato and Mr. Samuel Ince on Friday June 23, 2017. At the time of our discussion, the Draft Report did not include any findings. Therefore, the surplus was the critical issue of the report so we wanted to ensure it was in accordance with DC HBX accounting records.

After the discussion, Ms. Onorato requested us to include two disclosures in the draft report to provide further information related to a change in accounting policy and the other related to the SEC. 1311 (42 U.S.C. 13031). We agreed with her request and asked her to provide us with the recommended disclosures by Monday, June 26, 2017. That Monday, she sent one of the disclosures and asked if she could send the second one on Tuesday morning, which we agreed and let her

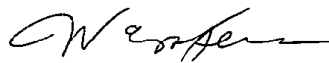
know that it should be sent before 10:30 am. Ms. Onorato sent the second note on Tuesday at 9:40 am. Please note that our report needed to be completed before sending it to the partner and quality control for review.

For the reasons stated above, a Draft Report was presented to DC HBX during the Board meeting held on June 29, 2017, which was also communicated in the Board meeting, so DC HBX still had the opportunity to review it and make comments before the issuance of the Final Report. We provided a hard copy of the Draft Report during the meeting so additional comments, changes, or recommendations could be included by DC HBX. After the meeting, DC HBX did not provide us with any comments, recommendations or changes so the Final Report was issued and sent to Mr. McOwen.

Item 3 – Imposing unpredictable and burdensome timetable –

The period of performance was stipulated by RTFB not by Castro & Company. However, the Board and Castro & Company held an Entrance Conference meeting on May 17, 2017 to discuss the timetable and the purpose of the audit. The Board also communicated to the DC HBX team the reason why the audit was being performed annually and not biannually, and no comments were communicated to Castro & Company or the Board by DC HBX. We were not aware, or it was not brought to our attention, of any issues during the performance of our audit procedures.

Sincerely,



Wayne Ference, CPA
Partner
Castro & Company

CC: Wayne McOwen, Executive Director, District of Columbia Insurance Regulatory Trust Fund
Kara Onorato, Agency Chief Financial Officer Health Benefit Exchange Authority Office of the
Chief Financial Officer, Juan Lasanta, Director, Castro & Company