APPENDIX K

Statement on Standards for Attestation Engagements (SSAE ***18***)

No later than forty (40) working days after the end of each NH State Fiscal Year on June 30, the selected Vendor must provide the Department of Health and Human Services a "SOC ***2***" Type 2 report in accordance with the American Institute of Certified Public Accountants, Statement on Standards for Attestation Engagements (SSAE) No. ***18***, Reporting on Controls at a Service Organization. The report will assess the design of internal controls and their operating effectiveness. The reporting period must cover the previous twelve (12) months or the entire period since the previous reporting period. The Department will share the entire report with internal and external auditors of the State of New Hampshire and federal oversight agencies.

1. The selected Vendor must provide assurances to the State that the service auditor will be selected through a competitive procurement process to perform audit services for the selected Vendor on contractual engagements where SSAE No.***18*** Statement on Standards for Attestation Engagements, type audits are either required or appropriate.
2. The selected Vendor must retain the services of a certified public accounting firm, to perform annual SSAE No. ***18***, Statement on Standards for Attestation Engagements, audits of the New Hampshire State Disbursement Unit. On-site portions of the annual service audit all be scheduled, performed and completed prior to the end of a State Fiscal Year ending June 30. A draft service audit report for the applicable State Fiscal Year must be delivered to BCSS no later than fifteen (15) working days after the end of the applicable State Fiscal Year on June 30. A final Service Auditor's Report must be delivered to BCSS no later than forty (40) working days after the end of the applicable State Fiscal Year on June 30.
3. The selected Vendor will require the service auditor to perform an audit that conforms to SSAE-No.***18***, (Statement on Standards for Attestation Engagements) in strict compliance to the methods and standards for a Type II review based on criteria established by the American Institute of Certified Public Accountants.
4. BCSS will provide data and information pertaining to State Disbursement Unit operations and/or controls that are necessary for the completion of the Service Auditor's Report to the service auditor.
5. The selected Vendor must supervise, coordinate, and facilitate the service auditor's conduct of the SSAE-No.***18*** audit.
6. The services auditor will bear final responsibility for the content and findings of the Service Auditor's Report.
7. Service Auditor's Report. The SSAE No.***18*** Type 2 Service Auditor's Report must include:
   - 7.1. Description by the service organization's management of its system of policies and procedures for providing services to user entities, including control objectives and related controls as they relate to the services provided, throughout the specified period of time.
   - 7.2. Written assertion by the service organization's management about whether:
     - 7.2.1. The aforementioned description fairly presents the system in all material respects;

7.2.2. The controls were suitably designed to achieve the control objectives stated in that description; and

7.2.3. The controls operated effectively throughout the specified period to achieve those control objectives.

7.3. Report of the service organization's auditor, which:

7.3.1. Expresses an opinion on the matters covered in management's written assertion; and

7.3.2. Includes a description of the auditor's tests of operating effectiveness of controls and the results of those tests.

8. The service auditor's procedure must include, but are not limited to, the following:

8.1. Obtaining information on the description of controls for the report through discussions with appropriate selected Vendor personnel, through reference to various forms of documentation, including, but not limited to system flow charts and narratives and through the performance of tests of controls.

8.2. Determining whether the description provides sufficient information for user auditors to obtain an understanding of those aspects of the selected Vendor's controls that may be relevant to the Department's and BCSS' internal controls, including:

8.2.1. The control environment, including but not limited to hiring practices, and key areas of authority;

8.2.2. Risk assessment, including those associated with processing specific transactions;

8.2.3. Control activities, including procedures on modifications to software;

8.2.4. Communications, including the way user transactions are initiated; and

8.2.5. Control monitoring, including involvement of internal auditors.

8.3. Examining evidence of whether controls have been placed in operation by:

8.3.1. Inquiry of appropriate selected Vendor's management and staff; and

8.3.2. Inspection of the selected Vendor's documents and records; and

8.3.3. Observation of the selected Vendor's activities and operations.

8.4. Performing appropriate tests of control to determine that they were operating with sufficient effectiveness to provide reasonable assurance that the related control objectives were achieved during the State Fiscal Year audited.

8.5. Determining that significant changes, in the selected Vendor's controls, which were implemented before the start of the service auditor's fieldwork, are included in the selected Vendor's description of the controls.