



**INDEPENDENT EXTERNAL AUDIT:
2023 AUDIT FINDINGS REPORT
CALIFORNIA
COVERED CALIFORNIA**



INDEPENDENT EXTERNAL AUDIT: 2023 FINDINGS REPORT

TO: COVERED CALIFORNIA

FROM: BERRY, DUNN, MCNEIL & PARKER, LLC (BERRYDUNN)

DATE: APRIL 26, 2024

SUBJECT: AUDIT FINDINGS REPORT FOR CALIFORNIA

AUDIT PERIOD: JANUARY 1, 2023 – DECEMBER 31, 2023

I. EXECUTIVE SUMMARY

PURPOSE

The purpose of this independent external audit is to assist the State of California in determining whether Covered California, the California State-Based Marketplace (SBM), was in compliance with the programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS) during the audit period.

Name of SBM: Covered California

State of SBM: California

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a programmatic audit to report on Covered California'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 (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."

COVERED CALIFORNIA PROGRAM HIGHLIGHTS

Below is a list of notable accomplishments reported by Covered California Management:

- Public Health Emergency (PHE) Continuous Coverage Unwinding (CCU)
 - In response to the CCU, CalHEERS identified required changes to ensure the beneficiaries losing Medi-Cal coverage have an opportunity to soft land into Covered CA programs as applicable. Since July 2023, CalHEERS has delivered six CCU initiatives which allowed for the system to place beneficiaries in protection programs and provided opportunities for them to transition to Covered CA Programs, with six more CCU related enhancements in the 2024 pipeline.

- Covered California's New Enrollment Portal: The Plan Choice and Assister Portal (PCAP)
 - Covered California launched a custom enrollment portal, PCAP, in May 2023 to simplify healthcare access. PCAP's intuitive interface and streamlined enrollment process, with features like preference-based filtering, make choosing the right plan easier. The new portal also includes a significant redesign of the administrative portal to certify agents, navigators, and other enrollment channel partners.
- Addressing the Family Glitch: Implementation of an Affordability Tool for Accurate Determination and APTC Qualification
 - In response to the new regulations released by the Treasury Department and the Internal Revenue Service (IRS) on October 13, 2022, Covered California has taken significant steps to address the "family glitch". This rule extends the Affordable Care Act (ACA) affordability measure to include all tiers of coverage, tying premium tax credit eligibility for family members to the premium for family employer-sponsored insurance (ESI). To provide consumers with a comprehensive platform to make accurate determinations and qualify for Advanced Premium Tax Credit (APTC), Covered California launched an online affordability tool. Designed with user-friendly interfaces, this tool guides consumers in assessing whether their employer-sponsored insurance meets affordability criteria. This is based on various affordability measures, including the cost of self-only coverage for employees, the cost of family coverage for related individuals, and other relevant factors. Covered California also offers an employer coverage worksheet which helps consumers ensure they have a clear and comprehensive understanding of their coverage options.
- Navigator Enrollments
 - In FY23, the navigator program distributed over \$7.25 million in funding to navigator entities to support outreach, education, and enrollment of consumers in communities throughout the state. Navigator counselors enrolled more than 38,000 individuals in coverage in the grant year that ended June 30, 2023. The current funding for navigator entities continues through June 30, 2024, and program staff have prepared a proposal for Board consideration to request new applications for funding for a three-year term beginning July 1, 2024.
- Covered California Information Technology (CCIT) User Access Reviews
 - In October 2023, the Information Security Office (ISO) began implementation of a monthly User Access Review process. To guarantee only authorized access to Covered California's IT systems, the current list of employees, contractors, and surge vendors is periodically reconciled with active logins. The Information Security Office (ISO) collaborates with the IT access team to address any discrepancies, ensuring accurate and secure system access.
- SB260 Auto Plan Selection
 - SB260 Auto Plan Selection functionality was turned on in May 2023 once PHE unwinding kicked off, so consumers can seamlessly and automatically transition

into Exchange benefits when they lose their MAGI Medi-Cal benefits, without gap in coverage. As of May 2023, about 282,000 consumers have successfully gone through auto plan selection and enrolled in a plan to ensure continuous and uninterrupted coverage.

- Streamlining Transitions: Medicaid Continuous Coverage Unwind and Medi-Cal to Covered California Enrollment Program
 - Covered California has made significant strides in enhancing consumer experience and facilitating seamless transitions between Medi-Cal and Covered California. This has involved adapting systems and processes to meet the unique requirements of the Medicaid continuous coverage unwind and the Medi-Cal to Covered California enrollment program. Key enhancements include the development of a targeted Auto Plan Selection (APS) process for Medi-Cal Transitioners (MCT) and the creation of a unique eligibility notice to ensure consumers are well-informed. To manage the end of the continuous coverage requirement in March 2023, Covered California aligned their processes with the resumption of the Medi-Cal annual redetermination process. This involved implementing an automatic plan selection for consumers transitioning from Medi-Cal to a Covered California plan with APTC, effective from July 1, 2023.

SCOPE

The scope of this engagement included an examination of Covered California's compliance with the programmatic requirements under 45 CFR 155, Subparts C, D, E, K, and M for the 12-month plan year from January 1, 2023 through December 31, 2023, including renewal and open enrollment actions for plan year 2023 that occurred prior to the beginning of the plan year. We conducted our audit in accordance with U.S. generally accepted auditing standards. The engagement did not include an audit of the Financial Statements of Covered California, nor did it include an examination of Covered California's financial controls and compliance with the financial accounting and reporting requirements of 45 CFR 155. We completed an examination of Covered California's compliance with the applicable programmatic requirements under 45 CFR 155 and issued our reports dated April 26, 2024.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether Covered California is in compliance with 45 CFR 155 in all material respects. We also selected a sample of Covered California's 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 a robust government consulting and audit practice dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 49-year history. Today, BerryDunn employs 800+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Massachusetts, New Hampshire, West Virginia, and Puerto Rico. The firm has experienced professionals who provide a full range of services, including information technology (IT) consulting; management consulting; and audit, accounting, and tax services.

Those services include conducting Financial and/or Programmatic audits of multiple State Based Exchanges. 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.

Programmatic Audit:

We have examined Covered California's compliance with the programmatic requirements described in 45 CFR 155 for the year ended December 31, 2023, and have issued a report thereon dated April 26, 2024.

Summary of Programmatic Audit Procedures:

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test Covered California'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 Qualified Health Plans (Subpart K)
- Oversight and Program Integrity Standards (Subpart M)

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 ACA:

- Assistors, Navigators, Certified Application Counselors, and Brokers
- Privacy and Security
- Eligibility and Enrollment Processes and Procedures
- Qualified Health Plan (QHP) Certification
- Compliance and Program Integrity
- Contact Center

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

- Assister, Broker, Certified Application Counselor, and Navigator Documentation:
 - 2023 Navigator Engagement Webinars
 - 2023 Navigator Roundtable Presentations
 - Agent Non-Monetary Agreement
 - Agent Monetary Agreement
 - Assister Training Materials
 - Authorization for Enrollment Assistance
 - How to Become a Certified Counselor Guide
 - How to Become a Certified Entity Guide
 - Certified Application Counselor Agreement
 - Certified Enrollment Counselor Agreement
 - List of Navigator Organizations and Individuals
 - Navigator Entity Oversight Task Guides
 - Navigator Grant Award Funding Allocations
 - Navigator Grant Program Request for Application Announcement
 - Special Enrollment Period 2023 Enroller Workshop Presentation
 - Training Materials for all Classifications of Assisters
- Contact Center Documentation:
 - Employee Training and Onboarding Materials
 - Service Center Chat Guidelines
 - Service Center Phone Guidelines
- Contracts and Amendments:
 - Authorization For Release of Personal Information & Appointment of Representative
 - Certified Application Entity (CAE) Agreement Template
 - Executed Certified Application Entity (CAE) Contracts
 - Executed Issuer Agreements
 - Executed Navigator Contracts and Contract Amendments
- Eligibility and Enrollment:
 - 2023 Second Lowest Cost Silver Plan Data for Base Age

- Consumer Consent Form for Authorization to Verify Federal Tax Information (FTI) /Citizenship
- Consumer Notice Templates
- Documentation of Processes for Manual System Overrides
- Eligibility and Enrollment Policy Manual
- Enrollment 2023 Outstanding Verifications Report
- SB260 Training on Consumer Transitions from Medi-Cal to Covered CA
- General Exchange Policies, Procedures, and Documentation:
 - Consumer Outreach Program Marketing Materials
 - Exchange Bylaws
 - Integrated Fraud Management Policies and Procedures
 - General Appeals Process Documentation
 - Organizational Charts
 - Prior Year Audit Reports
- Privacy and Security:
 - 2023 Summary of Privacy Incidents
 - Acceptable Use Statement
 - Computer Matching Agreement (CMA)
 - Information Security Policy
 - IRS Safeguard Security Report Submittal Confirmation
 - Information Security Policy
 - List of Executed Data Sharing Agreements
 - Privacy and Information Security Trainings
 - Privacy Impact Assessment (PIA)
 - Privacy Incidents and Breach Response Standards
 - Privacy Standards Guide
 - Privacy Policy
- Qualified Health Plan (QHP)
 - 2023 Carrier List
 - 2023 Qualified Health Plan (QHP) Individual Map and Plan List
 - Certification Cycle Process Flowchart
 - Plan Year 2023 Certification Milestones
 - Qualified Health Plan (QHP) Certification Requirements
 - QHP 2023 Complaints List
 - QHP Grievance Policies and Procedures
 - QHP Participation Manuals
 - QHP Performance Standards
- Website
 - Report on Covered California's Efforts to Lower Costs While Ensuring Consumers Get the Right Care at the Right Time
 - Report on Covered California Holding Health Plans Accountable for Quality and Delivery System Reform

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

Eligibility and Enrollment Interview

- Quality Control Analyst, Eligibility and Enrollment Compliance Team, Policy Eligibility & Research Division (PERD)
- Program Eligibility Staff Services Manager III, Program Eligibility & Enrollment Branch, PERD
- Director, PERD
- Deputy Director, PERD
- Staff Services Manager II, Eligibility Compliance, PERD
- Quality Control Analyst, Eligibility Compliance, PERD
- Senior Program Advisor, Program Eligibility and Enrollment Branch, PERD

Agent Broker and Assister Interview

- Associate Governmental Program Analyst, Inside Sales Support, Outreach and Sales Division (OSD)
- Staff Services Manager III, Sales and Operations, PERD
- Staff Services Manager II, Account Services, PERD
- Associate Governmental Program Analyst, PERD
- Deputy Director, Covered California for Small Business, OSD
- Staff Services Manager II, Covered California for Small Business, OSD

Navigator Interview – Aliados Health and Sonoma County Indian Health Project

- Staff Services Manager II, Account Services

Navigator Interview – Northeast Valley Health Corporation

- Staff Services Manager II, Account Services, PERD

Privacy and Security Interview

- Information Technology Specialist II, Information Security Office (ISO)
- Attorney IV, Office of Legal Affairs (OLA)
- Information Technology Manager II, ISO

Compliance and Oversight Interview

- Attorney IV, OLA
- Attorney IV, OLA

Service Center Interview

- Branch Chief, Internal Compliance & Support, Service Center
- Section Manager for the Quality Assurance Tier 3 Team, Internal Compliance and Support, Service Center

Qualified Health Plan (QHP) Interview

- Lead Contract Compliance Specialist, Certification & Contract Management, Plan Management Division (PMD)

- Health Program Specialist (HPS) I, Certification & Contract Management, PMD
- Health Program Specialist (HPS) II, Certification & Contract Management, PMD
- Staff Services Manager III, Certification & Contract Management, PMD
- Staff Services Manager III, Carrier Management, PMD
- Health Program Specialist (HPS) II, Certification & Contract Management, PMD
- Health Program Specialist (HPS) I, Certification & Contract Management, PMD
- Health Program Specialist I, Certification & Contract Management, PMD

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

Qualified Health Plan (QHP) Interview

- Assistant Chief Counsel, Office of Plan Licensing, Department of Managed Health Care (DMHC)

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

Aliados Health and Sonoma County Indian Health Project Interview

- Certified Application Counselor (CAC), Aliados Health
- Medical Office Manager, Sonoma County Indian Health Project
- Director of Outreach, Aliados Health
- Covered California Program Manager, Aliados Health

Northeast Valley Health Corporation Interview

- Director of Managed Care & Enrollment, Northeast Valley Health Corporation

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

- A listing of the most recent eligibility determination transactions completed for plan year 2023 for each applicant between October 18, 2022 and December 31, 2023. In total, we tested 95 cases for compliance with eligibility and enrollment rules, and 125 cases for compliance with verification rules. BerryDunn conducted two rounds of testing Covered California furnished an initial dataset, allowing BerryDunn to commence testing for applicants with determinations between October 18, 2022 and September 19, 2023. Subsequently, a second dataset was provided by Covered California for testing applications with determinations between September 20, 2023 and December 31, 2023. Our sampling methodology involved:
 - Reviewing a distinct listing of the most recent 6,454,792 eligibility determination transactions completed for each applicant between October 18, 2022 and September 19, 2023. We examined 90 cases for compliance with eligibility rules, 88 cases for compliance with enrollment rules, and 118 cases for compliance with verification rules.

- Reviewing a distinct listing of the most recent 2,171,991 eligibility determination transactions completed for each applicant between September 20, 2023 and December 31, 2023. In this set, we examined 5 cases for compliance with eligibility rules, 7 cases for compliance with enrollment rules, and 7 cases for compliance with verification rules.

CONFIDENTIAL INFORMATION OMITTED

N/A

Audit Findings

Preface

Our programmatic examination was conducted in accordance with Statements on Standards for Attestation Engagements (SSAE), established by the American Institute of Certified Public Accountants (AICPA), which are incorporated by reference into the standards applicable to attestation engagements contained in Chapter 7 of Government Auditing Standards issued by the Comptroller General of the United States. The previous independent external auditor conducted Covered California's programmatic audit in accordance with standards applicable to performance audits contained in Chapters 8 and 9 of Government Auditing Standards. The shift in audit standards required us to reassess previous year findings that were unresolved during the current audit period. We determined that certain findings reported under the performance audit standards did not meet the definition of deficiencies or noncompliance under SSAE and Government Auditing Standards. Accordingly, we did not categorize the following items identified by the previous auditor as unresolved prior year findings, including: 2014 #14, 2016 #8, 2017 #1, 2019 #4, 2019 #7, 2020 #7, 2022 #1, 2022 #3, 2022 #4, and 2022 #8. The following items identified by the previous auditor as unresolved prior year findings were remediated: 2014 #1 and 2020 #3.

Finding #2023-001

Criteria:

45 CFR § 155.320(c)(3)(iii)(F) stipulates: If, at the conclusion of the period specified in § 155.315(f)(2)(ii), the Exchange remains unable to verify the applicant's attestation and the information described in paragraph (c)(3)(ii)(A) of this section is unavailable, the Exchange must determine the tax filer ineligible for advance payments of the premium tax credit and cost-sharing reductions, notify the applicant of such determination in accordance with the notice requirements specified in § 155.310(g), and discontinue any advance payments of the premium tax credit and cost-sharing reductions in accordance with the effective dates specified in § 155.330(f).

Condition and Context:

During the audit period, Covered California did not discontinue financial assistance for applicants who failed to respond to a conditional eligibility notice for income within the 95 day reasonable opportunity period (ROP). Per Covered California policy, applicants are provided a 5 day processing time in addition to the 90 days required by federal regulations, for a total of 95 days. When income cannot be verified, Covered California's policy is to send a notice and provide the consumer with 95 days to clear the inconsistency. If the verification is still pending after 95 days,

the ROP discontinuance batch process is used to update eligibility and provide notice to the consumer. In the 2022 SMART Submission to CMS, Covered California reported that mixed households, defined as households with both QHP and Medi-Cal coverage, would not be included in the ROP discontinuance batch during the public health emergency (PHE) unwinding. CMS provided a response letter acknowledging Covered California's decision to implement a process to resolve all verification requirement inconsistencies by the end of 2023. During testing, BerryDunn identified that 10 out of 125 sampled cases did not have financial assistance discontinued after their ROP expired and did not meet the definition of a mixed household. These cases should have been included in the ROP discontinuance batch, as reported in Covered California's 2022 SMART Submission to CMS.

Cause:

Covered California did not consistently implement the discontinuance batch process for income verification. The cause of this issue has not been identified; however, Covered California stated that there were difficulties implementing the ROP discontinuance batch for income during the PHE.

Effect:

Applicants were conditionally eligible for a longer period than stipulated by state and federal requirements. Ineligible applicants could have received financial assistance because Covered California did not take action to remove coverage for applicants who did not provide supporting documentation in a timely manner.

Finding #2023-002**Criteria:**

45 CFR § 155.315(f)(2) stipulates: If unable to resolve the inconsistency through the process described in paragraph (f)(1) of this section, must— (i) Provide notice to the applicant regarding the inconsistency; and (ii) Provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in § 155.405(c), except for by telephone through a call center, or otherwise resolve the inconsistency.

Condition and Context:

During the audit period, some applicants who were determined conditionally eligible due to outstanding income verification did not receive notices alerting them of the inconsistency and requesting further documentation. BerryDunn identified 2 out of 125 sample cases that were conditionally eligible for income in the eligibility system but were not provided with a notice requesting supporting documents. BerryDunn confirmed with the CalHEERs team that a notice should have been generated and sent to the applicant in both of the sample cases noted. The applicants retained conditional eligibility and did not receive any communication from Covered California about that determination. Covered California stated that a system enhancement will be implemented to fix this issue in 2024.

Cause:

Covered California stated that the system is working as intended, however due to a design gap, applicants were not provided with a notice requesting supporting documents.

Effect:

Applicants failing the income verification test were not notified, and therefore not given an opportunity to provide a verification document to resolve the income inconsistency. Ineligible applicants may have received financial assistance.

Finding #2023-003**Criteria:**

45 CFR § 155.315(c)(3) stipulates: For an applicant who attests to citizenship, status as a national, or lawful presence, and for whom the Exchange cannot verify such attestation through the Social Security Administration or the Department of Homeland Security, the Exchange must follow the procedures specified in paragraph (f) of this section, except that the Exchange must provide the applicant with a period of 90 days from the date on which the notice described in paragraph (f)(2)(i) of this section is received for the applicant to provide satisfactory documentary evidence or resolve the inconsistency with the Social Security Administration or the Department of Homeland Security, as applicable.

Condition and Context:

BerryDunn identified 2 out of 125 sample cases that were conditionally eligible due to outstanding lawful presence verification but did not have coverage discontinued after the ROP expired. Both of the two noncompliant applications were U.S. Department of Homeland Security (DHS) cases. For DHS cases, Covered California's process to verify an applicant's lawful presence status includes three steps:

Step 1 – Initial verification: Immigration information entered in the application is sent to DHS for verification.

Step 2 – Comments for verification: DHS requires additional verification information be provided.

Step 3 – Add document for verification: DHS requires an immigration document to be submitted for further verification.

When an application does not include documentation for lawful presence, Covered California sends a notice to the applicant requesting supporting evidence. If a document is uploaded by a consumer, it will be provided to DHS for electronic verification. If the applicant does not provide documentation after the 95 days, Covered California terminates coverage through an ROP discontinuance batch.

Covered California stated that Step 3 was not completed for the two noncompliant cases identified during testing. Both applicants received conditional eligibility notices and were provided 95 days to respond. Neither applicant provided satisfactory documentation within the ROP. However,

Covered California did not take action to discontinue unsubsidized coverage for these individuals and they stayed conditionally eligible for a longer period than stipulated by federal regulation.

Cause:

Covered California did not complete all the necessary steps to verify lawful presence. The cause of this issue has not been identified.

Effect:

Applicants were conditionally eligible for a longer period than stipulated by state and federal regulations. As a result, ineligible applicants could have received coverage.

Finding #2023-004**Criteria:**

45 CFR § 155.260(a)(3)(vii) stipulates: Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure.

Additionally, the Covered California Administrative Manual requires that all users “shall agree to, acknowledge and follow the security protocols outlined in the Acceptable Use Statement.”

Condition and Context:

BerryDunn reviewed prior year audit findings identified by Covered California’s previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. The prior auditor identified instances where employees, contractors, consultants, student aids, and Board members with VPN access had not completed a Telework Agreement or Remote Access Agreement. Additionally, we were not provided with evidence demonstrating that users had completed the required Acceptable Use Statement.

The prior year finding was identified as 2022 #5. Covered California noted that this finding had not been remediated as of December 31, 2023. However, the Covered California Information Technology (CCIT) Division has implemented a verification process to ensure that remote access requests address a legitimate need and have been properly requested by the employee or contractor’s supervisor or manager, prior to establishing new remote access user accounts. The Covered California Human Resources Branch (HRB) has implemented a policy requiring all employees to complete a Telework Agreement that is approved within two business days of the individual’s start date. The Covered California Information Technology Division plans to implement a formal process by September 1, 2024 to ensure that all active contractors, consultants and other non-civil service workers have a signed Remote Access Agreement or Telework Agreement no later than two business days after beginning a telework or remote access assignment, and a signed Acceptable Use Statement completed by the end of their onboarding.

Cause:

CCIT did not have a formal policy that required employees to complete a Remote Access Agreement before obtaining remote access to Covered California systems. CCIT did not

coordinate with HRB to verify that a Telework Agreement was completed prior to granting remote access to employees, and no processes were in place to validate remote access users with the HRB telework database. Vendor contracts did not include consistent language requiring contractor staff to acknowledge and sign an Acceptable Use Statement by the end of their onboarding. Additionally, records were not maintained to verify that the required acknowledgements and forms were completed.

Effect:

The lack of proper remote access policies and procedures could allow inappropriate access to Personally Identifiable Information (PII) of applicants and enrolled members whose information is maintained in Covered California systems.

Finding #2023-005**Criteria:**

45 CFR § 155.260 (3) stipulates: The Exchange must establish and implement privacy and security standards that are consistent with the following principles:

(vii) Safeguards. Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure; and,

(viii) Accountability. These principles should be implemented, and adherence assured, through appropriate monitoring and other means and methods should be in place to report and mitigate non-adherence and breaches.

Condition and Context:

BerryDunn reviewed prior audit findings identified by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. A prior audit finding noted that service center surge contractor staff did not sign a Covered California Remote Access Agreement and Acceptable Use Statement, as required by Covered California's privacy and security standards and the executed contract between Covered California and the surge contractor. Further, Covered California did not monitor contractors' compliance with the requirement that all staff must sign a Covered California Remote Access Agreement and Acceptable Use Statement.

The prior audit finding was identified as 2022 #6. Covered California noted that this finding had not been fully remediated as of December 31, 2023. However, Covered California noted that the service center has developed oversight processes to ensure the surge contractor is meeting information technology and security reporting requirements. The Covered California Information Security Office (ISO) implemented a formal process by March 1, 2024 to conduct monthly access monitoring reviews of all active contractors, consultants, and other non-civil service workers.

Cause:

Covered California does not have processes in place to monitor contractors' compliance with the requirement that all staff sign a Covered California Remote Access Agreement no later than two business days after beginning a remote access assignment, and sign an Acceptable Use Statement by the end of their onboarding.

Effect:

Personally identifiable information could be accessed by or disclosed to unauthorized individuals.

Finding #2023-006**Criteria:**

45 C.F.R § 155.400 (d) stipulates: The Exchange must reconcile enrollment information with QHP issuers and HHS no less than on a monthly basis.

Condition and Context:

BerryDunn reviewed prior year audit findings identified by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. The prior auditor performed individual market enrollment testing, and identified instances where financial attributes reported by carriers, such as net premium amount and APTC amount, did not match Covered California's records. These discrepancies were not identified or corrected by the existing monthly reconciliation process.

The relevant prior year findings were identified as 2022 #7, 2020 #2, 2020 #1, 2019 #5, and 2017 #2. Covered California stated this finding had not been remediated as of December 31, 2023. However, Covered California noted that the corrective action plan response for this finding has been partially implemented as of December 31, 2023. Covered California has implemented a multi-tiered data validation process and provides carriers with a reconciliation process guide, reconciliation dispute process guide, reconciliation data reports, and hosts carrier engagement meetings to ensure carriers are aware of identified performance issues. On October 1, 2022, Covered California also formalized contract language in carrier agreements that clearly outlines timelines and expectations for resolving enrollment discrepancies identified during the carrier reconciliation process. The Covered California Data Integrity Unit plans to fully implement a formal process by June 30, 2024 for carriers to upload their data reconciliation process guides annually. Once the process is formally implemented, Covered California will conduct reviews of carrier processes to ensure that they meet the expectations outlined in the process guides and work with carriers to resolve deficiencies.

Cause:

Two factors were identified as the cause for this noncompliance:

1. Covered California has not taken steps to verify the reconciliation processes used by carriers to reconcile their records to those of Covered California are reliable, consistent, and meet Covered California's expectations.

2. The current reconciliation process does not address the consistency of financial attributes between carrier and Covered California records.

Effect:

Enrollment data discrepancies could cause incorrect premium amounts to be invoiced to enrolled households and impact the amount of available APTC to consumers, creating a burden for consumers and resulting in noncompliance with monthly enrollment information reconciliation requirements.

Finding #2023-007**Criteria:**

According to California Code of Regulations (CCR) Title 10, § 6464 - Identity Verification Requirement (CCR § 6464), Certified Representatives are defined as:

- Service Center Representative: an Exchange employee operating in a call center as set forth in 45 C.F.R. section 155.205(a);
- (B) Certified Enrollment Counselor as defined in section 6650;
- (C) Certified Application Counselor as defined in 45 C.F.R. section 155.225;
- (D) Certified Insurance Agent as defined in section 6800;
- (E) Certified Plan-Based Enroller as defined in section 6410.

CCR § 6464 also stipulates:

1. An applicant shall mail, present in person, or electronically transmit through CalHEERS to the Exchange or to a Certified Representative acceptable proof of identity [...]
2. If submitted in person or by mail, a Certified Representative shall upload a copy of the identity documents to CalHEERS.

Condition and Context:

BerryDunn reviewed prior audit findings identified by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. During the plan year 2022 audit, the prior auditor tested a sample of 50 households that failed the Remote Identify Proofing (RIDP) process and therefore required verification by an alternative method prior to approval of enrollment into a QHP. The prior year test included an assessment of whether appropriate documentation had been uploaded into the CalHEERS Portal. Through this testing the prior auditor identified that for two (2) of 50 sampled households, proof of identity documentation was uploaded by county eligibility workers. CCR § 6464 indicates that only Certified Representatives can verify and upload customer identify verification documents. County eligibility workers are not defined as Certified Representatives according to the CCR.

The prior year finding was identified as 2022 #2. Covered California has noted that this finding has not been remediated as of December 31, 2023. In 2024, Covered California plans to update

CCR § 6464 to specify county eligibility workers as allowable application assisters during the identity proofing process when verifying an applicant's identity.

Cause:

The CCR has not been updated to include county eligibility workers as Certified Representatives who can assist customers with the identify verification process.

Effect:

County eligibility workers that operate as application assisters are not in compliance with current California regulations. Counties provide their own identify proofing guidance that may differ from Covered California's guidance. County workers may lack access to the specific guidance and ongoing support readily available to Exchange-certified representatives. County workers also may not be subject to the same level of direct oversight as Exchange-certified representatives, increasing potential for missed irregularities or errors.

Finding #2023-008

Criteria:

45 CFR § 155.315(a) stipulates: Unless a request for modification is granted in accordance with paragraph (h) of this section, the Exchange must verify or obtain information as provided in this section in order to determine that an applicant is eligible for enrollment in a QHP through the Exchange.

45 CFR § 155.315(f) stipulates: [...] for an applicant for whom the Exchange cannot verify information required to determine eligibility for enrollment in a QHP through the Exchange, advance payments of the premium tax credit, and cost-sharing reductions, including when electronic data is required in accordance with this subpart but data for individuals relevant to the eligibility determination are not included in such data sources or when electronic data from IRS, DHS, or SSA is required but it is not reasonably expected that data sources will be available within 1 day of the initial request to the data source, the Exchange:

1. Must make a reasonable effort to identify and address the causes of such inconsistency, including through typographical or other clerical errors, by contacting the application filer to confirm the accuracy of the information submitted by the application filer.

Condition and Context:

BerryDunn reviewed prior audit findings reported by Covered California's previous auditor and assessed whether the condition still existed during the plan year January 1, 2023 to December 31, 2023. The prior auditor tested a sample of 50 households that failed the remote identity proofing (RIDP) process and needed to be verified by an alternative method prior to enrollment into a QHP. Issues identified during testing include three households that were able to enroll in coverage before Covered California verified the applicants' identities; eleven households where CalHEERS administrative users and agents submitted non-allowable identity documentation, and five households where agents submitted illegible or non-identifiable identity documentation.

The prior year finding was identified as 2022 #2. Covered California noted that this finding had not been remediated as of December 31, 2023. CalHEERS is in the process of designing new

system functionality within the CalHEERS portal to include identity documents in the document verification service in order to prevent acceptance of invalid documents. CalHEERS estimates implementation of the system functionality in 2025. The Policy Eligibility and Research Division (PERD) is in the process of reviewing and updating Covered California's internal procedures and external guidance on visual verification of identity documentation to ensure this guidance specifies that submitted documentation must be of sufficient quality to allow independent verification. PERD estimates that Covered California's internal procedures and external guidance related to visual verification of identity documentation will be updated by the end of the 2024 plan year.

Cause:

Applicants were able to enroll in a QHP prior to the completion of identity verification. Additionally, service center representatives uploaded blank, inappropriate, or illegible documentation as support for identity verification. Internal procedures and external guidance provided by Covered California on visual verification of identity documentation does not specify that submitted documentation must be of sufficient quality to be independently verified.

Effect:

Applicants whose identity information has not been adequately verified could be determined eligible and enrolled in a QHP.

AUDITOR'S OPINION

We have issued an Independent Auditor's Report on the financial statements for the year ended June 30, 2023, reflecting the following type of opinion: **N/A**

QUALIFIED

UNQUALIFIED

ADVERSE

DISCLAIMER

ADDITIONAL COMMENTS

N/A

II. RECOMMENDATIONS**Finding #2023-001****Recommendation:**

BerryDunn recommends that Covered California ensure system functionality is designed to remove financial assistance for applicants who do not provide supporting evidence to resolve an income inconsistency within the ROP.

Finding #2023-002

Recommendation:

BerryDunn recommends Covered California identify the cause of the notice suppression and implement system or policy changes to ensure conditionally eligible applicants receive the appropriate eligibility notice.

Finding #2023-003**Recommendation:**

BerryDunn recommends that Covered California ensure that all procedures for verification of lawful presence are followed. BerryDunn also recommends that Covered California discontinue coverage for any applicant whose ROP for providing documentation has expired.

Finding #2023-004**Recommendation:**

BerryDunn recommends that CCIT continue progress on implementation of a formal process by September 1, 2024 to ensure that all contractors, consultants and other non-civil service workers sign a Remote Access Agreement or Telework Agreement no later than two business days after beginning a telework or remote access assignment, and sign an Acceptable Use Statement by the end of their onboarding. BerryDunn recommends that CCIT continue to work with HSB to implement a formal process to ensure that remote access is granted on a timely basis to employees and contractors following the completion of all required forms, agreements, and training. Additionally, BerryDunn recommends that Covered California conduct a detailed review of vendor contracts to ensure that all contracts include consistent language requiring contractor staff to acknowledge and assign an Acceptable Use Statement.

Finding #2023-005**Recommendation:**

BerryDunn recommends that the Covered California Information Technology Division (ITD) work with other CCA divisions to continue progress on implementation of a formal process by September 1, 2024 to monitor that all active contractors, consultants, and other non-civil service workers have a signed Remote Access Agreement no later than two business days after beginning a remote access assignment, and a signed Acceptable Use Statement completed by the end of their onboarding.

Finding #2023-006**Recommendation:**

BerryDunn recommends that the Covered California Data Integrity Unit (CCDU) continue progress on implementation of a formal process to be completed by June 30, 2024 whereby carriers will upload their data reconciliation process guides annually, and CCDU will conduct reviews of carrier processes to ensure that they meet the expectations outlined in the process guides and work with carriers to resolve deficiencies.

Finding #2023-007**Recommendation:**

BerryDunn recommends that Covered California continue to work to update CCR § 6464 in 2024 to specify that county eligibility workers are allowable application assisters during the identity proofing process. This would align the CCR with Covered California's current processes.

Finding #2023-008**Recommendation:**

BerryDunn recommends that CalHEERS continue progress on implementation of system functionality that includes identity documents in the document verification service in order to prevent acceptance of invalid documents. BerryDunn recommends that PERD continue to work to update Covered California's internal procedures and external guidance on visual verification of identity documentation by the end of the 2024 plan year, to ensure this guidance specifies that submitted documentation must be of sufficient quality to be independently verified. BerryDunn recommends that Covered California provide additional training for CalHEERS administrative users and agents on acceptable identity documentation.

III. CONCLUSION

Based on a thorough review of the documentation required for this report, in our opinion, except for the material noncompliance described in the Audit Findings section of this report, Covered California complied with the requirements of 45 CFR 155, Subparts C, D, E, K, and M during the year ended December 31, 2023, in all material respects.

SIGNATURE OF AUDIT FIRM:*Berry Dunn McNeil & Parker, LLC***COMPLETION DATE OF AUDIT
FINDINGS REPORT:**

APRIL 26, 2024