

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES
Thursday, April 18, 2024

Main Location:

Covered California Tahoe Auditorium
1601 Exposition Blvd.
Sacramento, CA 95815

Alternate Location:

The California Endowment
1000 Alameda Street
Los Angeles, CA 90012

Agenda Item I: Call to Order, Roll Call, and Welcome

Kevin Cathy, Certified Internal Auditor/Certified Fraud Examiner, Branch Chief, Office of Audit Services at Covered California, called the meeting to order at 9:02 AM.

Audit Committee Members Present During Roll Call:

Jerry Fleming
Mayra Alvarez

Conflict Disclosure:

A conflict disclosure was performed and there were no conflicts from the Committee members that needed to be disclosed.

Agenda Item II: November 15, 2023 – Audit Committee Meeting Minutes

Discussion: None

Motion/Action: Jerry Fleming moved to approve the Audit Committee Meeting Minutes for November 15, 2023. Mayra Alvarez seconded the motion.

Public Comment: None

Vote: The motion was approved by unanimous vote.

Agenda Item III: Audit Committee’s Annual Board Reporting Process Recommendation

Mr. Cathy presented this agenda item.

The Audit Committee Charter states the Committee should “regularly report to the Board about Committee activities, issues, and related recommendations.” The Office of Audit Services provided recommendations and solicited the Audit Committee’s feedback on the reporting process. Mr. Cathy reviewed the proposal including the proposed meeting frequency, topics, method, and next steps.

Committee Members' Comments:

Mr. Fleming stated that the Office of Audit Services, rather than the Audit Committee members, should present the report to the Covered California Board at the end of the calendar year. Mr. Fleming also asked that repeat findings be included in the report.

Ms. Alvarez agreed that it would be helpful to identify repeat findings and would give the Board context and a greater understanding of the process.

Mr. Cathy asked if the Audit Committee would like the Office of Audit Services to present the proposal to the Covered California Board at the May 2024 Board Meeting.

Mr. Fleming and Ms. Alvarez both replied that it was not necessary as the Audit Committee agreed to move forward with the plan as presented.

Public Comment: None

Agenda Item IV: Quality Assurance and Improvement Program – Internal Assessment Results

Mr. Cathy presented this agenda item.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) requires a Quality Assurance & Improvement Program internal self-assessment to be completed annually. The Office of Audit Services performed this review for the period of July 1, 2022, through June 30, 2023

Mr. Cathy explained the three possible ratings that could result after performing an assessment: (1) does not conform, (2) partially conforms, or (3) generally conforms. The auditors found that the Office of Audit Services generally conforms to the Standards. Mr. Cathy reviewed successful practices, as well as observations for improvement with corrective action plans.

Committee Members' Comments:

Ms. Alvarez asked for a description of the external assessment, listed under the observations for improvements.

Mr. Cathy explained that, per the Standards, the Office of Audit Services does a self-assessment every year. An external assessment involves an outside auditor conducting an independent assessment to validate the Office of Audit Services' assumed compliance with the Standards. External assessments should be performed by a third party every five years in accordance with the Standards. The external audit would confirm that the Office of Audit Services complies with the Standards.

Public Comment: None

Agenda Item V: Audit Results

Alicia Watts, the Section Chief for the Office of Audit Services, presented this agenda item.

A. Internal Audits

- **Contracting Audit**

The Office of Audit Services conducted an audit to obtain reasonable assurance that internal controls over Covered California's contracting process were administered in accordance with policies, procedures, and applicable requirements. The audit period was during January 1, 2021, through September 30, 2022. Ms. Watts reviewed the positive observations, findings, implications, and summaries of corrective action plans.

Committee Members' Comments:

Mr. Fleming asked if those involved in monitoring contracts were enthusiastic about the new training requirements.

Ms. Watts replied that many individuals were taking the training and it is a necessary part of the process

Mr. Fleming asked when this would be reexamined.

Ms. Watts replied that the Office of Audit Services did not have a reexamination scheduled at this time. However, there would be follow up on the corrective action plans.

Doug McKeever, Chief Deputy Executive Director of Covered California, stated that he had taken the extensive contracting training. He commended the team that put the training together and stated that they will ensure those required to take the training will complete it in the timeframe indicated in the report.

Public Comment: None

- **Employee Separation Audit**

The Office of Audit Services conducted an audit to obtain reasonable assurance that internal controls over Covered California's employee separation process were administered in accordance with policies, procedures, and applicable requirements. The audit period was during July 1, 2021, through December 31, 2023. Ms. Watts reviewed the positive observations, findings, implications, and summaries of corrective action plans.

Committee Members' Comments:

Ms. Alvarez asked if exit interviews are utilized by Covered California and if they are used to identify trends for the organization to strengthen its practices.

Ms. Watts replied that exit interviews were not included in the scope of this audit.

Mr. McKeever called Rachael McCord, the Deputy Director of Covered California's Human Resources Branch, to the podium.

Ms. McCord stated that while exit interviews were not included in the scope of this audit, Covered California has a process in place. Individuals separating from Covered California are sent an exit survey. The Human Resources Branch conducts analyses on survey results to identify trends and patterns. They examine the reasons individuals leave, such as if they are moving to another state agency or to the private sector for possibly better compensation.

Ms. Alvarez encouraged the Office of Audit Services to include exit interviews in future audits.

Mr. McKeever stated that Covered California would endeavor to include exit interviews in the next audit plan as a potential area to examine.

Mr. Fleming stated that the big picture appears to show that employee separation is an area that needs improvements. This is an area where it may be important to look at repeat findings. This calls for managers across the board to be trained and for there to be disciplined to do this work. These are important findings. Mr. Fleming encouraged Covered California to implement this discipline with vigor.

Ms. Watts agreed and stated that multiple divisions are involved in the process. The corrective action plans are already being implemented. The Office of Audit Services will continue to look into the issue and follow up.

Public Comment: None

Agenda Item VI: Quarterly Report on Audit Activities

Mr. Cathy presented this agenda item.

Mr. Cathy stated that he was presenting a high-level quarterly report to familiarize the Audit Committee members with the basic content. If agreeable to the Audit Committee members, this report would be provided in the meeting materials in future meetings, but not formally presented.

The quarterly report summarizes results of the activities of the Office of Audit Services. Mr. Cathy presented a summary of the Office of Audit Services' internal audits, external

audits, and non-audit projects. Mr. Cathy asked the Audit Committee members if they were amendable to the report content for inclusion in meeting materials going forward.

Committee Members' Comments:

Mr. Fleming and Ms. Alvarez both replied that it was acceptable.

Public Comment: None

Agenda Item VII: Wrap-Up and Next Steps

Mr. Cathy presented this agenda item.

Potential Future Meeting Dates:

- June 20, 2024
- September 19, 2024
- November 21, 2024

Mr. Cathy presented the possible future topics for discussion at each meeting.

Ms. Alvarez expressed her appreciations for the breakdown of the planned topics for future meetings.

Mr. McKeever thanked Mr. Cathy and Ms. Watts for their great work, especially considering they are both relatively new to the organization. He recognized that while audits are often seen as negative, Covered California views them as opportunities to learn and make improvements to operations. The items presented are taken seriously by Covered California.

Mr. Cathy responded saying that he has worked for many different agencies and has never before experienced the level of participation, gratitude, and cooperation from other divisions. He thanked all the divisions for their support.

The meeting adjourned at 9:49 AM.