

# Audit Committee Meeting

August 15, 2024



*Presented by*

Kevin Cathy, Branch Chief, Office of Audit Services  
BerryDunn Representatives

# AGENDA

Item	Presentation	Slides
III.	<b>Fiscal Year 2024-25 Risk-Based Internal Audit Plan</b>	3 - 13
IV.	<b>External Audit Results - 2023 Programmatic Audit</b>	14 - 30
V.	<b>Wrap-Up and Next Steps</b>	31

# FISCAL YEAR 2024-25 RISK-BASED INTERNAL AUDIT PLAN

# MISSION, STANDARDS, AND PURPOSE

**Office of Audit Services' Mission:** To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Supports the accomplishment of Covered California objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

**Professional Audit Standards:** Government Code Section 13071 requires that state agencies comply with the Institute of Internal Auditors' Standards:

- ✓ Standard 2010 requires internal audit offices to establish an Annual Internal Audit Plan that is based upon an agency-wide risk assessment.
- ✓ Standard 2020 states that the Annual Internal Audit Plan must be communicated to the Audit Committee for review and approval before any of the planned audits can commence.

**Purpose:** The Risk-Based Internal Audit Plan was prepared for the Audit Committee's review and approval.

# AUDIT PLAN OBJECTIVES

The Office of Audit Services developed this risk-based Annual Internal Audit Plan with the following objectives in mind:

- Improve the effectiveness of Covered California's governance, risk management, and control processes.
- Assist Covered California leadership in the discharge of their oversight, management, and operating responsibilities.
- Assist in addressing Covered California's significant financial, operational, and compliance risks by identifying and evaluating management's mitigation efforts.
- Evaluate the existence, efficiency, and effectiveness of mitigating controls.
- Provide assurance to management that internal controls are in place and operating as intended.
- Safeguard against fraud, theft, waste, and abuse of Covered California's resources.
- Add value and improve Covered California's operations.

# AUDIT PLAN DEVELOPMENT

Prior to developing the Internal Audit Plan, the Office of Audit Services performed a comprehensive agency-wide risk assessment. The risk assessment efforts included:

- Understanding the operations of Covered California and its divisions.
- Identifying current and potentially emerging risks, anticipating vulnerabilities, and assessing each risk's potential impact on Covered California and its operations and systems.
- Considering prior audit findings and risk exposures identified in recent internal audits and external audits.
- Considering the Office of Audit Services' current resources when determining which business processes to audit.

## **NOTABLE PROCESS IMPROVEMENTS:**

- Interviewing and surveying senior management within all program areas to understand their business processes, challenges, risks, and controls.
- Utilizing audit risk management software to assist with identifying, evaluating, and prioritizing potential risks.

The Internal Audit Plan helps ensure audit resources adequately examine areas with the greatest risk exposure that could affect Covered California's ability to achieve its objectives.

# AUDIT PLAN SCOPE

The Internal Audit Plan encompasses the following scope:

- Covers the period from July 1, 2024, through June 30, 2025.
- Includes carryover projects from the prior approved Audit Plan.
- Provides audit coverage of key risks, given the existing resources.
- Aligns with Covered California's Strategic Plan and incorporates management input and risk assessment results.
- Proposes audits and objectives that are designed to provide assurance that management has identified key risks and are sufficiently mitigating those risks to an acceptable level.
- Revisions to the Internal Audit Plan may occur due to changes in business risks, legislation, and staff availability.
- Discuss and obtain approval on any substantive changes from the Audit Committee throughout the fiscal year.

# INTERNAL AUDIT SERVICES SECTION RESOURCES

The Office of Audit Services comprises of two sections:

- Compliance & Monitoring section
- Internal Audit Services section

The Internal Audit Services team possesses a variety of experience and skills to execute the Internal Audit Plan which adds value to Covered California.

**Total Resources Available (as of August 2024) – Positions within Internal Audit Services**

Position	Number Filled	Number Vacant	Total Number of Positions
Chief Audit Executive	1	0	1
Supervising Management Auditor	1	0	1
Senior Management Auditor	1	0	1
Staff Management Auditor	2	0	2
Associate Manager Auditor	5	1	6
<b>Total</b>	<b>10</b>	<b>1</b>	<b>11</b>

Team members belong to several professional and accounting organizations. Several members also hold professional certifications:

- Certified Public Accountant, issued by American Institute of Certified Public Accountants
- Certified Internal Auditor, issued by the Institute of Internal Auditors
- Certified Fraud Examiner, issued by the Association of Certified Fraud Examiners

The Office of Audit Services is committed to providing continuing professional education and training to ensure that we remain knowledgeable and updated on industry trends and standards. Auditors are required to have at least 40 hours of training annually. Training is provided in-house and through organizations such as the Institute of Internal Auditors and the California Association of State Auditors.



# OTHER ACTIVITIES

In addition to conducting internal audits, all team members allocate hours towards other audit-related projects including:

Activity	Description
Advisory Services	Provide ad hoc assurance assistance with certain projects or concerns at the request of business areas
Corrective Actions	Follow up on and validate the progress of corrective action plans supplied by business areas for previously completed internal audits
Audit Manual	Update the Office of Audit Services' Policies and Procedures Manual on an on-going basis to align with ever-evolving policies and new audit standards, as well as to streamline various practices
Training	Complete trainings to ensure the team remains knowledgeable and updated on industry trends and standards
Certification Application Evaluation	Review carriers' responses during the annual Certification Application Evaluation specifically pertaining to their audit process
Contract Management	Ensure contracts between the Office of Audit Services and contractors are in compliance with contract terms and conditions
Annual Internal Audit Plan	Perform the agency-wide risk assessment to develop next fiscal year's Annual Internal Audit Plan
Quality Assurance Assessments	Conduct annual quality assurance self-assessments and, if applicable, participate in external assessments

# PROPOSED INTERNAL AUDITS

Process Under Review	Audited Business Area(s)	Objective	Associated Strategic Pillar	Start Timeframe	Estimated End Timeframe
<u>Carryover from Prior Audit Plan</u>					
Business Continuity Plan	Business Services Branch	To determine whether all applicable government-required business continuity program elements are addressed within Covered California's Business Continuity Plan.	Organizational Excellence	FY 2023-24 Quarter 3	FY 2024-25 Quarter 1
CaHEERS Help Desk Ticket	Information Technology Division	To determine whether the corrective actions for the recommendations pertaining to the CaHEERS help desk ticket process within the 2018 Programmatic Audit were implemented and are working as intended to mitigate the risks identified by the external auditor.	Exceptional Service	FY 2023-24 Quarter 3	FY 2024-25 Quarter 1
Travel Expense Reimbursement	Financial Management Division	To obtain reasonable assurance that reimbursements of expense claims comply with the state's travel expense regulations.	Organizational Excellence	FY 2023-24 Quarter 4	FY 2024-25 Quarter 2
CaHEERS Manual Override	Service Center Division	To determine whether internal controls over CaHEERS manual override authorization, use, and monitoring procedures are in accordance with the applicable rules and regulations.	Reaching Californians	FY 2023-24 Quarter 4	FY 2024-25 Quarter 2

# PROPOSED INTERNAL AUDITS - continued

Process Under Review	Audited Business Area(s)	Objective	Associated Strategic Pillar	Intended Start Timeframe	Estimated End Timeframe
<b><u>Internal Audits for Fiscal Year 2024-25</u></b>					
<b>Follow-Up on State Personnel Board's Compliance Review</b>	Human Resources Branch ~ Equal Employment Opportunity Office ~ Covered California University	To assess the progress and effectiveness of corrective actions taken in response to findings identified in the State Personnel Board's Compliance Review Report (Issued March 2023).	Organizational Excellence	FY 2024-25 Quarter 1	FY 2024-25 Quarter 2
<b>State Privacy Requirements</b>	Office of Legal Affairs	To assess the Privacy Office's compliance with state privacy requirements protecting consumer personal information.	Organizational Excellence	FY 2024-25 Quarter 2	FY 2024-25 Quarter 3
<b>Patch Management Controls</b>	Information Technology Division	To verify if the Information Technology Division's management controls of security patches for workstations comply with federal requirements.	Organizational Excellence	FY 2024-25 Quarter 3	FY 2024-25 Quarter 4
<b>Contract Management</b>	Policy, Eligibility, and Research Division	To determine whether contracts managed by the Policy, Eligibility, and Research Division are adequately monitored in accordance with policies, procedures, and applicable requirements.	Affordable Choices	FY 2024-25 Quarter 3	FY 2024-25 Quarter 4
<b>Advertising Contracts</b>	Marketing Division	To determine whether advertising contracts are adequately monitored in accordance with policies, procedures, and applicable requirements.	Reaching Californians	FY 2024-25 Quarter 3	FY 2024-25 Quarter 4



# Questions

# PUBLIC COMMENT

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PARTICIPANT CODE: 6981308

- To request to make a comment, press 10; you will hear a tone indicating you are in the queue for comment. Please wait until the operator has introduced you before you make your comments.
- If watching via the live webcast, please mute your computer to eliminate audio feedback while calling in. Note, there is a delay in the webcast.

**EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM**

*Note: Written comment may be submitted to [AuditCommittee@covered.ca.gov](mailto:AuditCommittee@covered.ca.gov)*

# EXTERNAL AUDIT RESULTS 2023 PROGRAMMATIC AUDIT

Presented by  
BerryDunn Representatives



# BerryDunn Presentation to the Audit Committee on Plan Year 2023 Programmatic Audit Results



August 15, 2024

# Suggested Audit Procedures by CMS

The independent external auditor can define its own methodology, as long as guidelines set forth in the Generally Accepted Government Auditing Standards are followed.



## Document Review

- Training materials
- Policies and procedures
- Contracts
- Notices to consumers
- Website contents



## Interviews

Randomly select and interview marketplace staff members to determine understanding of Marketplace requirements



## Testing

- Select a sample of verification files to validate proper processing
- Select a sample of eligibility and enrollment files to validate proper processing



# Eligibility, Enrollment, and Verification Testing Highlights

BerryDunn received a listing of 8,626,783 eligibility determination transactions completed between January 1, 2023, and December 31, 2023. This population included Medicaid determinations due to the Exchange maintaining an integrated eligibility system.

## Verification Testing

- BerryDunn selected 95 cases to test for compliance with verification rules, which included Qualified Health Plan (QHP) applicants only.

## Eligibility and Enrollment Testing

- BerryDunn selected 95 cases to test compliance with eligibility rules, which included Medicaid.
- BerryDunn selected 95 cases to test compliance with enrollment rules, which included QHP applicants only.

## Outcome

- BerryDunn identified eight findings, some of which were repeat findings from the prior-year-audit.
- BerryDunn's Independent Accountant's Report reflects a "modified" opinion.



# Types of Deficiencies in a Programmatic Examination

## Definitions of Deficiencies for a Programmatic (Compliance) Examination

- ▲ The terms “material weakness” and “material noncompliance” for programmatic (compliance) audits are defined by the American Institute of Certified Public Accountants (AICPA) and Government Auditing Standards issued by the Government Accountability Office.
  - A **material weakness** is a deficiency, or combination of deficiencies, in internal control over compliance, where there is a reasonable possibility that material noncompliance with a requirement will not be prevented, detected and/or corrected, on a timely basis.
  - **Material noncompliance** is a failure to follow compliance requirements, or a violation of prohibitions included in the specified requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance.



# Findings Terminology

## Criteria

- The regulation that the condition is being evaluated against.

## Condition

- A description of the actual situation that exists. It should be a factual description supported in context by the audit evidence, in this case, likely testing.

## Cause

- The reason the condition exists. It should be identified, if possible, and supported by audit evidence. Management often needs to assist in identifying the cause.

## Effect

- The consequence of the condition. It should be described in terms of the impact on the entity's operations and compliance with the relevant laws and regulations.

## Recommendation

- How to correct the condition. It should be realistic and achievable, and often needs management input.



# Finding #2023-001

## Condition

- 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. 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. 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.

## 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.

## Recommendation

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

## Corrective Action Plan Provided by Covered California

- Covered California has taken proactive measures to address and reduce cases with income inconsistency. Following the enhancements made in release 24.2, which include updates to the reasonable compatibility test and increased flexibility in accepting attested income in the absence of IRS data, Covered California initiated a targeted process. This process is designed to identify and reevaluate cases with pending income verification that might now meet eligibility criteria due to the recent system improvements.
- Through this initiative, Covered California's goal is to accurately redetermine eligibility when applicable and also to reassess and determine next steps for effectively addressing conditional eligibility issues arising from outstanding income verifications. Targeted Completion Date: 12/31/2024



# Finding #2023-002

## Condition

- 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.

## 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.

## 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.

## Corrective Action Plan Provided by Covered California

- This finding aligns with a design gap already slated for correction in release 24.6. Targeted Completion Date: 6/30/2024



# Finding #2023-003

## Condition

- 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.

## 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.

## 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.

## Corrective Action Plan Provided by Covered California

- Covered California is reviewing the lawful presence verification process, focusing on cases needing extra information from the Department of Homeland Security which may extend beyond the standard reasonable opportunity period (ROP). Covered California aims to identify and implement improvements to balance compliance with flexibility for exceptional circumstances. Targeted Completion Date: 12/31/2025



# Finding #2023-004

## Condition

- Covered California Information Technology (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 Human Resources Branch (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.

## 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 HRB 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 sign an Acceptable Use Statement.

## Corrective Action Plan Provided by Covered California

- Covered California is working 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 and agreements, while also addressing the other aspects of the recommendation. Targeted Completion Date: 9/1/2024



# Finding #2023-005

## Condition

- 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.

## Recommendation

- BerryDunn recommends that the Covered California Information Technology Division (ITD) work with other Covered California 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.

## Corrective Action Plan Provided by Covered California

- Covered California is working to implement a formal process 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. Targeted Completion Date: 9/1/2024





# Finding #2023-006

## Condition

- The prior auditor performed individual market enrollment testing, and identified instances where financial attributes reported by carriers, such as net premium amount and Advance Premium Tax Credit (APTC) amount, did not match Covered California's records. These discrepancies were not identified or corrected by the existing monthly reconciliation process.

## 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.

## 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.

## Corrective Action Plan Provided by Covered California

- Covered California will continue to monitor the reconciliation process to ensure effectiveness.



# Finding #2023-007

## Condition

- During the Plan Year 2022 audit, the prior auditor tested a sample of 50 households that failed the Remote Identity Proofing (RIDP) process and therefore required verification by an alternative method prior to approval of enrollment into a QHP. 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. Covered California has noted that this finding has not been remediated as of December 31, 2023. In 2024, Covered California plans to update the California Code of Regulations (CCR) § 6464 to specify county eligibility workers as allowable application assisters during the identity proofing process when verifying an applicant's identity.

## Effect

- County eligibility workers that operate as application assisters are not in compliance with current California regulations. Counties provide their own identity 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.

## 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.

## Corrective Action Plan Provided by Covered California

- While Covered California will continue its work to make the appropriate updates. We need to extend the project deadline from Q4 2024 to Q4 2025, due to the increased scope of work and coordination needed. Targeted Completion Date: 12/31/2025



# Finding #2023-008

## Condition

- 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 Identify Proofing (RIDP) process and needed to be verified by an alternative method prior to enrollment into a QHP. 19 of the 50 households tested had deficiencies.

## Effect

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

## 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 Policy Eligibility & Research Division (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.

## Corrective Action Plan Provided by Covered California

- Covered California is researching available technology solutions for RIDP. There are numerous initiatives currently prioritized to implement an enhanced RIDP solution to the system, and to allow consumers to upload Identity documents as a means to validate their identity. These solutions will be implemented in 2025.



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This report/communication is intended solely for the information and use of the Board and its committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.



# Questions

# PUBLIC COMMENT

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*Note: Written comment may be submitted to [AuditCommittee@covered.ca.gov](mailto:AuditCommittee@covered.ca.gov)*

# WRAP-UP AND NEXT STEPS

Potential Future Meeting Dates	Potential Agenda Topics
November 21, 2024	<ul style="list-style-type: none"> <li>• Review and Approval of Audit Committee Charter</li> <li>• Review and Approval of Internal Audit Charter</li> <li>• Review Annual Audit Activities Board Report</li> <li>• Review Results of Completed Audits</li> </ul>
February 20, 2025	<ul style="list-style-type: none"> <li>• Review Results of Completed Audits</li> </ul>
June 19, 2025	<ul style="list-style-type: none"> <li>• Review and Approval of Fiscal Year 2025-26 Risk-Based Internal Audit Plan</li> <li>• Review Results of Completed Audits</li> </ul>
August 21, 2025	<ul style="list-style-type: none"> <li>• Review Results of Completed Audits</li> </ul>
November 20, 2025	<ul style="list-style-type: none"> <li>• Review and Approval of Audit Committee Charter</li> <li>• Review and Approval of Internal Audit Charter</li> <li>• Review Annual Audit Activities Board Report</li> <li>• Review Results of Completed Audits</li> </ul>

# APPENDIX

## QUARTERLY REPORT ON AUDIT ACTIVITIES



# APPENDIX – QUARTERLY REPORT ON AUDIT ACTIVITIES

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# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF IN-PROGRESS INTERNAL AUDITS

Name	Business Area	Objective	Estimated Completion Date
CalHEERS Help Desk Ticket Audit	Information Technology Division	To determine whether the corrective actions for the recommendations pertaining to the CalHEERS help desk ticket process within the 2018 Programmatic Audit were implemented and are working as intended to mitigate the risks identified by the external auditor.	September 2024
Business Continuity Plan Audit	Business Services Branch	To determine whether all applicable government-required business continuity program elements are addressed within Covered California's Business Continuity Plan.	September 2024
Travel Expense Reimbursement Audit	Financial Management Division	To obtain reasonable assurance that reimbursements of expense claims comply with the state's travel expense regulations.	November 2024
CalHEERS Manual Override Audit	Service Center Division	To assess whether internal controls over CalHEERS manual override functionalities are operating appropriately.	November 2024

# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR COMPLETED INTERNAL AUDITS

Name	Objective	Findings	Estimated Implementation Date of CAPs
Surge Vendor User Access Audit	To obtain reasonable assurance that internal controls over the oversight and monitoring of Surge Vendor user access are in place and operating as designed and that the process is administered in accordance with the applicable federal, state, and department rules, regulations, and statutes.	1. System user access deprovisioning requests are not processed timely.	October 2024
		2. Required background checks and requested access levels are not verified prior to provisioning system access.	Implemented
		3. System user access is not effectively monitored and does not comply with segregation of duties control requirements.	September 2024
		4. Covered California's required Privacy and Information Security training are not always completed prior to provisioning system access.	<i>In process of validating CAP implementation</i>
Contracting Audit	To obtain reasonable assurance that internal controls over Covered California's contracting process were administered in accordance with policies, procedures, and applicable requirements.	1. Program contract managers did not sufficiently maintain all required documentation within their contract management files.	Implemented
		2. Program contract managers did not complete required contract trainings.	December 2024
Employee Separation Audit	To obtain reasonable assurance that internal controls over the Human Resources Branch's employee separation process are in place and operating as designed and that the process is administered in accordance with the applicable federal, state, and department rules, regulations, and statutes.	1. Business Services Branch did not always deactivate access identification badges and/or ensure that badges were returned when employees separated from Covered California.	September 2024
		2. Information Technology Division did not effectively review user access and account privileges for all Covered California IT systems.	September 2024
		3. Information Technology Division did not always maintain sufficient documentation for the issuance and return of IT equipment.	July 2025
		4. Human Resources Branch did not always process outstanding accounts receivable from separating employees.	August 2024
		5. Business Services Branch did not always maintain sufficient documentation for the return of office/ergonomic equipment.	June 2025

# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF IN-PROGRESS EXTERNAL AUDITS

Name	External Auditor	Objective	Estimated Completion Date
Payroll and Benefits Audit	State Controller's Office	To obtain reasonable assurance that Covered California: <ul style="list-style-type: none"> <li>• Maintains adequate and effective internal controls over its payroll process;</li> <li>• Processes payroll and payroll-related disbursements and leave balances accurately and in accordance with collective bargaining agreements and state laws, regulations, policies, and procedures; and</li> <li>• Administers salary advances in accordance with collective bargaining agreements and state laws, regulations, policies, and procedures.</li> </ul>	TBD
Duplicate Government Sponsored Health Care Coverage	Government Accountability Office	To assess if Covered CA enrollees are also enrolled in other State programs and have dual coverage (e.g., enrollment in other state Medicaid programs, CHIP, and Exchanges).	TBD
SB260 Ad Hoc Audit	BerryDunn	To assess Covered California's compliance with Senate Bill (SB) 260 during the period from January 1, 2023 – December 31, 2023.	August 2024 <i>Will provide details come next meeting</i>
Internal Control Observations	Macias, Gini, & O'Connell LLP	To communicate non-material internal control weaknesses that were identified during the Financial Statements Audit.	August 2024 <i>Will provide details come next meeting</i>

# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR COMPLETED EXTERNAL AUDITS

Name	External Auditor	Objective	Recommendations	Estimated Implementation Date of CAPs
2023 Programmatic Audit	BerryDunn	To evaluate Covered California’s operations, program effectiveness and efficiencies, and administrative functions in accordance with 45 Code of Federal Regulations (CFR) Part 155.	1. Ensure system functionality is designed to remove financial assistance for applicants that do not provide supporting evidence to resolve an income inconsistency within the Reasonable Opportunity Period (ROP).	December 2024
			2. Identify the cause of the notice suppression and implement system or policy changes to ensure conditionally eligible applicants receive the appropriate eligibility notice.	Implemented
			3. Ensure that all procedures for verification of lawful presence are followed. Discontinue coverage for any applicant whose ROP for providing documentation has expired.	December 2025
			4. Continue progress on implementation of a CCIT-developed formal process 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. Continue 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. 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.	September 2024
			5. Continue progress on implementation of a formal process in cooperation with all applicable divisions 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.	September 2024

# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR COMPLETED EXTERNAL AUDITS

Name	External Auditor	Objective	Recommendations	Estimated Implementation Date of CAPs
2023 Programmatic Audit  (Continued)	BerryDunn	To evaluate Covered California’s operations, program effectiveness and efficiencies, and administrative functions in accordance with 45 Code of Federal Regulations (CFR) Part 155.	6. Continue to monitor carrier reconciliation processes to ensure that they meet the expectations outlined in the process guides and continue to monitor carrier resolution of deficiencies to help ensure the remediations are effective.	Implemented
			7. 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.	December 2025
			8. Continue progress on implementation of system functionality that includes identity documents in the document verification service in order to prevent acceptance of invalid documents. 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. Provide additional training for CalHEERS administrative users and agents on acceptable identity documentation.	December 2025

# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR COMPLETED EXTERNAL AUDITS

Name	External Auditor	Objective	Recommendations	Estimated Implementation Date of CAPs
FY 2022-23 Financial Statements Audit	Macias, Gini, & O'Connell LLP	To obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes the auditor's opinion.	No Findings Reported	N/A

# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR COMPLETED EXTERNAL AUDITS

Name	External Auditor	Objective	Recommendations	Estimated Implementation Date of CAPs
2023 Policy Based Payments Audit	Sjoberg Evashenk Consulting, Inc.	To determine whether insurance carriers' current practices ensure accurate and reliable Individual Market enrollment records and to evaluate whether Covered California implemented appropriate controls to ensure accurate, reliable, and timely reporting of Policy Based Payments to CMS.	1. Work with Carrier C to ensure the carrier understands Covered California expectations for the reconciliation process.	Implemented
			2. Work with Carrier D to ensure the carrier has appropriately updated its records and implemented controls sufficient to address the root-cause of the discrepancies identified.	Implemented
			3. Work with Carrier B to reinstate the consumer's policy for the January 1, 2022 through March 31, 2022 policy to reflect as a termination, rather than a cancellation for non-payment.	Implemented
			4. Work with Carrier A to ensure the CalHEERS Portal is updated to accurately reflect the enrollment status.	Implemented
			5. Work with the CalHEERS project team and the carriers impacted by PCR 226423 to determine why confirmation 834 transactions were rejected by CalHEERS.	Implemented



# QUARTERLY REPORT ON AUDIT ACTIVITIES

## STATUS OF IN-PROGRESS NON-AUDIT PROJECTS

Name	Objective	Estimated Completion Date
Annual Risk-Based Internal Audit Plan	To create a risk-based internal audit plan for Fiscal Year 2024-25 that focuses on the organization's processes that have the most risk exposures.	August 2024 <i>Pending Audit Committee Approval</i>
Quality Assurance and Improvement Program – Internal Assessment of Fiscal Year 2023-24	To assess the efficiency and effectiveness of the Office of Audit Services' practices as well as to evaluate its conformance with the IIA Standards for the period of Fiscal Year 2023-24.	December 2024
Internal Audit Policies and Procedures Manual Revision	To identify and revise the sections of the Internal Audit Policies and Procedures Manual that require modifications to align with the new IIA Standards set to take effect in January 2025.	December 2024