



**COVERED
CALIFORNIA**

Annual Internal Audit Plan

Fiscal Year 2024-25

**Office of Audit Services
Program Integrity Division**

Introduction

Purpose

The purpose of the Office of Audit Services is to provide independent, objective assurance and consulting services designed to add value and improve Covered California's operations. We help Covered California accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and organizational governance processes.

The Office of Audit Services conducts internal audits, reviews, and consulting services to determine whether Covered California's network of risk management, control, and organizational governance processes are adequate and functioning. Additionally, we coordinate external audit activities by assisting program areas with audits conducted by external entities, such as federal and state control agencies.

As required by the *International Standards for the Professional Practice of Internal Auditing* and the Office of Audit Services' Internal Audit Charter, a risk-based Annual Internal Audit Plan has been prepared for the Audit Committee's review and approval.

Mission

The mission of the Office of Audit Services is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The Office of Audit Services assists Covered California's management in the discharge of their oversight, management, and operating responsibilities through independent audits and consultations designed to assess and promote the systems of internal controls, including effective and efficient operations. The Office of Audit Services will accomplish this through communication, monitoring, and collaboration with management. This supports the accomplishment of Covered California objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of organizational governance, risk management, and control processes.

Authority

The Office of Audit Services was established based upon Government Code section 1237, which requires that state agencies with aggregate annual spending of fifty million dollars (\$50,000,000) or more annually consider establishing an internal audit unit. Additionally, Government Code section 13886 states, in part, "Any governing body that oversees a state agency that performs or reviews internal audits shall establish an audit committee."

The Office of Audit Services' Internal Audit Charter further outlines the authority, as well as the purpose, mission, and responsibilities.

Professional Audit Standards

The Office of Audit Services follows the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. Where applicable, the Office of Audit Services will also adhere to the U.S. Government Accountability Office's (GAO) *Generally Accepted Government Audit Standards*.

NOTE: In January 2024, the IIA released new Standards, called the *Global Internal Audit Standards* to replace the *International Standards for the Professional Practice of Internal Auditing*. These new Standards will become fully effective in January 2025. The previous version remains approved for use during this one-year transition period. By January 2025, the Office of Audit Services will fully transition its operations to following the new IIA Standards.

IIA Standard 2010 states, "The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals." IIA Standard 2020 states, "The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval."

Annual Internal 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 and Scope

Development

The Office of Audit Services conducted a comprehensive Agency-Wide Risk Assessment during Quarters 3 and 4 of the 2023-24 Fiscal Year. The efforts to develop this Agency-Wide Risk Assessment included:

- Understanding the operations of Covered California and its divisions.
- Identifying current and 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.
- Interviewing and surveying senior management to ensure understanding of business processes, challenges, risks, and controls within all program areas.
- Utilizing audit risk database management software to assist with identifying, evaluating, and prioritizing potential risks.
- Considering the Office of Audit Services' current resources when determining which business processes to audit.

The Annual Internal Audit Plan is intended to ensure that internal audit coverage adequately examines areas with the greatest exposure to the key risks that could affect the organization's ability to achieve its objectives.

Scope

This Annual Internal Audit Plan covers the period from July 1, 2024, through June 30, 2025. This Annual Internal Audit Plan includes carryover projects from the prior approved audit plan.

The Annual Internal Audit Plan is designed to provide coverage of key risks, given the Office of Audit Services' existing resources. The Office of Audit Services completed an Agency-Wide Risk Assessment of Covered California's operations for the purpose of developing this Annual Internal Audit Plan, as required by IIA Standards. The Annual Internal Audit Plan aligns with Covered California's Strategic Plan and incorporates management input and risk assessment results. Proposed audits and audit objectives are designed to provide assurance that management has identified key risks, and that management is sufficiently mitigating those risks to an acceptable level.

Annual Internal Audit Plan Modification

Although this Annual Internal Audit Plan contemplates a wide-ranging scope of activities, it does not provide coverage for all of Covered California's operations or systems. The Office of Audit Services made all efforts to maximize its current resources to provide reasonable coverage to the activities believed to require the most attention

based on the risk assessment results that were identified during Quarters 3 and 4 of Fiscal Year 2023-24. However, changes in business risks, timing of and changes to legislation, and staff availability may occur during Fiscal Year 2024-25. As such, interim changes to the Annual Internal Audit Plan may need to be considered during this period. We will discuss any potential changes with the Audit Committee. Amendments to the approved Annual Internal Audit Plan deemed to be significant (based on discussions with the Committee) will be submitted for approval in advance.

Internal Audit Services Section Resources

Resources

The Office of Audit Services is comprised of staff with a variety of experience and skills designed to execute the Annual Internal Audit Plan and add value to Covered California. We are in the process of building the team and enhancing our skill set to best serve Covered California with executing internal audits.

The Office of Audit Services consists of two sections: The Internal Audit Services Section and the Compliance & Monitoring Section. Within the Internal Audit Services Section, there are six allocated internal auditor positions who are overseen by two managers. The Office of Audit Services' senior leadership includes a section chief, branch chief, and the Chief Audit Executive.

Professional Organizations

The Office of Audit Services consists of team members who belong to several professional and accounting organizations. Additionally, several members hold professional certifications issued by the sponsoring organizations, such as:



Continuing Professional Education

The Office of Audit Services is committed to providing continuing professional education and training to our team to ensure that we remain knowledgeable and updated on industry trends and standards. IIA Standards state that internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development. Auditors are provided at least 40 hours per year of training per audit standards. Training is provided in-house and through organizations such as the Institute of Internal Auditors and California Associations of State Auditors.

2024-25 Annual Internal Audit Plan

Total Resources Available within the Internal Audit Services Section

(As of August 2024)

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 Management Auditor	5	1	6
Total	10	1	11

Activities and Resources Summary

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

Planned Internal Audits

The following page provides the planned internal audits for Fiscal Year 2024-25 that were developed per the results of the Agency-Wide Risk Assessment that was conducted during Quarters 3 and 4 of Fiscal Year 2023-24. Our goal is to finalize each audit within a six-month timeframe.

Carryover Projects from Prior Audit Plan

Business Process	Business Area(s)	Objective	Associated Strategic Pillar	Start Timeframe	Estimated End Timeframe
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
CalHEERS Help Desk Ticket	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.	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
CalHEERS Manual Override	Service Center Division	To assess whether internal controls over CalHEERS manual override functionalities are operating appropriately.	Reaching Californians	FY 2023-24 Quarter 4	FY 2024-25 Quarter 2

Fiscal Year 2024-25 Internal Audits

Business Process	Business Area(s)	Objective	Associated Strategic Pillar	Intended Start Timeframe	Estimated End Timeframe
Follow-Up on State Personnel Board's Compliance Review	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
State Privacy Requirements	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
Patch Management Controls	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
Contract Management	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
Advertising Contracts	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