

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES  
Thursday, August 15, 2024

**Main Location:**

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

**Alternate Location:**

Grossmont College  
8000 Grossmont College Drive  
El Cajon, CA 92119

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

Kevin Cathy, Branch Chief, Office of Audit Services at Covered California, welcomed everyone to the meeting.

Jessica Altman, Executive Director of Covered California, announced the appointment of Kirk Marston as the new head of the Office of Audit Services. She praised Mr. Marston's 15 years of audit experience across various California state departments, emphasizing his leadership skills and his expected contributions to Covered California's mission and values.

Mr. Cathy called the meeting to order at 9:34 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: April 18, 2024 – Audit Committee Meeting Minutes**

**Discussion:** None

**Motion/Action:** Jerry Fleming moved to approve the Audit Committee Meeting Minutes for April 18, 2024. Mayra Alvarez seconded the motion.

**Public Comment:** None

**Vote:** The motion was approved by unanimous vote.

**Agenda Item III: Fiscal Year 2024-25 Risk-Based Internal Audit Plan**

Mr. Cathy presented the internal audit plan for the fiscal year 2024-25, detailing the methodology, objectives, and standards adhered to in its preparation. Emphasis was

placed on process improvements, the strategic involvement of leadership in risk assessment, and the allocation of audit resources.

The plan outlined nine audits focusing on areas such as privacy of personal information, third-party contracts, and system vulnerabilities. The committee discussed the sequencing of audits and the criteria for prioritizing certain areas over others.

### **Committee Members' Comments:**

Ms. Alvarez asked for more information regarding how internal audits are prioritized (e.g., timing, frequency, and cadence).

Mr. Cathy replied that this is the second year that the Office of Audit Services performed a risk assessment at this level. It was the first time that division directors were involved in the process. The Office of Audit Services examines the timing of audits and their cadence through the risk assessment process.

Ms. Altman stated that the Office of Audit Services (OAS) always takes audit results into consideration when making sequencing and cadence determinations. It's important to consider the trade-offs in performing repeat audits versus performing new audits. In addition, the OAS looks for feedback from the Audit Committee to determine areas that are high priority and high risk.

Mr. Fleming asked if the OAS is working off a high-level process map of the organization.

Mr. Cathy replied that the process is complex. OAS follows guidance provided by The Institute of Internal Auditors.

**Motion/Action:** A motion to approve the internal audit plan was made by Mayra Alvarez and seconded by Jerry Fleming.

**Public Comment:** None

**Vote:** The motion was approved by unanimous vote.

## **Agenda Item IV: Audit Results**

### **A. External Audits - 2023 Programmatic Audit**

The consulting firm BerryDunn shared the findings from the 2023 programmatic audit. Key areas of concern included eligibility verification processes, privacy and security policies, and the management of remote access agreements.

Detailed findings and recommendations were presented, with particular attention to instances of non-compliance and suggested corrective actions.

## **Committee Members' Comments:**

### ***Inconsistencies in Eligibility Verification:***

Ms. Alvarez sought clarification on the impact of eligibility verification issues, specifically, how many of those deemed conditionally eligible due to income inconsistencies end up being ineligible. She questioned the extent of risk and its management.

Katie Ravel, the Director of the Policy, Eligibility and Research Division, explained the process of projecting income and its inherent challenges. She mentioned a partnership with the Franchise Tax Board to better understand the outcomes for consumers who fail to respond to income verification requests, emphasizing that most affected consumers likely remain eligible but with adjusted tax credits.

### ***Remote Identity Proofing Process:***

Ms. Alvarez asked for more background on the finding related to the remote identity proofing process and the implications for eligibility verification by county eligibility workers.

Ms. Ravel highlighted a regulatory glitch that failed to list county workers as certified entities for identity verification, which has always been part of the process. Covered California is in the process of updating regulations to formally include county workers as part of the identity verification process. Ms. Altman further explained that the audit finding notes a completion date by the end of 2025, but Covered California is aiming for completion by the end of 2024.

### ***Complexity of the Program and Audit Findings:***

Mr. Fleming commented on the complexity of the program and asked if there's an acceptable level of accuracy or margin for error given the intricate nature of eligibility and enrollment processes.

Ms. Ravel acknowledged the complexity and expressed pride in the low level of findings given the volume of transactions. She highlighted regulatory allowances that provide some flexibility in managing inaccuracies, particularly concerning income projections and the transition of coverage between Medicaid and the marketplace.

Ms. Altman acknowledged the inherent complexity of managing a health insurance marketplace like Covered California. She emphasized that despite the challenges, the organization strives to maintain compliance with federal regulations while prioritizing consumer needs. Ms. Altman highlighted the importance of understanding the audit findings within the broader context of delivering accessible and affordable healthcare to Californians.

**Public Comment:** None

## **Agenda Item V: Wrap-Up and Next Steps**

Mr. Cathy outlined the agenda for the November meeting, which includes the renewal approval for audit charters and a discussion on annual reporting efforts. There was also a brief mention of maintaining the cadence of regularly providing updates on internal and external audits in 2025.

The meeting concluded with a reminder of the importance of the Audit Committee's role in ensuring transparency and accountability within Covered California.

The meeting adjourned at 10:28 AM.