

Audit Committee Meeting

December 18, 2024



Presented by

Kirk Marston, Chief Audit Executive, Office of Audit Services
Kevin Cathy, Branch Chief, Office of Audit Services

AGENDA

Item	Presentation	Slides
III.	Internal Audit Charter (Action)	3 - 9
IV.	Audit Results (Discussion) <ul style="list-style-type: none">• External Audit Results<ul style="list-style-type: none">○ Medi-Cal to Covered California Transition○ Senate Bill 260 Performance Audit• Internal Audit Results<ul style="list-style-type: none">○ Business Continuity Plan Audit○ CalHEERS Help Desk Ticket Audit	10 - 33
V.	Wrap-Up and Next Steps	34

INTERNAL AUDIT CHARTER

BACKGROUND

New Standards

- All state organizations' internal audit offices have been operating under the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, per Government Code section 13071.
- On January 9, 2024, the Institute of Internal Auditors released new standards called the *Global Internal Audit Standards*. These new standards will become fully effective on January 9, 2025, and will replace the *International Standards for the Professional Practice of Internal Auditing*.
- Although the new standards include all the mandatory elements of the old standards, the new standards incorporate new requirements and structural changes. The new standards aim at improving the practices of internal audit offices to increase their strategic value to organizations.

New Charter

- The new standards require a more comprehensive Internal Audit Charter that incorporates the Audit Committee's roles and responsibilities. Therefore, it eliminates the need for a separate Audit Committee Charter.

Purpose

- Highlight the similarities and differences between our current Charters and the new Internal Audit Charter,
- Seek approval for the new Internal Audit Charter.

CURRENT CHARTERS



Audit Committee Charter

Purpose

The purpose of the Audit Committee is to provide a structured, systematic oversight of the organization's governance, risk (and controls), and compliance practices. The committee assists the Covered California Board (Board) and management by providing advice and guidance on the adequacy of the organization's system of internal controls, the internal audit process (executed by the Office of Audit Services [OAS]), and Covered California's process for monitoring compliance with laws.

Mandate

Government Code section 13886, subdivision (a) states, "Any governing body that oversees a state agency that performs or reviews internal audits shall establish an audit committee that generally meets the frameworks recommended by the American Institute of Certified Public Accountants, as set forth in the publication entitled 'AICPA Audit

AUDIT COMMITTEE CHARTER

- Outlines the responsibilities of the Audit Committee.
- Up until now, it needed to be reviewed and approved annually by the governing Audit Committee.
- Was last approved by the Audit Committee at the November 2023 Audit Committee Meeting.



Covered California Internal Audit Charter

Policy

It is the policy of Covered California to establish and maintain an independent and objective internal audit function and provide the resources necessary to enable the Office of Audit Services (OAS) to achieve its mission and discharge its responsibilities.

Purpose (Definition of Internal Control)

The purpose of Covered California OAS 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.

INTERNAL AUDIT CHARTER

- Outlines the responsibilities of the Office of Audit Services.
- Needs to be reviewed and approved annually by the governing Audit Committee.
- Was last approved by the Audit Committee at the November 2023 Audit Committee Meeting.

HIGH-LEVEL COMPARISON: CURRENT CHARTERS VS. REVISED INTERNAL AUDIT CHARTER


Similarities
Asserting and maintaining Objectivity and Independence is highly stressed
Same government statutes for Operational Authority are cited
Purpose, roles, and responsibilities of the Office of Audit Services are similar
List of Chief Audit Executive responsibilities are similar
Majority of Audit Committee responsibilities are similar (e.g., approve Internal Audit Charter, approve Risk-Based Internal Audit Plan, etc.)

Differences	
Current Charters	Revised Internal Audit Charter
References adhering to old standards	References adhering to new standards
Purpose of Office of Audit Services is to add value to Covered California	Purpose of Office of Audit Services is to strengthen Covered California's ability to create, protect, and sustain value
Provides basic statements for Chief Audit Executive's responsibilities	Expands upon the Chief Audit Executive's responsibilities in more detail
Does not reference Covered California's Strategic Plan	References Covered California's Strategic Plan and for engagements to evaluate risks related to strategic objectives

REVISED INTERNAL AUDIT CHARTER

Major Elements

- ✓ **Purpose** – Provides the purpose for having an internal audit office.
- ✓ **Mandate** – Clearly states the Office of Audit Services' authority, independence, organizational position, and reporting relationships.
- ✓ **Audit Committee Oversight** – Lays out the Audit Committee's responsibilities, which include:
 - Ensuring the Office of Audit Services has unrestricted access to the Audit Committee,
 - Approving the Internal Audit Charter, and
 - Approving the Annual Risk-Based Internal Audit Plan.
- ✓ **Chief Audit Executive Responsibilities** – Lays out the Chief Audit Executive's duties, which include:
 - Managing audit staff to perform audits in accordance with the new standards,
 - Ensuring audit staff maintain an objective and unbiased attitude when performing audits, and
 - Communicating with the Audit Committee and senior management.
- ✓ **Scopes and Types of Internal Audit Services** – Summarizes the types of services the Office of Audit Services provides, such as assurance and advisory engagements.



**Covered California
Internal Audit Charter**

Purpose

The purpose of the Office of Audit Services (OAS) is to strengthen Covered California's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

OAS enhances Covered California's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

OAS is most effective when:

- Internal auditing is performed by competent professionals in conformance with the Institute of Internal Auditors' Global Internal Audit Standards, which are set in the public interest.
- It is independently positioned with direct accountability to the Audit Committee.

REVISED INTERNAL AUDIT CHARTER

The revised Internal Audit Charter is all inclusive of the Office of Audit Services and the Audit Committee



Questions

PUBLIC COMMENT

CALL: (877) 336-4440

PARTICIPANT CODE: 6981308

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Note: Written comment may be submitted to AuditCommittee@covered.ca.gov

EXTERNAL AUDIT RESULTS

**MEDI-CAL TO COVERED CALIFORNIA TRANSITION
SENATE BILL 260 PERFORMANCE AUDIT**

Presented by BerryDunn Representatives:
Vanessa Maybury
Elliott Simpson



BerryDunn Presentation to the Audit Committee on Senate Bill 260 Performance Audit Results



December 18, 2024

Discussion Items

- ▲ **01** Performance Audit Scope
- ▲ **02** Procedures Performed
- ▲ **03** Findings Terminology
- ▲ **04** Findings
- ▲ **05** Questions



Performance Audit Scope

The auditor assesses risk and program objectives in coordination with the risk and critical program areas identified by management to create the performance audit scope. The following were the objectives of this performance audit:

- ▶ Whether Covered California correctly determined applicants' eligibility under the SB260 program and correctly calculated the Advanced Premium Tax Credits (APTC) amount in a timely manner in accordance with Covered California's adopted policies.
- ▶ Whether Covered California enrolled applicants into the appropriate plan in a timely manner according to SB260 and effectuated coverage before the termination of their Medicaid coverage.
- ▶ Whether Covered California sent all applicable notices to individuals that were automatically enrolled in a Covered California plan through the SB260 program in a timely manner.
- ▶ Households under the SB260 program must proactively opt-in to effectuate their coverage whether by paying a binder premium payment or opting-in on the Covered California customer service portal. We examined how "opted-in" and "opted-out" household information is tracked, stored, and communicated and risks related to plan effectuation.



Procedures Performed & Sample Based Testing Highlights

Procedures Performed

BerryDunn received a listing of 8,626,783 eligibility determination transactions completed between January 1, 2023, and December 31, 2023.

- ▲ Review of Documented Policies and Procedures
- ▲ Interviews of SB260 Program Managers
- ▲ Selected and Tested a Sample of SB260



Sample Based Testing Highlights

We selected a sample of 125 SB260 program eligibility determinations using a risk-based stratified random sample to select cases that transitioned under SB260 provisions from October 2023 – December 2023.

\$0 Premium Opt-In Population

Case Status	Case Count	Case Percentage	Sample Size
Cancelled	24,622	76.46%	20
Enrolled	6,026	18.69%	55
Pending	597	1.85%	10
Terminated	955	2.96%	15
Blank	10	0.03%	0
Grand Total	32,210	100.00%	100

Paid Premium Opt-In Population

Case Status	Case Count	Percentage	Sample Size
Cancelled	27,210	42.81%	5
Enrolled	9,792	15.40%	5
Pending	24,825	39.12%	10
Terminated	1,705	2.68%	5
Grand Total	63,532	100.00%	25

Findings Terminology

Criteria

- The objective or process 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 #001

Condition (Abbreviated)

- BerryDunn identified 10 out of 125 sampled cases that did not receive an NOD74 notice to alert them that their plan had been cancelled. All 10 cases had zero-dollar premiums and either passively or actively opted-out of Covered California coverage after being transitioned from Medi-Cal. After BerryDunn identified those cases that did not receive a cancellation notice, CalHEERS reported that the NOD74 cancellation letters for the months of November, December, and January were intentionally suppressed for a random half of the population as part of a notice research project to optimize communication strategies.

Effect

- Individuals with zero-dollar premiums were not notified that their Covered California plan was cancelled.

Recommendation

- BerryDunn recommends that Covered California send cancellation notices to all individuals that passively or actively opt-out of coverage in the zero-dollar premium population. BerryDunn also recommends that if Covered California changes the notification processes, they do so consistently for all individuals.

Covered California Response (Abbreviated)

- Covered California disagrees with the audit finding concerning the suppression of the cancellation notices (NOD74). The NOD74 should have not be in the scope of the audit. The temporary suppression of these notices for a subset of individuals Covered California wants to emphasize that sending these notices is not a regulatory requirement but an initiative to improve consumer interactions. As such during the months of November, December, and January was a strategic component of a broader research effort aimed at refining our communication approach.



Finding #002

Condition

- Some individuals that were transitioned from Medi-Cal to Covered California under the SB260 program did not receive the proper notice alerting them of the transition. When the last application transaction of the day was for a prior benefit month, all notices were suppressed, including the NOD01T notice of transition. This issue was discovered during BerryDunn's Programmatic Audit and was identified as part of the cause for Finding 2023-002. Covered California stated that a system enhancement will be implemented to fix this issue in 2024.
- BerryDunn identified 3 out of 125 sampled cases that did not receive an NOD01T notice. These individuals were transitioned into a Covered California plan but did not receive the required notification alerting them of their new plan and any steps needed to keep the plan.

Effect

- Individuals were not provided notification that they were transitioned from Medi-Cal to Covered California and were not alerted of their rights for opting in or opting out of the plan.

Recommendation

- BerryDunn recommends that Covered California implement the system enhancement and continually monitor the process to ensure individuals receive the required notifications.

Covered California Response (Abbreviated)

- Covered California agrees with the finding. Covered California acknowledges the finding regarding the specific scenario where an eligibility notice (NOD01T) did not generate for individuals initially transitioning from Medi-Cal to Covered California, particularly when an individual's transition for a future month coincides on the same day with another transaction from the county for a prior month's eligibility. Covered California had previously identified this issue through our ongoing monitoring processes of the SB260 implementation. Covered California, in collaboration with CalHEERS, has proactively addressed the identified gap by implementing a system enhancement on June 17, 2024.



Finding #003

Condition

•The CalHEERS system contains the required functionality to conduct APTC rebalancing calculations. The result of the eligibility determination's APTC calculation is displayed in the CalHEERS enrollment worksheet for system users. The enrollment worksheet includes necessary fields, such as Gross Plan Premium, Eligible Max APTC, Applied (Used) APTC, and Second Lowest Cost Silver Plan Premium. These fields, along with household income and household member composition, are necessary to perform the APTC recalculation. The process of reconstructing an APTC rebalancing calculation is time-intensive because it requires review and incorporation of data from previous eligibility determinations and enrollments that occurred in the plan year. During our eligibility determination audit activities, BerryDunn discovered that CalHEERS queries the system's APTC recalculation log directly, rather than using the portal to obtain the underlying elements of an APTC recalculation. Although this data is available in the portal, it is dispersed across multiple screens and determinations, necessitating manual review and sometimes extensive research to gather all the required data elements in order to determine that a rebalancing calculation was correct.

Effect (Abbreviated)

•Quality assurance, review, and audit activities cannot efficiently access the data needed to verify the accuracy of APTC calculations, reducing the efficiency of these oversight processes. CalHEERS system administrators manually query and extract the necessary data and provide it through a manual APTC calculator.

Recommendation (Abbreviated)

•As a co-sponsor, Covered California is not responsible for maintaining the core functionality of the CalHEERS system. Therefore, Covered California's ability to require or influence system changes may be limited. However, BerryDunn recommends that Covered California work with CalHEERS to assess whether the system can be configured to display the data used in APTC calculations, and tie the enrollment to a specific eligibility determination for cases in carryforward status.

Corrective Action Plan Provided by Covered California (Abbreviated)

•Covered California disagrees with the finding. The newly added policy from the California State Administration Manual focuses on the capability to audit and reconstruct events rather than specifying how or where this information should be displayed. If a system maintains all the relevant information needed for an audit trail in the backend, and this information can be provided to auditors upon request, it would generally be considered compliant with the requirements of SAM Section 5335.2. The key criteria are the system's ability to log, preserve, and provide detailed records of transactions and related events necessary for auditing and investigations, regardless of whether this information is displayed on the front-end portal.



Finding #004

Condition

- BerryDunn examined a sample of 125 eligibility determinations conducted under the provisions of SB260 from October 1, 2023, through December 31, 2023. Among these determinations, BerryDunn identified one instance where the benchmark premium for the household was inaccurately calculated. This led to an incorrect APTC calculation for the coverage months affected by the inaccurate benchmark premium. The affected household included an applicant who had previously enrolled in a Covered California Qualified Health Plan (QHP) and received Advance Premium Tax Credits (APTC). Following the transfer of an additional household member to the QHP under the SB260 provisions on November 2, 2023, the household's APTC was recalculated. Given that the household had already received APTC earlier in the tax year, the APTC recalculation needed to consider the APTC previously paid on behalf of the applicant(s). This ensures that the total APTC paid aligns with the total projected premium tax credit eligibility for the applicant(s) in the tax year.

Effect

- The impacted household was awarded an incorrect amount of APTC for coverage year 2023. CalHEERS is researching the total impact of this system defect on all CoveredCA consumers.

Recommendation

- BerryDunn recommends that Covered California coordinate with CalHEERS to further research the cause of the incorrect benchmark premium and to assess the population of eligibility determinations to identify the impact of the error on the population of Covered California applicants.

Covered California Response

- Covered California agrees with the finding. Covered California will continue to collaborate with CalHEERS to conduct further research on the cause of the incorrect benchmark premium and to ensure the issue has been addressed. In November 2023, the issue was identified with the benchmark premium that impacted around 0.17% consumers. By December 2023, the system issue had been corrected, and data adjustments were made for the impacted population.



Finding #005

Condition (Abbreviated)

- During an interview with the Policy Eligibility and Research Division (PERD), BerryDunn inquired about data that shows low effectuation rates for the SB260 transferred individuals. PERD stated that the Division calculates effectuation rates with the data that exists in the system. Covered California's administration of the SB260 program depends on the transfer of cases and associated data from Medi-Cal. Covered California must work with the data as it is received and has limited control over its quality or completeness. Despite this challenge, Covered California is utilizing all the information currently available to calculate the program's effectuation rates. However, the program could achieve more precise effectuation rate metrics if County Medi-Cal agencies were able to provide more information about which consumers are in need of marketplace coverage.

Effect

- The absence of precise effectuation rate data can hinder Covered California's ability to evaluate the effectiveness of its management of the SB260 program. This limitation may also impede the identification of improvement opportunities and collaboration with Medi-Cal. Presently, the inclusion of the two population subgroups identified above may cause Covered California to underestimate the SB260 program's effectuation rate.

Recommendation

- BerryDunn recommends that Covered California collaborate with CalHEERS and Medi-Cal to explore whether County Medi-Cal offices can gather data from applicants regarding consumers access to other health coverage.

Covered California Response (Abbreviated)

- Covered California disagrees with the audit finding that the effectuation rate is imprecise due to the inclusion of consumers who have sources of coverage elsewhere. Covered California monitors effectuation rates among all consumers transferred from Medi-Cal to the exchange, who are determined eligible based on the data available within CalHEERS. Counties processing Medi-Cal renewals or other changes in circumstance request information from consumers about enrollment in other coverage.



Finding #006

Condition (Abbreviated)

- As part of BerryDunn's performance audit of Covered California's management of the SB260 provisions, BerryDunn analyzed the population of consumers transferred to Covered California under the provisions of SB260. The SB260 population can be classified into four enrollment statuses: (1) Enrolled (2) Pending (3) Cancelled (4) Terminated.
- Our analysis of the population of SB260 cases revealed that pending consumer cases accounted for 39% of the cases where the applicant(s) have a responsibility pay a premium. The Policy Eligibility and Research Division (PERD) feedback indicated that the substantial number of pending consumers could stem from delays by carriers in providing information during the reconciliation process. Further, PERD indicated that a portion of the 39% of cases may still be within their special enrollment period, but that it is probable that the case status is outdated for a large percentage of the consumers with a premium responsibility. In comparison, only 2% of the cases with a \$0 premium responsibility were in pending status.

Effect

- Applicant status could be inaccurate, causing delays in identifying cases that may not have processed as required by the SB260 provisions.

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.

Covered California Response

- Covered California agrees with the finding. A Process Guide has been created with the required information to ensure CCDU obtains the necessary documentation from carriers. This documentation will be shared with the carriers annually.



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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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INTERNAL AUDIT RESULTS BUSINESS CONTINUITY PLAN AUDIT

BACKGROUND & POSITIVE OBSERVATIONS

Background:

The Office of Audit Services conducted an audit to determine whether all applicable business continuity program elements prescribed by the California Governor's Office of Emergency Services were addressed within Covered California's Business Continuity Plan (BCP). The audit period was during January 1, 2023, through December 31, 2023.

Positive Observations:

During our audit, we identified internal controls that were considered effective and working as intended:

- BCP Development – The Business Services Branch (BSB) developed a BCP that:
 - Identifies essential functions necessary to maintain its critical operations during disruptions.
 - Establishes lines of succession for Covered California's highest position of authority and key leadership positions that are linked to critical business functions.
- Annual Review Procedures – BSB developed procedures for an annual review of Covered California's BCP. This contributes to Covered California's strategic pillar of Organizational Excellence and shows a commitment to continuous improvement.

SUMMARY OF AUDIT FINDINGS

Finding 1: Business Services Branch did not seek approval from senior level officials to certify Covered California's Business Continuity Plan.

Finding	Recommendation	Summary of Corrective Action Plans
<p>CalOES' Continuity Planning Guidance requires senior level officials to certify that they approve the Business Continuity Plan (BCP) as the means to show that they fully understand the continuity of business operations procedures that are to be followed in the event of an emergency.</p> <p>Although BSB made Covered California's most recent BCP accessible to all program areas' senior level officials, BSB did not seek approval from senior level officials to certify the BCP.</p>	<p>BSB should establish a formal process to ensure all program areas' senior level officials certify their approval of the BCP.</p>	<p>BSB will develop a formal certification process for the BCP that includes senior leadership. BSB will create a documented process that outlines the steps for BCP certification by senior leadership. This will include a timeline for review, a list of officials responsible for approval, and a description of the certification method (e.g., memo).</p> <p><i>Estimated Implementation: June 2025</i></p>



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INTERNAL AUDIT RESULTS

CALHEERS HELP DESK TICKET AUDIT

BACKGROUND & AUDIT RESULTS

Background:

The Office of Audit Services conducted an audit to obtain reasonable assurance that internal controls over the CalHEERS help desk ticket process were administered in accordance with policies, procedures and applicable requirements. Specifically, we determined whether the corrective actions for the recommendations pertaining to the CalHEERS help desk ticket process within the 2018 Programmatic Audit were implemented and working as intended to mitigate the risks identified by the external auditor. The audit period was during July 1, 2022, through June 30, 2023.

Positive Observations:

During our audit, we noted the following positive observations:

- CalHEERS adequately tracked and resolved help desk tickets according to established resolution timelines, ensuring system and data issues impacting consumers are timely resolved.
- CalHEERS and the Information Technology Division adequately managed and oversaw the system defect management process, ensuring that CalHEERS system functionality is working as intended.
- CalHEERS did not include personally identifiable information within system defect records, which helps ensure consumer related personally identifiable information is protected.

Conclusion:

We determined 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. We did not note any matters that we consider to be reportable under the *International Standards for the Professional Practice of Internal Auditing*.



Questions

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WRAP-UP AND NEXT STEPS

Potential Future Meeting Dates	Potential Agenda Topics
February 20, 2025	<ul style="list-style-type: none"> • Fiscal Year 2023-24 Quality Assurance and Improvement Program – Internal Assessment Results • Review Results of Completed Audits
June 19, 2025	<ul style="list-style-type: none"> • Review and Approval of Fiscal Year 2025-26 Risk-Based Internal Audit Plan • Review Annual Audit Activities Board Report • Review Results of Completed Audits
August 21, 2025	<ul style="list-style-type: none"> • Review Results of Completed Audits
August 21, 2025 (Board Meeting)	<ul style="list-style-type: none"> • Present Annual Audit Activities Report to Board
November 20, 2025	<ul style="list-style-type: none"> • Review and Approval of Internal Audit Charter • Review Results of Completed Audits

APPENDIX

QUARTERLY REPORT ON AUDIT ACTIVITIES

APPENDIX – QUARTERLY REPORT ON AUDIT ACTIVITIES

Audit Activity	Slides
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Status of In-Progress Non-Audit Projects	45

QUARTERLY REPORT ON AUDIT ACTIVITIES

STATUS OF IN-PROGRESS INTERNAL AUDITS

Name	Business Area	Objective	Estimated Completion Date
Travel Expense Reimbursement Audit	Financial Management Division	To obtain reasonable assurance that reimbursements of expense claims comply with the state’s travel expense regulations.	December 2024
CalHEERS Manual Override Audit	Service Center Division	To assess whether internal controls over CalHEERS manual override functionalities are operating appropriately.	February 2025
Follow-Up on State Personnel Board’s Compliance Review	Administrative Services Division ~ Equal Employment Opportunity Office	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 in March 2023).	March 2025
State Privacy Requirements Audit	Office of Legal Affairs	To assess the Privacy Office's compliance with state privacy requirements protecting consumer personal information.	April 2025

QUARTERLY REPORT ON AUDIT ACTIVITIES

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

Name	Objective	Findings	Estimated Implementation Date of CAPs
Review of Appeals Cases Invoices Audit	To obtain reasonable assurance that CDSS' invoicing process produces accurate and timely invoices and that the process is administered in accordance the applicable federal, state, and department rules, regulations, and statutes.	1. Reports used in preparation of the invoices lacked accuracy and timeliness.	Implemented
		2. CDSS applied unclear accounting records to invoice Covered California.	Implemented
		3. CDSS must address weaknesses in their computer systems.	Implemented
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.	Implemented
		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.	Implemented
		4. Covered California's required Privacy and Information Security training are not always completed prior to provisioning system access.	Implemented
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

QUARTERLY REPORT ON AUDIT ACTIVITIES

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

Name	Objective	Findings	Estimated Implementation Date of CAPs
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.	June 2025
		2. Information Technology Division did not effectively review user access and account privileges for all Covered California IT systems.	Implemented
		3. Information Technology Division did not always maintain sufficient documentation for the issuance and return of IT equipment.	December 2024
		4. Human Resources Branch did not always process outstanding accounts receivable from separating employees.	Implemented
		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 Process and Transactions Audit	State Controller's Office	To obtain reasonable assurance that Covered California: <ul style="list-style-type: none"> • Maintains adequate and effective internal controls over its payroll process; • 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 • Administers salary advances in accordance with collective bargaining agreements and state laws, regulations, policies, and procedures. 	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
2024 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.	May 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
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.	June 2026
			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.	June 2026

QUARTERLY REPORT ON AUDIT ACTIVITIES

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

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 2024
			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

APPENDIX - SPECIFICS OF CORRECTIVE ACTION PLANS

STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR PAST PROGRAMMATIC AUDITS

Name	External Auditor	Objective	Recommendations	Estimated Implementation Date of CAPs
2022 Programmatic Audit	Sjoberg Evashenk Consulting	To evaluate Covered California's operations, program effectiveness and efficiencies, and administrative functions in accordance with 45 Code of Federal Regulations (CFR) Part 155.	Covered California has fully implemented 5 of the 8 findings.	
			2.2 To better ensure documentation submitted for identity proofing is legitimate and valid, Covered California implement a process to validate documentation uploaded as legitimate and valid proof of identification.	December 2025
			2.3 Covered California should update internal procedures and external guidance related to visual verification to specify that documentation submitted for identity proofing must be of sufficient quality to be independently verified.	December 2024
			2.4 Covered California should work to update CCR § 6464 to specify county eligibility workers as allowable application assisters during the identity proofing process.	December 2024

APPENDIX - SPECIFICS OF CORRECTIVE ACTION PLANS

STATUS OF CORRECTIVE ACTION PLANS (CAPs) FOR PAST PROGRAMMATIC AUDITS (continued)

Name	External Auditor	Objective	Recommendations	Estimated Implementation Date of CAPs
2022 Programmatic Audit (Continued)	Sjoberg Evashenk Consulting	To evaluate Covered California’s operations, program effectiveness and efficiencies, and administrative functions in accordance with 45 Code of Federal Regulations (CFR) Part 155.	3.3 To reduce the risk of multiple notices being generated, potential confusion for the consumer on which form to use when more than one “Original” form is sent, and ensure corrected IRS Form 1095-A’s are sent to the consumer prior to the federal tax filing deadline, Covered California should: (1) Ensure required eligibility verifications, such as social security number, are completed within the ROP, (2) When submitting additional IRS Form 1095-A’s, if a new “Original” form is generated, send the consumer a “Void” form for any previous forms sent, as well as ensure that IRS Form 1095-A’s that are manually generated appropriately designate that the forms are “Corrected” not “Original”; and (3) establish a formal policy on when a reissued IRS Form 1095-A should be considered “Corrected” vs “Original”, and when a “Void” form is required.	December 2024
			8.1 To collect the remaining amounts owed from agent commission overpayments and reduce the risk of future over payments not being recouped, Covered California should move forward with it plans to establish and implement a formal policy and process for handling Small Business agent and general agent commission overpayments for inactive agents or general agents..	December 2025

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 2025-26 that focuses on the organization's processes that have the most risk exposures.	June 2025
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
Improper Payment Pre-Testing and Assessment (IPPTA)	To prepare state-based exchanges for the planned measurement of improper payments.	December 2025