



MEMORANDUM

September 24, 2024

TO: Darci Haesche, Director
Administrative Services Division
Kirk Marston

FROM: Kirk Marston, Chief Audit Executive
Program Integrity Division, Office of Audit Services

RE: Administrative Services Division – Final Audit Report –
Business Continuity Plan Audit (Assignment #2324.02)

In accordance with the *Government Code*, Section 13400 et seq. and State Administrative Manual, Section 20060, all levels of management must be involved in assessing and strengthening the systems of internal control to minimize fraud, errors, abuse, and waste of government funds.

The Office of Audit Services conducted a compliance audit to provide reasonable assurance of the existence and strength of Covered California's internal controls over the administration of the Business Continuity Plan. This audit specifically examined the Business Services Branch's internal controls during the audit period, January 1, 2023, through December 31, 2023. The detailed report of our audit is attached to this Memorandum.

We appreciate the cooperation and assistance of the Business Services Branch's management and staff during our audit. If you have any questions regarding this report, please contact me at (916) 954-3498 or Kirk.Marston@covered.ca.gov.

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REVIEW OF ADMINISTRATION OVER THE BUSINESS CONTINUITY PLAN

COVERED CALIFORNIA
ADMINISTRATIVE SERVICES DIVISION
BUSINESS SERVICES BRANCH

FINAL REPORT

ISSUED ON:
SEPTEMBER 24, 2024

PREPARED BY:
COVERED CALIFORNIA
PROGRAM INTEGRITY DIVISION
OFFICE OF AUDIT SERVICES

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EXECUTIVE SUMMARY

Objective and Scope

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) for the period of January 1, 2023, through December 31, 2023.

Positive Observations

- **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.

Reportable Condition

We noted the following matter below that we consider to be reportable under the *International Standards for the Professional Practice of Internal Auditing*:

- **Business Services Branch did not seek approval from senior level officials to certify Covered California's Business Continuity Plan**

Follow-up

The Office of Audit Services will follow up with management on their progress of corrective action plans and will report updates accordingly to the Audit Committee. A follow-up audit may be performed to determine the completion and adequacy of the corrective action plans.

BACKGROUND, OBJECTIVE, SCOPE, AND METHODOLOGY

Background

Covered California's BCP establishes a comprehensive framework for management of continuity functions in the event of an emergency or disaster that disrupts the normal daily operations of the agency. The BCP identifies roles and responsibilities of divisions during a continuity event, as well as their critical functions that must continue, despite an emergency or disaster.

To ensure the continuity and recovery of critical services and operations during security incidents, disruptions, and emergencies, Covered California's BCP should address all applicable elements prescribed within the California Governor's Office of Emergency Services' (CalOES) *Continuity Planning Guidance*.

BSB is responsible for developing, coordinating, and maintaining Covered California's BCP.

Objective

The objective of this audit was to determine whether all applicable business continuity program elements prescribed by CalOES were addressed within Covered California's BCP.

Scope

The scope of this audit covered the elements of Covered California's BCP that were maintained during the period of January 1, 2023, through December 31, 2023.

Methodology

Our evaluation included gaining an understanding of BSB's policies and procedures and administration over the BCP. Additionally, we conducted verification processes to ascertain if BSB's internal controls and resources were effectively and efficiently facilitating the administration of Covered California's BCP to be in compliance with relevant policies, procedures, and requirements.

RESULTS

Positive Observations

In the course of our review, we evaluated various aspects of Covered California's BCP administration. We were able to ascertain, with reasonable assurance, the following areas where internal controls have been strengthened or were found to be effective and operating as intended:

- **BCP Development** – 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 of Procedures** – BSB has developed procedures for an annual review of Covered California's BCP, which contributes to Covered California's strategic pillar of Organizational Excellence and shows a commitment to continuous improvement.

Finding & Recommendation

Finding # 1 – Business Services Branch did not seek approval from senior level officials to certify Covered California’s Business Continuity Plan

Finding Rating:	Priority	High	Medium	Low
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Condition

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.

Criteria

CalOES’ *Continuity Planning Guidance* states, in part, “Senior level officials certify that they approve this Continuity Plan and fully understand the continuity of business operations procedures that are to be followed in the event of an emergency that impacts the facilities and employees for which they are responsible.”

Cause

BSB has not yet made it a practice to seek approval from senior level officials to certify the BCP.

Effect

By not ensuring that senior level officials certify their approval of the BCP, officials may not be aware of or fully understand their program areas’ responsibilities and procedures as provided within the BCP, which could lead to disruptions in critical business operations during an emergency.

Recommendation

BSB should establish a formal process to ensure all program areas’ senior level officials certify their approval of the BCP.

MANAGEMENT RESPONSE

Presented below is the Business Services Branch's management response to the finding which includes their corrective action plan.

Finding 1:	<i>Business Services Branch did not seek approval from senior level officials to certify Covered California's Business Continuity Plan</i>
Recommendation 1:	BSB should establish a formal process to ensure all program areas' senior level officials certify their approval of the BCP.
BSB Management Response/ Corrective Action:	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).
Targeted Completion Date:	6/30/2025

EVALUATION OF RESPONSE

The corrective action plan provided by the Business Services Branch, if implemented as intended, should be sufficient to correct the reportable condition noted. The Office of Audit Services will conduct a follow-up review in 60 days, and each 6 months thereafter, to provide reasonable assurance that the corrective action plans have been implemented and are operating as designed. Additionally, a follow-up audit may be performed to determine the completion and adequacy of the correction action plan.

We thank the Business Services Branch for their help and cooperation during this audit.

APPENDIX A

Finding Ratings

Finding	Priority	High	Medium	Low
1. Business Services Branch did not seek approval from senior level officials to certify Covered California’s Business Continuity Plan				

Rating Definitions

Priority	<p>Immediate and on-going threat to the achievement of division or Covered California strategic goals and objectives. In particular:</p> <ul style="list-style-type: none"> - Significant adverse impact on reputation - Non-compliance with statutory requirements - Potential or known financial losses - Substantially raising the likelihood that risks will occur <p>Management must implement corrective actions as soon as possible and monitor the effectiveness.</p>
High	<p>High probability of adverse effects to the division or Covered California as a whole. Management must put in place corrective actions within a reasonable timeframe and monitor the effectiveness of the corrective actions.</p> <ul style="list-style-type: none"> - High potential for adverse impact on reputation - Increase in the possibility of financial losses - Increase in the likelihood that risks may occur
Medium	<p>Medium probability of adverse effects to the division or Covered California as a whole. Management must put in place corrective actions within a reasonable timeframe and monitor the effectiveness of the corrective actions.</p> <ul style="list-style-type: none"> - Medium potential for adverse impact on reputation - Potential increase in the likelihood that risks may occur
Low	<p>Low probability of adverse effects to the division or Covered California as a whole, but that represent an opportunity for improving the efficiency of existing processes. Correcting this will improve the efficiency and/or effectiveness of the internal control system and further reduce the likelihood that risks may occur.</p>