



Annual Internal Audit Plan

Fiscal Year 2025-26

**Office of Audit Services
Program Integrity Division**

Introduction

Purpose

The purpose of the Office of Audit Services 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. 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 advisory engagements 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 Institute of Internal Auditors' *Global Internal Audit Standards* 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' *Global Internal Audit Standards*. Where applicable, the Office of Audit Services will also adhere to the U.S. Government Accountability Office's (GAO) *Generally Accepted Government Audit Standards*.

Standard 9.4 of the *Global Internal Audit Standards* states, "The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives. The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. The plan and significant changes to the plan must be approved by the board."

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 2024-25 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, 2025, through June 30, 2026. 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 the *Global Internal Audit 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 2024-25. However, changes in business risks, timing of and changes to legislation, and staff availability may occur during Fiscal Year 2025-26. 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.

Office of Audit Services Resources

Office of Audit Services

The Office of Audit Services consists of two sections: The Compliance & Monitoring Section and the Internal Audit Services Section. The Office of Audit Services is comprised of staff with a variety of experience and skills designed to coordinate external audits and execute the Annual Internal Audit Plan. We continue to enhance our knowledge and skill set to best serve Covered California.

Compliance & Monitoring Section

Covered California is audited annually by external federal and state control entities. The Compliance & Monitoring Section coordinates those audits with Covered California program areas and external auditors to enhance the value, operations, and compliance activities of Covered California.

The table below outlines the activities that the Compliance & Monitoring Section plans to coordinate and undertake during Fiscal Year 2025-26:

Activity	Description
Centers for Medicare & Medicaid (CMS) APTC Audits	Assist CMS contracted auditors with information requests related to audits of issuers to assess their compliance with the Advanced Premium Tax Credit (APTC) program requirements
Programmatic Audit	Engage and coordinate with an independent auditing firm to perform an annual programmatic audit to determine Covered California's compliance with federal regulations (e.g., eligibility and enrollment, etc.)
Financial Statements Audit	Engage and coordinate with an independent auditing firm to perform an annual external audit on Covered California's financial statements
Other External Audits	Coordinate other external federal and state audits that may be initiated by CMS, California State Auditor, State Personnel Board, State Controller's Office, etc.
Ad Hoc Audits	Obtain additional assurance via contracted external audits initiated by the Office of Audit Services
Corrective Action Plan Tracking	Ensure corrective action plans resulting from external audit recommendations are timely prepared and submitted to the external auditors

Internal Audit Services Section

Within the Internal Audit Services Section, there are six allocated internal auditor positions who are overseen by two managers. There also exists an internal auditor specialist position who is overseen by the section chief. The Office of Audit Services' senior leadership includes a section chief, branch chief, and the Chief Audit Executive.

Professional Organizations

The Internal Audit Services Section consists of team members who belong to several professional accounting and auditing-related organizations. Additionally, several members hold professional certifications issued by various 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. The *Global Internal Audit Standards* state that internal auditors must enhance their knowledge, skills, and other proficiencies 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.

2025-26 Annual Internal Audit Plan

Total Resources Available within the Internal Audit Services Section

(As of June 2025)

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
Staff Management Auditor (Specialist)	0	1	1
Associate Management Auditor	6	0	6
Total	11	1	12

Activities and Resources Summary

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

Activity	Description
Advisory Engagements	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 Internal Assessment	Conduct the annual quality assurance self-assessment
Quality Assurance External Assessment	Participate in the required independent external assessment, conducted by the Department of Finance

Planned Internal Audits

The following pages provide the planned internal audits and advisory engagements for Fiscal Year 2025-26 that were developed per the results of the Agency-Wide Risk Assessment that was conducted during Quarters 3 and 4 of Fiscal Year 2024-25. Our goal is to finalize each project within six months or fewer.

Carryover Audits from Prior Audit Plan

Business Process	Business Area(s)	Objective	Associated Strategic Pillar	Start Timeframe	Estimated End Timeframe
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 2025-26 Quarter 1
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 2025-26 Quarter 1
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 2025-26 Quarter 1

Fiscal Year 2025-26 Internal Audits

Business Process	Business Area(s)	Objective	Associated Strategic Pillar	Intended Start Timeframe	Estimated End Timeframe
FMLA Compliance	Human Resources Branch	To assess the Human Resources Branch's compliance with Family Medical Leave Act (FMLA) leave of absence, notification, and certification procedures, in accordance with state and federal regulations.	Organizational Excellence	FY 2025-26 Quarter 1	FY 2025-26 Quarter 3
Hardware Asset Management	Information Technology Division	To assess the Information Technology Division's effectiveness in managing Covered California's hardware asset tracking and inventory processes.	Exceptional Service	FY 2025-26 Quarter 1	FY 2025-26 Quarter 3
Health Plan Payments	Plan Management Division	To determine whether cost sharing reduction payments made to contracted health plans are accurate and timely.	Affordable Choices	FY 2025-26 Quarter 2	FY 2025-26 Quarter 4
Physical Security	Business Services Branch	To determine whether the Business Services Branch's procedures comply with all applicable regulations to effectively ensure optimal physical security for Covered California's facilities.	Organizational Excellence	FY 2025-26 Quarter 2	FY 2025-26 Quarter 4
Navigator Grant Contracts	Outreach and Sales Division	To assess whether Navigators are effectively monitored to ensure compliance with the performance standards specified in their grant contracts.	Reaching Californians - Affordable Choices	FY 2025-26 Quarter 3	FY 2025-26 Quarter 4
* Agent Agreements	Outreach and Sales Division	To assess whether Agents are effectively monitored to ensure compliance with their agreements.	Reaching Californians - Affordable Choices	FY 2025-26 Quarter 3	FY 2025-26 Quarter 4
* Surge Vendor User Access Audit Follow-Up	Service Center Division	To determine whether the corrective actions taken in response to the recommendations from the 'Service Center Surge Vendor User Access Audit' have been effectively implemented and are operating as intended to mitigate the risks identified by the Office of Audit Services.	Organizational Excellence	FY 2025-26 Quarter 3	FY 2025-26 Quarter 4

* - If resources allow

Fiscal Year 2025-26 Advisory Engagements

Business Process	Business Area(s)	Objective	Associated Strategic Pillar	Intended Start Timeframe	Estimated End Timeframe
Population Health Initiative	Equity & Quality Transformation Division	To evaluate the effectiveness and integrity of the eligibility determination, outreach, and funding processes for the Grocery Support Program and Child Savings Account Program under Covered California's Population Health Initiative.	Quality Care	FY 2025-26 Quarter 1	FY 2025-26 Quarter 2
Employee Engagement Survey	Office of Organizational Culture, Inclusion, & Engagement	To assess the effectiveness and oversight of data collection and follow-up processes related to employee engagement surveys.	Organizational Excellence	FY 2025-26 Quarter 2	FY 2025-26 Quarter 3
Case Inquiry Backlog	Ombuds Office	To assess whether the Ombuds Office's process improvements to address the backlog of case inquiries are working as intended to achieve the desired outcomes.	Exceptional Service	FY 2025-26 Quarter 2	FY 2025-26 Quarter 3