BerryDunn | BDMP Assurance, LLP

Independent External Audit:

Covered California, State of California

January 1, 2024, to December 31, 2024

Audit Findings Report

Independent External Audit: 2024 Findings Report

TO: Covered California

FROM: BDMP Assurance, LLP (BerryDunn)

DATE: May 13, 2025

SUBJECT: Audit Findings Report for California

AUDIT PERIOD: January 1, 2024 – December 31, 2024

I. EXECUTIVE SUMMARY

PURPOSE:

The purpose of this independent external audit is to assist the State of California in determining whether Covered California, the California State-Based Marketplace (SBM), was in compliance with the programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS) during the audit period.

Name of SBM: California Health Benefit Exchange (Covered California)

State of SBM: California

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a programmatic audit to report on Covered California's compliance with Title 45, Code of Federal Regulations, Part 155 (45 CFR § 155) as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR § 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows U.S. generally accepted governmental auditing standards (GAGAS) to perform an annual independent external programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

COVERED CALIFORNIA PROGRAM HIGHLIGHTS:

Below is a list of notable accomplishments reported by Covered California Management:

- Covered California initiated a new Navigator grant cycle. They also successfully deployed certification and recertification training for enrollment counselors and annual training for Licensed Insurance Agents. A multi-channel communications strategy was implemented to train partners on California's Enhanced Cost Sharing Reduction Plans and other key policy and programmatic updates.
- System improvements were made in response to federal rule changes, enhancing income verification processes, and introducing configurable thresholds and expiration dates for Qualifying Life Events (QLEs) and Special Enrollment Periods (SEP). CalHEERS was enhanced to support alternative communication formats (like audio, large print, or Braille). Several SEP enhancements for 2025 were introduced, including future-dating of QLEs and updated eligibility rules for specific QLEs.
- Coverage continuity for consumers transitioning from Medi-Cal to Covered California was prioritized, alongside updates to plan dependency rules and the implementation of AB2530 subsidies for strike/lockout workers.
- Salesforce integrations were expanded and the organization showcased resilience in handling a cybersecurity incident, ensuring continuous consumer support. The Intelligent Document Processing project received recognition for its innovation.
- Communications efforts included a successful "Bridging the Gap" open enrollment campaign, education on the Medi-Cal to Covered California program, announcements of 2025 rates and plans, and the launch of the "Let's Talk Health" insurance education campaign. Partnerships with the California State Library and local libraries expanded the reach of health insurance education. The 2024 open enrollment campaign ended with a record-high number of plan selections, surpassing the previous high set in 2022.
- Several policy and system enhancements were made, including extending the SEP duration, adapting to federal rule changes, and the implementation of efforts to ensure consumer compliance with CMS regulations regarding the reconciliation of Advanced Premium Tax Credits.

SCOPE:

The scope of this engagement included an examination of Covered California's compliance with the programmatic requirements under 45 CFR § 155, Subparts C, D, E, and K for the 12-month period January 1, 2024, through December 31, 2024. We conducted our examination in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General

of the United States. We completed an examination of Covered California's compliance with the applicable programmatic requirements under 45 CFR § 155 and issued our reports dated May 13, 2025.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether Covered California was in compliance with 45 CFR § 155 in all material respects. We also selected a sample of eligibility and enrollment transactions and tested for compliance with requirements under 45 CFR § 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP).

METHODOLOGY:

Audit Firm Background:

BerryDunn is a national consulting and certified public accounting firm with multiple practice groups dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 51-year history. Today, BerryDunn employs 900+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Hawaii, Massachusetts, New Hampshire, West Virginia, and Puerto Rico. The firm has experienced professionals who provide a full range of services, including information technology (IT) consulting; management consulting; and audit, accounting, and tax services.

Those services include conducting financial and/or programmatic audits of multiple State Based Exchanges. We also have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance, previously referred to as OMB Circular A 133) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

Programmatic Audit:

We have examined Covered California's compliance with the programmatic requirements described in 45 CFR § 155 for the year ended December 31, 2024 and have issued a report thereon dated May 13, 2025.

Summary of Programmatic Audit Procedures:

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test Covered California's compliance with certain subparts of 45 CFR § 155. BerryDunn examined compliance with the requirements under 45 CFR § 155, in the following programmatic areas:

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of Qualified Health Plans (Subpart K)

We reviewed the processes and procedures under 45 CFR § 155, in the following programmatic areas in order to determine whether they were in compliance with the requirements of the ACA:

- Assisters, Navigators, Certified Application Counselors, and Brokers
- Compliance and Program Integrity
- Contact Center
- Eligibility and Enrollment Processes and Procedures
- Privacy and Security
- Qualified Health Plan (QHP) Certification

We reviewed the following documentation, which was obtained directly from Covered California, or located on either the Covered California website or the CMS website:

- Assister, Broker, Certified Application Counselor, and Navigator Documentation:
    - Agent Monetary Agreement
    - Agent Non-Monetary Agreement
    - Assister Training Materials
    - Authorization for Enrollment Assistance
    - Certified Application Counselor Agreement
    - Certified Enrollment Counselor Agreement
    - How to Become a Certified Counselor Guide

    - How to Become a Certified Entity Guide
    - List of All Agents Active for 2024
    - List of all Navigators and Certified Application Counselors (CACs) for 2024
    - List of Navigator Organizations
    - Navigator Entity Contracts
    - Navigator Grant Award Funding Allocations
    - Navigator Grant Program Request for Application Announcement
    - Training Materials for all Classifications of Assisters
- Contact Center:
    - Employee Training and Onboarding Materials
    - Service Center Chat Guidelines
    - Service Center Phone Guidelines
- Contracts and Amendments:
    - Authorization For Release of Personal Information & Appointment of Representative
    - Certified Application Entity (CAE) Agreement Template
    - Example Carrier Agreement
    - Executed Certified Application Entity (CAE) Contracts
    - Executed Issuer Agreements
    - Executed Navigator Contracts and Contract Amendments
- Eligibility and Enrollment:
    - Annual Renewal Process
    - Application for Health Coverage
    - Consumer Consent Form for Authorization to Verify Federal Tax Information (FTI) /Citizenship
    - Consumer Notice Templates
    - Documentation of Processes for Manual System Overrides
    - Eligibility and Enrollment Policy Manual
    - Verification Inconsistencies Reminder Notices
- General Exchange Policies and Procedures:
    - Consumer Outreach Program Marketing Materials
    - Exchange Bylaws
    - General Appeals Process Documentation
    - Integrated Fraud Management Policies and Procedures
    - Organizational Charts
    - Prior Year Audit Reports
- Organization Chart
- Privacy and Security:
    - Acceptable Use Statement
    - Computer Matching Agreement (CMA)

    - Executed Interagency Agreements containing Personally Identifiable Information (PII)
    - Information Security Policy
    - Privacy Impact Assessment (PIA)
    - Security and Privacy Assessment Report (SAR) for the Covered California Health Benefit Exchange
    - System Security Plan (SSP)
- Qualified Health Plan (QHP)
    - 2024 Carrier List
    - 2024 Certification Timeline
    - 2024 Insurers and Plan Offerings
    - 2024 Internal Plan Certification Process Materials
    - 2024 Qualified Health Plan & Qualified Dental Plan Certification Requirements
    - 2024 Qualified Health Plan & Qualified Dental Plan Participation Manual
    - 2024 Qualified Health Plan Issuer Agreements
    - Report on Covered California Holding Health Plans Accountable for Quality and Delivery System Reform
    - Report on Covered California's Efforts to Lower Costs While Ensuring Consumers Get the Right Care at the Right Time
- Website:
    - Report on Covered California's Efforts to Lower Costs While Ensuring Consumers Get the Right Care at the Right Time
    - Report on Covered California Holding Health Plans Accountable for Quality and Delivery System Reform

To understand management and staff responsibilities and processes as they relate to compliance with 45 CFR § 155, we interviewed the following Covered California staff:

Eligibility and Enrollment Interview

- Quality Control Analyst, Eligibility and Enrollment Compliance Team, Policy Eligibility & Research Division (PERD)
- Program Eligibility Staff Services Manager III, Program Eligibility & Enrollment Branch, PERD
- Director, PERD
- Deputy Director, PERD
- Quality Control Analyst, Eligibility Compliance, PERD
- Senior Program Advisor, Program Eligibility and Enrollment Branch, PERD

Agent Broker and Assister Interview

- Senior Manager, Account Services, PERD
- Interim Director Outreach and Sales Division

Privacy and Security Interview

- Chief Information Security Officer

Legal, Compliance, and Oversight Interview

- Privacy Officer, Information Security Data Management Support, Office of Legal Affairs.

Service Center Interview

- Branch Chief, Internal Compliance & Support, Service Center

Qualified Health Plan (QHP) Interview

- Certification and Contracts Unit Manager, Plan Management Division
- Lead Contract Compliance Specialist, Plan Management Division

We interviewed the following staff from agencies other than Covered California that are involved in functions related to the Exchange:

Navigator Interview – Alameda Health Consortium

- Senior Program Specialist, Account Services

Navigator Interview – Alameda Health Consortium

- Manager, Account Services

We analyzed the following information to assess Covered California's compliance with the requirements of 45 CFR § 155:

- A listing of the most recent eligibility determination transactions completed for plan year 2024. In total, we tested 60 cases for compliance with eligibility and enrollment rules, and 125 cases for compliance with verification rules. BerryDunn conducted two rounds of testing Covered California furnished an initial dataset, allowing BerryDunn to commence testing for applicants with determinations between October 2023 and September 15, 2024.
    - The first round of testing included 55 cases for eligibility, 55 cases for enrollment, and 110 cases for verification testing.
    - Subsequently, a second dataset was provided by Covered California for testing applications with determinations between September 17, 2024, and December 31, 2024, where BerryDunn selected five cases for eligibility, five for enrollment, and ten for verification.
    - Our sampling methodology involved reviewing and selecting a sample from a distinct listing of the most recent 6,210,716 eligibility determination transactions completed for each applicant between October 2023 and September 15, 2024, and 1,751,861 eligibility determination transactions from September 17, 2024, through December 31, 2024.

Confidential Information Omitted

N/A

II. PROGRAMMATIC AUDIT FINDINGS

MATERIAL NONCOMPLIANCE:

Finding #2024-001

Criteria:

45 CFR § 155.305 (f) Eligibility for advance payments of the premium tax credit —

(1) In general. The Exchange must determine a tax filer eligible for advance payments of the premium tax credit if the Exchange determines that—

(ii) One or more applicants for whom the tax filer expects to claim a personal exemption deduction on his or her tax return for the benefit year, including the tax filer and his or her spouse—

(A) Meets the requirements for eligibility for enrollment in a QHP through the Exchange, as specified in paragraph (a) of this section; and

(B) Is not eligible for minimum essential coverage for the full calendar month for which advance payments of the premium tax credit would be paid, with the exception of coverage in the individual market, in accordance with 26 CFR 1.36B-2(a)(2) and (c).

And:

45 CFR § 155.345 Coordination with Medicaid, CHIP, the Basic Health Program, and the Pre-existing Condition Insurance Plan.

(a) Agreements. The Exchange must enter into agreements with agencies administering Medicaid, CHIP, and the BHP, if a BHP is operating in the service area of the Exchange, as are necessary to fulfill the requirements of this subpart and provide copies of any such agreements to HHS upon request. Such agreements must include a clear delineation of the responsibilities of each agency to—45 CFR § 155.345

(1) Minimize burden on individuals; 45 CFR § 155.345

(2) Ensure prompt determinations of eligibility and enrollment in the appropriate program without undue delay, based on the date the application is submitted to or redetermination is initiated by the Exchange or the agency administering Medicaid, CHIP, or the BHP;

Additionally, the related provisions from 26 CFR covering the eligibility for premium tax credits:

26 CFR § 1.36B-2 Eligibility for premium tax credit.

(a) In general. An applicable taxpayer (within the meaning of paragraph (b) of this section) is allowed a premium assistance amount only for any month that one or more members of the applicable taxpayer's family (the applicable taxpayer or the applicable taxpayer's spouse or dependent)—

(1) Is enrolled in one or more qualified health plans through an Exchange; and

(2) Is not eligible for minimum essential coverage (within the meaning of paragraph (c) of this section) other than coverage described in section 5000A(f)(1)(C) (relating to coverage in the individual market).

Condition and Context:

Covered California disclosed defects in the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) during examination interviews. The defects impacted eligibility determinations during the examination period, where the system determined redundant eligibility for a QHP with APTC, and Medi-Cal, in certain scenarios. A determination of eligibility for both Medi-Cal, which is minimum essential coverage, and a Qualified Health Plan with APTC, is not compliant with the regulations noted above.

As part of the examination procedures, BerryDunn conducted reperformance testing for a sample of 60 eligibility determinations and identified one eligibility determination where the applicant was determined eligible for APTC during the same period for which they had been determined eligible for Medi-Cal, California's Medicaid program.

In this case, the applicant received an eligibility determination of November 5, 2023 for Plan Year (calendar year) 2024 coverage, and the notice provided to the applicant noted the applicant as eligible for both a QHP with APTC, and Medi-Cal. The applicant enrolled in a QHP with APTC effective January 1, 2024, and voluntarily discontinued coverage in April 2024.

45 CFR § 155.305(f)(1)(ii)(B) stipulates that an applicant is not eligible for a QHP with APTC if the applicant is eligible for minimum essential coverage.

As part of the reperformance testing, BerryDunn identified one additional eligibility determination scenario of the 60 tested where the applicant was held in "carry forward" transition since 2021. In this scenario the applicant is potentially eligible for MAGI Medi-Cal, but maintains their QHP

and APTC eligibility until the Medi-Cal eligibility is fully determined. The applicant in this sample had income that was 85% of the federal poverty level, under the 138% threshold for Medi-Cal, but was determined eligible for a QHP with APTC instead of MAGI Medi-Cal. This eligibility scenario appears to have persisted since 2021.

45 CFR § 155.345(a) stipulates that an exchange must enter into an agreement with agencies administering Medicaid to ensure prompt determinations of eligibility and enrollment. In this case, the applicant did not receive a prompt determination for either Medi-Cal or QHP but rather received a determination of eligibility for both programs. According to CalHEERS, the applicant was in the carry forward status since 2021, which cannot be reasonably considered a prompt determination of eligibility.

Cause:

Covered California identified and tracked defects during the examination period that impacted the eligibility of applicants, where an applicant may be determined eligible for both Modified Adjusted Gross Income (MAGI) Medi-Cal, and a QHP with APTC. The defects were tracked as follows: 277035, 265688, and 277041.

CalHEERS did not properly identify the conflicting MAGI Medi-Cal minimum essential coverage in this scenario where the state's electronic data source, MEDS, returned a value showing the applicant as eligible for Medi-Cal.

In the second scenario noted, the applicant was placed in carry forward transition and therefore their eligibility for Medi-Cal was not processed to properly remove the applicant from carry forward transition and provide a definitive determination of eligibility for Medi-Cal or a QHP.

Effect:

In both scenarios, the applicants enrolled in a QHP instead of utilizing Medi-Cal coverage for which they may have been eligible. The applicant in the first scenario may have improperly incurred a cost to purchase health insurance through the marketplace and may have received APTC for which they may be ineligible for under the Internal Revenue Code. The applicant in the second scenario may have incurred cost associated with the use of a private health plan that would not have been incurred under a Medi-Cal plan.

Finding #2024-002

Criteria:

45 CFR § 155.320(c)(3)(iii)(F) stipulates: If, at the conclusion of the period specified in § 155.315(f)(2)(ii), the Exchange remains unable to verify the applicant's attestation, and the information described in paragraph (c)(3)(ii)(A) of this section is unavailable, the Exchange must determine the tax filer ineligible for advance payments of the premium tax credit and cost-sharing reductions, notify the applicant of such determination in accordance with the notice requirements specified in § 155.310(g), and discontinue any advance payments of the premium tax credit and cost-sharing reductions in accordance with the effective dates specified in § 155.330(f).

Condition and Context:

During the examination period, Covered California did not discontinue financial assistance for applicants who failed to respond to a conditional eligibility notice for income within the 95-day reasonable opportunity period (ROP). Per Covered California policy, applicants are provided a 5-day processing time in addition to the 90 days required by federal regulations, for a total of 95 days. When income cannot be verified, Covered California's policy is to send a notice and provide the consumer with 95 days to clear the inconsistency. Covered California noted during the eligibility and enrollment inquiry:

"If, at the conclusion of the 95-day Reasonable Opportunity Period, Covered California remains unable to verify the applicant's attestation, Covered California will:

a. Determine the applicant's eligibility based on the tax filer's tax return data.

b. Notify the applicant of the determination

c. Implement such determination in accordance with the effective dates specified in Effective Dates of Coverage."

BerryDunn identified that financial assistance was not redetermined after expiration of the applicable ROP, as required by Covered California policy, for 6 cases from a sample selection of 125.

Cause:

Covered California decided not to take action on cases in which the income ROP had expired during the examination period.

Effect:

Applicants were conditionally eligible for a longer period than stipulated by state and federal requirements. Applicants could have received an incorrect amount of financial assistance because Covered California did not take action to remove or update financial assistance for applicants who did not provide supporting documentation in a timely manner.

Finding #2024-003

Criteria:

45 CFR § 155.305(f)(5) *Calculation of advance payments of the premium tax credit.* The Exchange must calculate advance payments of the premium tax credit in accordance with 26 CFR 1.36B-3 and § 155.340(i) of this subpart.

And:

45 CFR § 155.330(g) *Recalculation of advance payments of the premium tax credit and cost-sharing reductions.*

> (1) When an eligibility redetermination in accordance with this section results in a change in the amount of advance payments of the premium tax credit for the benefit year, the Exchange must:
>
> > (i) Recalculate the amount of advance payments of the premium tax credit in such a manner as to account for any advance payments already made on behalf of the tax filer for the benefit year for which information is available to the Exchange, such that the recalculated advance payment amount is projected to result in total advance payments for the benefit year that correspond to the tax filer's total projected premium tax credit for the benefit year, calculated in accordance with 26 CFR 1.36B-3 (or, if less than zero, be set at zero); or

Condition and Context:

In scenarios where an applicant and/or a member of their tax household was previously enrolled in a Qualified Health Plan, and received APTC during the tax-year, the current APTC calculation must account for APTC already paid on behalf of the applicant(s), so that the total APTC paid on behalf of the applicant(s) in the tax-year corresponds to the total projected premium tax credit that the applicant would be eligible for in the tax-year. This calculation is referred to as rebalancing and can occur numerous times throughout the tax and plan year, which means the tax household’s eligible and awarded APTC can change multiple times during the year.

BerryDunn identified one enrollment determination from a sample selection of 60 for which values within the determination did not match the calculation manually reperformed by BerryDunn or CalHEERS. The determination made on May 6, 2024 resulted in an APTC of

$578.50, while BerryDunn and CalHEERS calculated that the correct amount should be approximately $628.81. The CalHEERS manual calculator and BerryDunn's calculation considered the APTC used prior to the May 6, 2024 determination and the benchmark plan premium of the tax household over the course of the year to arrive at $628.81.

In this sample selection, the applicant received three eligibility determinations on May 6, 2024, and the awarded annual APTC amount was updated on two of the determinations. However, the change in awarded annual APTC amount was not reflected in the awarded monthly APTC amount which was shown in the portal as $578.50.

Cause:

CalHEERS is designed to determine eligibility at the time an application is submitted. Each application submission results in a distinct eligibility determination for the applicant in CalHEERS. Each determination results in a coverage start date which notes when the results of the new determination can become effective for the applicant if they take the required actions. In the case of the sample selection, the system did not appear to be properly incorporate all relevant data in the recalculation of the APTC on May 6, 2024.

Effect:

The applicant's tax household may not have been awarded the correct amount of APTC for the tax and plan year due to CalHEERS not properly considering information in the system regarding the household's income, benchmark plan premium, and APTC used previously in the year. If the applicant's household received an incorrect amount of monthly APTC, or annual APTC, it could cause the household to pay a larger share of the health insurance premiums, or an unexpected reconciliation of APTC on the household's required 2024 Tax Return filing.

Finding #2024-004 (Uncorrected Prior Year Finding 2023-004)

Criteria:

45 CFR § 155.260(a)(3)(vii) stipulates: Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure.

Additionally, the Covered California Administrative Manual requires that all users "shall agree to, acknowledge and follow the security protocols outlined in the Acceptable Use Statement."

Condition and Context:

BerryDunn reviewed prior year examination findings, including findings previously identified by Covered California's prior auditor, and assessed whether the conditions still existed during the plan year January 1, 2024 to December 31, 2024. During the plan year 2022 audit, the prior auditor identified instances where employees, contractors, consultants, student aids, and Board members with VPN access had not completed a Telework Agreement or Remote Access Agreement. Additionally, we were not provided with evidence demonstrating that users had completed the required Acceptable Use Statement.

The prior year finding was identified as 2023 #4. Covered California noted that this finding had not been remediated as of December 31, 2024. However, the Covered California Information Technology (CCIT) Division has implemented a verification process to ensure that remote access requests address a legitimate need and have been properly requested by the employee or contractor's supervisor or manager, prior to establishing new remote access user accounts. The Covered California Human Resources Branch (HRB) has implemented a policy requiring all employees to complete a Telework Agreement that is approved within two business days of the individual's start date.

The Covered California Information Technology Division originally planned to implement a formal process by April 1, 2024 to ensure that all contractors, consultants and other non-civil service workers have signed a Remote Access Agreement or Telework Agreement no later than two business days after beginning a telework or remote access assignment, and an Acceptable Use Statement by the end of their onboarding. The Exchange reported that the implementation of this process has been delayed to Plan Year 2025.

Cause:

CCIT did not have a formal policy that required employees to complete a Remote Access Agreement before obtaining remote access to Covered California systems. CCIT did not coordinate with HRB to verify that a Telework Agreement was completed prior to granting remote access to employees, and no processes were in place to validate remote access users with the HRB telework database. Vendor contracts did not include consistent language requiring contractor staff to acknowledge and sign an Acceptable Use Statement by the end of their onboarding. Additionally, records were not maintained to verify that the required acknowledgements and forms were completed.

Effect:

The lack of proper remote access policies and procedures could allow inappropriate access to Personally Identifiable Information (PII) of applicants and enrolled members whose information is maintained in Covered California systems.

Finding #2024-005 (Uncorrected Prior Year Finding 2023-005)

Criteria:

45 CFR § 155.260 (3) stipulates: The Exchange must establish and implement privacy and security standards that are consistent with the following principles:

> (vii) Safeguards. Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure; and,
>
> (viii) Accountability. These principles should be implemented, and adherence assured, through appropriate monitoring and other means and methods should be in place to report and mitigate non-adherence and breaches.

Condition and Context:

BerryDunn reviewed prior year examination findings, including findings previously identified by Covered California's prior auditor, and assessed whether the condition still existed during the plan year January 1, 2024 to December 31, 2024. An audit finding from the plan year 2022 audit noted that service center surge contractor staff did not sign Covered California Remote Access Agreements and Acceptable Use Statements, as required by Covered California's privacy and security standards and the executed contract between Covered California and the surge contractor. Further, Covered California did not monitor contractors' compliance with the requirement that all staff must sign a Covered California Remote Access Agreement and an Acceptable Use Statement.

The prior examination finding was identified as 2023 #5. Covered California noted that this finding had not been fully remediated as of December 31, 2024. The Covered California Information Security Office (ISO) originally planned to implement a formal process by April 1, 2024 to conduct monthly access monitoring reviews of all active contractors, consultants, and other non-civil service workers. The Exchange reported that the implementation of this process has been delayed to Plan Year 2025.

Cause:

Covered California does not have processes in place to monitor contractors' compliance with the requirement that all staff sign a Covered California Remote Access Agreement no later than two business days after beginning a remote access assignment, and sign an Acceptable Use Statement by the end of their onboarding.

Effect:

Personally identifiable information could be accessed by, or disclosed to, unauthorized individuals.

Finding #2024-006 (Uncorrected Prior Year Finding 2023-007)

Criteria:

According to California Code of Regulations (CCR) Title 10, § 6464 - Identity Verification Requirement (CCR § 6464), Certified Representatives are defined as:

> (A) Service Center Representative: an Exchange employee operating in a call center as set forth in 45 C.F.R. section 155.205(a);
>
> (B) Certified Enrollment Counselor as defined in section 6650;
>
> (C) Certified Application Counselor as defined in 45 C.F.R. section 155.225;
>
> (D) Certified Insurance Agent as defined in section 6800;
>
> (E) Certified Plan-Based Enroller as defined in section 6410.

CCR § 6464 also stipulates:

> 1) An applicant shall mail, present in person, or electronically transmit through CalHEERS to the Exchange or to a Certified Representative acceptable proof of identity […]
>
> 2) If submitted in person or by mail, a Certified Representative shall upload a copy of the identity documents to CalHEERS.

Condition and Context:

BerryDunn reviewed prior year examination findings, including findings previously identified by Covered California's prior auditor and assessed whether the condition still existed during the plan year January 1, 2024 to December 31, 2024. During the plan year 2022 audit, the prior auditor tested a sample of 50 households that failed the Remote Identify Proofing (RIDP) process and therefore required verification by an alternative method prior to approval of enrollment into a QHP. The plan year 2022 test included an assessment of whether appropriate documentation had been uploaded into the CalHEERS Portal. Through this testing, the prior auditor identified that for two (2) of 50 sampled households, proof of identity documentation was uploaded by county eligibility workers. CCR § 6464 indicates that only Certified Representatives can verify and upload customer identify verification documents. County eligibility workers are not defined as Certified Representatives according to the CCR.

The prior year finding was identified as 2023 #7. Covered California noted that this finding had not been remediated as of December 31, 2024. However, the Office of Administrative Law approved updates to the Identify Verification Requirement regulations in 10 CCR § 6464 on February 10, 2025, that address this finding.

Cause:

The CCR had not been updated to include county eligibility workers as Certified Representatives who can assist customers with the identify verification process.

Effect:

County eligibility workers that operate as application assisters were not in compliance with California regulations. Counties provide their own identify proofing guidance that may differ from Covered California's guidance. County workers may lack access to the specific guidance and ongoing support readily available to Exchange-certified representatives. County workers also may not be subject to the same level of direct oversight as Exchange-certified representatives, increasing potential for missed irregularities or errors.

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE:

We identified certain deficiencies in internal control over compliance, described in Findings 2024-001 through 2024-006, that we consider to be material weaknesses.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE:

N/A

PROGRAMMATIC AUDITOR'S OPINION:

☒ **QUALIFIED**

☐ **UNQUALIFIED**

☐ **ADVERSE**

☐ **DISCLAIMER**

ADDITIONAL COMMENTS:

N/A

III. RECOMMENDATIONS

Finding #2024-001

Recommendation:

Covered California informed BerryDunn that defect 277035 was addressed in release 24.7 in July 2024, and defects 265688 and 277041 were addressed in release 24.9 in September 2024.

BerryDunn recommends that Covered California coordinate with CalHEERS to verify the cause of the applicant determination as eligible for both programs within the same calendar month and assess whether additional resolution is needed to help ensure that minimum essential coverage eligibility properly results in a determination of ineligibility for APTC, thereby preventing redundant eligibility scenarios that are noncompliant with the aforementioned regulations.

BerryDunn recognizes that the applicant in carry forward transition since 2021 was awaiting resolution of their Medi-Cal application by DHCS, however, 45 CFR § 155.345 stipulates that a state-based exchange must enter into an agreement with the state Medicaid agency to "Ensure prompt determinations of eligibility and enrollment in the appropriate program without undue delay…". While the procedures that exist between Covered California and DHCS may require action to be taken by DHCS, as an integrated state-based exchange the regulations require the state-based exchange ensure compliance with the requirements of 45 CFR Part 155. We recommend that Covered California coordinate with DHCS to help ensure that both the Exchange and the state Medicaid agency process applications and determine eligibility in a manner that meet timeliness standards of 45 CFR (Affordable Care Act) and 42 CFR (Medicaid).

Finding #2024-002

Recommendation:

BerryDunn recommends that Covered California utilize the system functionality to consistently redetermine financial assistance for applicants that do not provide supporting evidence to resolve an income inconsistency within the ROP.

Finding #2024-003

Recommendation:

BerryDunn recommends that Covered California work with CalHEERS to determine the cause of the potentially incorrect APTC amount, and whether there is a systemic defect or the case had a specific factor that caused the potentially incorrect APTC amount.

Finding #2024-004 (Uncorrected Prior Year Finding 2023-004)

Recommendation:

BerryDunn recommends that CCIT continue progress on implementation of a 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. BerryDunn recommends that CCIT continue to work with HRB 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. Additionally, BerryDunn recommends that Covered California 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.

Finding #2024-005 (Uncorrected Prior Year Finding 2023-005)

Recommendation:

BerryDunn recommends that the Covered California ISO continue progress on implementation of a formal process 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.

Finding #2024-006 (Uncorrected Prior Year Finding 2023-007)

Recommendation:

BerryDunn does not have a recommendation because Covered California remediated this finding after the examination period.

IV. FINANCIAL STATEMENT AUDITOR'S OPINION

BerryDunn does not perform the financial audit for Covered California.

V. CONCLUSION

Based on a review of the documentation required for this report, in our opinion, except for the material noncompliance described in the Audit Findings section of this report, Covered California complied with the requirements of 45 CFR § 155, Subparts C, D, E, and K during the year ended December 31, 2024, in all material respects.

SIGNATURE OF AUDIT FIRM:

COMPLETION DATE OF AUDIT:

FINDINGS REPORT: May 13, 2025