# Response to June 20, 2025 Audit Committee Question: Relationship Between the 2022 Programmatic Audit and the Upcoming Internal Audit of Agent Agreements

## Background:

During the June 2025 Audit Committee meeting, the Chief Audit Executive, Kirk Marston, presented the Fiscal Year 2025-26 Risk-Based Internal Audit Plan to the Committee. One of the internal audits planned for this fiscal year focuses on Agreement Agreements. The objective for this audit is to assess whether agents are effectively monitored to ensure compliance with their agreements.

## Question:

At the June 2025 Audit Committee meeting, Ms. Sumi Sousa inquired about the relationship between the planned internal audit of Agent Agreements and the finding from the 2022 Programmatic Audit, which also addressed aspects of Agent Agreements.

## Covered California's Research and Response:

The 2022 Programmatic Audit and the upcoming internal audit of Agent Agreements are not directly related. While both audits address Agent Agreements, they focus on distinct aspects and scopes:

- 2022 Programmatic Audit: This audit identified a specific issue concerning Covered California for Small Business (CCSB) agents. Specifically, it found that a formal process to recoup commission overpayments for inactive or decertified CCSB agents had not yet been established. Corrective actions to address this finding are currently nearing full implementation in alignment with the external auditors' recommendations.

- Upcoming Internal Audit: This upcoming internal audit is broader in scope and centers on Covered California's individual market. It will examine whether agents are complying with their agreements and assess the systems and controls in place to monitor and oversee their compliance. This audit will also focus on whether policies and procedures are consistently followed.

While both audits involve Agent Agreements, the 2022 Programmatic Audit addressed a specific CCSB-related issue, whereas the upcoming internal audit will take a more comprehensive approach to evaluating processes and controls for agent activities.