

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES
Thursday, August 21, 2025

Location:

Covered California Tahoe Auditorium
1601 Exposition Blvd.
Sacramento, CA 95815

Agenda Item I: Call to Order, Roll Call, and Welcome

Kirk Marston, Chief Audit Executive, Office of Audit Services (OAS) at Covered California, welcomed everyone to the meeting.

Mr. Marston called the meeting to order at 2:53 PM.

Audit Committee Members Present During Roll Call:

Craig Cornett
Sumi Sousa

Conflict Disclosure: A conflict disclosure was performed and there were no conflicts from the Committee members that needed to be disclosed.

Agenda Item II: June 20, 2025 – Audit Committee Meeting Minutes

Mr. Marston presented the June 20, 2025 Meeting Minutes for approval.

Audit Committee Discussion: Mr. Cornett requested page three, paragraph two of the June 20, 2025 Meeting Minutes to be amended to show that he asked about the functioning of the audit committee, rather than Ms. Sousa.

Motion/Action: Craig Cornett moved to approve the amended Audit Committee Meeting Minutes for June 20, 2025. Sumi Sousa seconded the motion.

Public Comment: None

Vote: The motion was approved by unanimous vote.

Agenda Item III: Audit Results

External Audit Results – 2024 Programmatic Audit

Mr. Martson introduced two representatives from Covered California's contracted consulting firm, BerryDunn: Senior Manager Vanessa Maybury and Manager Elliott Simpson, who presented their findings from the 2024 Programmatic Audit.

Ms. Maybury summarized the audit procedures, standards, and rules for the period of January 1, 2024 to December 31, 2024, aimed at ensuring compliance with Title 45 of the Code of Federal Regulations (45 CFR) and certain California regulations. The audit focused on eligibility, enrollment, and verification testing for plan year 2024, with 125 cases tested for verification rules, 60 for eligibility, and 60 for enrollment compliance. Six areas of material noncompliance were identified.

Finding 2024-1

BerryDunn identified two noncompliance issues in eligibility determinations: dual eligibility for Medi-Cal and Advance Premium Tax Credit (APTC) in one case, and prolonged Carry Forward transition for Qualified Health Plan (QHP)/APTC eligibility since 2021 in another. These issues led to applicants enrolling in QHPs instead of Medi-Cal. BerryDunn recommended investigating causes, resolving dual eligibility, and ensuring compliance with regulations under 45 CFR.

Audit Committee Discussion:

Ms. Sousa inquired about prolonged Carry Forward status for an individual at 85% of the Federal Poverty Level (FPL). Ms. Katie Ravel, Director, Policy, Eligibility, and Research Division (PERD) explained that the Carry Forward status is designed to protect Covered California consumers who report changes that make them appear Medi-Cal eligible. It ensures they remain covered while counties evaluate their eligibility, avoiding gaps in coverage or forcing them to navigate Medi-Cal independently. She suspected this specific case was caused by the COVID situation and assured regular monitoring to address duplicate enrollments and related issues.

Executive Director Jessica Altman emphasized the need to address delays in transitioning consumers between Covered California and Medi-Cal, proposing follow-ups with counties for prolonged Carry Forward cases while ensuring coverage continuity and avoiding dual enrollment.

Ms. Sousa noted that during the 2021 COVID protections, no one was automatically terminated, which might explain past issues. Today, eligibility processes are stricter, and such cases would result in terminations. Ms. Altman clarified that the Carry Forward status ensures consumers are not terminated until counties confirm Medi-Cal enrollment, creating a hand-off between programs. Ms. Ravel emphasized the goal of transitioning low-income consumers to Medi-Cal appropriately, while Mr. Cornett highlighted that counties must make the final determination. Ms. Altman also pointed out that income reporting can sometimes lead to misunderstandings about eligibility, requiring case reviews. The group agreed that Carry Forward status should not exceed 365 days and discussed potential system improvements for monitoring prolonged statuses.

Ms. Sousa sought clarification from the auditor about the sampling process. She wanted to confirm that the sampling was designed to be statistically valid but did not imply broader assumptions about the entire population of transactions. Specifically, any findings from the sample (e.g., one or two deviations) were not intended to represent a

specific percentage or proportion of all transactions. Instead, each finding was treated as an isolated observation rather than indicative of a larger trend or pattern.

Mr. Simpson stated their sampling approach followed the American Institute of Certified Public Accountants (AICPA) guidance and was statistically based, avoiding extrapolation. Ms. Maybury clarified they focused only on material deviations, excluding immaterial ones and management letter comments.

Finding 2024-2

Ms. Maybury stated that BerryDunn identified six out of 125 cases where financial assistance was not removed or redetermined after the Reasonable Opportunity Period (ROP) expired, resulting in extended conditional eligibility and potentially incorrect financial assistance amounts. She also noted that Covered California did not act on applicants who failed to provide documentation in a timely manner.

BerryDunn recommended ensuring consistent system functionality to redetermine financial assistance for unresolved inconsistencies within the ROP. Ms. Mayberry clarified that the system was designed correctly but had implementation issues. A corrective action plan was executed, and updates were successfully implemented with Release 24.2 (Release Notes for Certified Enrollers), adding flexibility in accepting tested income in the absence of IRS data. Covered California began piloting income ROP auto-discontinuance batch processing, targeting completion by December 2025.

Ms. Altman clarified that Covered California's system releases are named by year and month, not sequentially; for example, Release 24.2 refers to the February 2024 release.

Finding 2024-3

Mr. Simpson said that BerryDunn identified one case out of 60 where the APTC determination did not match their manual calculations. The discrepancy may have occurred due to California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) not properly factoring in the household's income, benchmark plan premium, and prior APTC usage.

BerryDunn recommended Covered California collaborate with CalHEERS to investigate the cause of the potentially incorrect APTC amount, determining whether it was due to a systemic defect or unique case factors. Covered California's corrective action plan concluded CalHEERS was functioning as designed. The case involved multiple Business Rules Engine (BRE) runs and administrative overrides, adding complexity to the APTC calculations. Despite this, the consumer ultimately received the correct APTC amount.

Audit Committee Discussion:

Mr. Cornett inquired about administrative overrides, and Ms. Ravel and Ms. Altman explained they involved service center representatives correcting system errors through consumer interactions and multiple transactions.

Finding 2024-4

Mr. Simpson reported that since plan year 2022, auditors found employees, contractors, consultants, and Board members with virtual private network (VPN) access had not completed required telework agreements and there was no proof of signed acceptable use statements. This created potential vulnerabilities for unauthorized access to applicant and member data within Covered California systems.

BerryDunn recommended the Covered California Information Technology (CCIT) department establish formal processes to ensure remote access agreements are signed within two days of onboarding and collaborate with the Human Resources Branch (HRB) to implement a formal process for granting timely remote access after completing required forms.

BerryDunn recommended Covered California review vendor contracts for consistent acceptable-use statements and acknowledged its corrective action plan to implement a formal remote access process by July 2026.

Audit Committee Discussion:

Ms. Sousa questioned the delay in signing telework agreements, and Ms. Altman explained it was due to the complexity of managing agreements for surge vendors and call center staff amid a changing workforce. Covered California opted to create a centralized system to track agreements across all vendors for a long-term solution, which required more time to implement.

Ms. Sousa questioned whether employees could have been prioritized over contractors due to process complexity. Chief Information Officer, Kevin Cornish, clarified that employees were prioritized, and their process is essentially complete, including policies and systems in place. For contractors, the process is more complex due to third-party involvement, high turnover, and high volume, requiring extra effort. The audit finding remains open but is expected to be resolved by July 2026.

Finding 2024-5

In the plan year 2022 audit, previous auditors found that surge contractor staff failed to sign required remote access agreements and acceptable-use statements, and Covered California did not monitor compliance, risking unauthorized access to personally identifiable information (PII).

BerryDunn recommended that Covered California should ensure all active contractors, consultants, and non-civil service workers sign a remote access agreement within two business days of starting a remote access assignment and an acceptable-use statement by the end of onboarding. Mr. Simpson stated that Covered California plans to implement the formal monitoring process by July 1, 2026, consistent with the previous timeline.

Audit Committee Discussion:

Mr. Cornett asked for confirmation that this finding was very similar to the previous, but specific to surge contractors. Mr. Simpson confirmed this, explaining that the previous

auditor classified them as two separate findings. Since the auditor identified material noncompliance, the findings were not combined. Ms. Maybury agreed with this assessment. Mr. Cornish explained that the findings were specific to the surge vendor for high-volume service center operations, noting that a new contract with the surge vendor is mostly implemented and will be completed through Open Enrollment, with corrective action follow-up planned for July 2026.

Finding 2024-6

Ms. Mayberry stated that a prior-year audit for plan year 2022 found noncompliance with California regulations due to county eligibility workers uploading identity verification documents, a task restricted to certified representatives under the California Code of Regulations 6464. The issue stemmed from insufficient guidance and support for certified representatives. Covered California resolved the issue in February 2025, prior to the report's issuance, eliminating the need for further recommendations.

Audit Committee Discussion:

Mr. Cornett summarized that there were six audit findings, three from 2022 (one resolved, two related to the same issue) and three new ones. Mr. Marston confirmed this and called it a positive report card. Mr. Cornett asked how this compared to last year's audit, and Ms. Altman responded that there were fewer findings this year. She attributed past findings to COVID-related challenges and sub-regulatory CMS guidance but noted improvements in compliance and audit processes due to investments. Ms. Altman praised Ms. Ravel, Mr. Cornish, and others for their efforts. Mr. Marston closed by thanking Ms. Maybury and Mr. Simpson, and Ms. Maybury expressed gratitude.

Public Comment: None

External Audit Results – Fiscal Year 2023-24 Financial Statements Audit

Mr. Marston presented the CMS-required audit conducted by independent external auditor Macias Gini and O'Connell (MGO), previously reviewed by Covered California's Finance Committee. The audit confirmed that Covered California's financial statements complied with accepted accounting principles and government standards, receiving an unmodified opinion (fair presentation in all material respects). MGO found no material weaknesses in internal controls or instances of noncompliance, highlighting the accuracy and reliability of the financial statements. Mr. Marston praised the Financial Management Division for their efforts.

Audit Committee Discussion:

Ms. Sousa highlighted the unique audit process, involving separate reviews by the audit and finance committees. Ms. Altman clarified that the financial audit is reported to both committees annually before reaching the full board. Mr. Marston provided historical context, noting the committees were once combined but later separated. Mr. Cornett congratulated the team, and Mr. Marston echoed the sentiment.

Public Comment: None

Internal Audit Results – State Privacy Requirements Audit

Mr. Marston introduced Kevin Cathy, Branch Chief of the Office of Audit Services. Mr. Cathy presented the State Privacy Requirements Audit, which reviewed Covered California's Privacy Office compliance with state privacy laws for protecting consumers' PII. Positive findings included effective incident tracking, timely consumer notifications, strong policies, and robust employee training. Two other findings noted the absence of a centralized log for contracts involving PII and delayed completion of privacy training by employees. Recommendations were made to improve contractor oversight and training monitoring, and Mr. Cathy confirmed the Privacy Office is implementing these changes.

Audit Committee Discussion:

Mr. Cornett asked about the organizational placement of Covered California's Office of Privacy. Ms. Altman explained it is part of the Office of Legal Affairs, reporting to Brandon Ross, Chief Deputy Executive Director, through Allison Pease, Director of Legal Affairs. Mr. Cornett then inquired about California's statewide Privacy Office and whether it assists Covered California. Kathleen Webb, Chief Deputy Executive Director of Operations, confirmed this, and Mr. Cathy added that, per Ms. Webb, the statewide office provides support. Mr. Cornett noted his curiosity about the statewide Privacy Office's functions and its collaboration with state agencies.

Public Comment: None

Internal Audit Results – State Personnel Board (SPB) Compliance Review Follow-Up Audit

Mr. Cathy summarized the SPB's triannual external audit results from early 2023, which identified nine findings across key areas such as equal employment opportunity, training, compensation, and pay. Of these findings, three were resolved, while six required further corrective action related to bilingual services documentation, employee leave records, performance appraisals, ethics training, leadership training, and sexual harassment prevention training. Covered California's Human Resources Branch, Covered California University (CCU), and the Equal Employment Opportunity (EEO) office are actively addressing these issues, with expectations of significant improvement by SPB's next review. Mr. Cathy expressed appreciation for the collaboration across teams.

Audit Committee Discussion:

Mr. Cornett expressed concerns about the number of employees who did not receive performance appraisals in a timely manner, questioning whether the delays were minor or substantial. Rachael McCord (Deputy Director of Human Resources) acknowledged delays affecting 20 employees, ranging from one week to six months, with some evaluations left incomplete. She noted this issue was common across state agencies and outlined efforts to address it, including surveys, supervisor training programs, dashboards, and reporting tools to monitor overdue evaluations. Mr. Cornett shared his experience of supervisors avoiding evaluations due to complexity; Ms. McCord agreed

and emphasized the importance of identifying support needs and fostering year-round dialogue between supervisors and employees to improve evaluation completion.

Public Comment: None

Audit Committee Discussion:

Referring to an earlier discussion, Ms. Sousa confirmed with Ms. Altman that the Macias Gini O'Connell report was presented to the Finance Committee and Board. Jim Watkins, Chief Financial Officer and Director of the Financial Management Division, explained the financial statements included comparative data (two years for statements, three years for the management discussion). Ms. Sousa valued the report's comprehensive nature and its assurance of no going concerns, suggesting it could benefit the Board. Ms. Altman agreed to consider sharing the report with the Board.

Mr. Watkins outlined three types of financial statements), the Board-approved financial statements (cash inflows and outflows), the budgetary legal financial statements (transactions flowing through the fund filed with the controller's office), and the annual comprehensive financial statements (including both current and long-term assets and liabilities, such as pension liabilities and other post-employment benefits). Ms. Sousa noted the broader data could be valuable to the Board. Mr. Watkins agreed.

Agenda Item IV: Wrap-Up and Next Steps

Mr. Marston outlined the potential dates for future meetings as well as the potential meeting topics.

The meeting adjourned at 3:52 PM.