COVERED CALIFORNIA

MEMORANDUM

September 16, 2025

TO: Katie Ravel, Director
Policy, Eligibility, and Research Division

Kirk Marston

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

RE: Policy, Eligibility, and Research Division – Final Audit Report – Contract Management Audit (Assignment #2425.04)

In accordance with the Fiscal Year 2024-25 Internal Audit Plan that was approved by Covered California's Audit Committee in August 2024, the Office of Audit Services conducted an audit to assess the Policy, Eligibility, and Research Division's contract management processes in accordance with policies, procedures, and applicable requirements for the scope period July 1, 2023, through June 30, 2024. Our report of this audit is attached.

We appreciate the cooperation and assistance of the Policy, Eligibility, and Research Division 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.

Cc: Executive Office
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CONTRACT MANAGEMENT AUDIT

COVERED CALIFORNIA
POLICY, ELIGIBILITY, AND RESEARCH DIVISION

FINAL AUDIT REPORT

ISSUED ON:
SEPTEMBER 16, 2025

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

AUDIT TEAM:
KIRK MARSTON, CHIEF AUDIT EXECUTIVE
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Table Of Contents

Executive Summary

Objective and Scope

The Office of Audit Services conducted an audit to assess the Policy, Eligibility, and Research Division's (PERD) contract management processes in accordance with policies, procedures, and applicable requirements for the scope period July 1, 2023, through June 30, 2024.

Positive Observations

The following are areas we noted with reasonable assurance where PERD demonstrated effective controls over the contract management process. These positive observations reflect PERD's commitment to Covered California's Strategic Pillars of Affordable Choices, Organizational Excellence, and Catalyst for Change:

- PERD demonstrated effective oversight and monitoring of the contracts they manage, which ensured objectives and deliverables were met.
- PERD effectively managed contract budgets, which ensured accurate budget oversight, project execution, and invoice reconciliation.
- PERD demonstrated efficiency by promptly reviewing and approving all invoices upon receipt from the contractor, which ensured each invoice was supported, accurate, and complied with contract provisions.

Reportable Conditions

We noted a matter below that we consider to be reportable under the *Global Internal Audit Standards*:

- **Applicable contractor employees did not complete the required Statement of Economic Interests form and ethics training.**

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

The Policy, Eligibility, and Research Division (PERD) oversees Covered California's eligibility and enrollment policies. PERD acts as an advisor and resource to management on the development, implementation, and evaluation of program policies, including advising on federal and state exchange policy, rules, and regulations. Additionally, PERD provides accurate, complete, and timely data analysis to support evidence-based decision-making, with a focus on analyzing both enrollment and the care provided by contracted health insurance companies.

PERD managed 11 contracts during Fiscal Year 2023-24. The contracts provided sophisticated data analytics and consultation services to inform and support a wide range of enterprise needs. The services provided informed and supported program policy development and implementation, product and benefit design, marketing, pricing, access to care, and health disparity reduction.

Objective

The objective of this audit was to assess PERD's contract management processes in accordance with policies, procedures, and applicable requirements.

Scope

The scope of this audit covered PERD's contract management processes for the period of July 1, 2023, through June 30, 2024.

Methodology

Our evaluation included gaining an understanding of PERD's policies, procedures, and administration over the contract management process. Additionally, audit procedures were performed to provide assurance on whether PERD effectively managed contractor performance and deliverables, contract budgets, and invoice processing in accordance with Covered California's Administrative Manual, Procurement and Contracting Manual, Program Contract Management Handbook, the California Prompt Payment Act (Government Code Section 927, et seq.), the Political Reform Act (Government Code Section 81000, et seq.), and written procedures.

Results

Positive Observations

The following are areas we noted with reasonable assurance where PERD demonstrated effective controls over the contract management process. These positive observations reflect PERD's commitment to Covered California's Strategic Pillars of Affordable Choices, Organizational Excellence, and Catalyst for Change:

- PERD demonstrated effective oversight and monitoring of the contracts they manage, which ensured objectives and deliverables were met.

- PERD effectively managed contract budgets, which ensured accurate budget oversight, project execution, and invoice reconciliation.

- PERD demonstrated efficiency by promptly reviewing and approving all invoices upon receipt from the contractor, which ensured each invoice was supported, accurate, and complied with contract provisions.

Findings & Recommendations

Finding #1 – Applicable contractor employees did not complete the required Statement of Economic Interests form and ethics training.

Finding Rating:	Priority	High	Medium	Low

Condition

We reviewed four contractor employees who were designated as Statement of Economic Interests (Form 700) filers and identified that:

- Three contractor employees did not have completed annual Form 700s on file (one for 2023 and two for 2024).
- Two contractor employees submitted their 2023 annual Form 700s past the April 1, 2024 deadline (one approximately two months late and the other approximately eleven months late).
- All four contractor employees did not have copies of Attorney General's Ethics Training for State Officials certificates on file.

Criteria

Program Contract Management Handbook (PCMH), Section 6.3 Designated Form 700 Filers, states that contractor staff designated as Form 700 filers are required to complete and file an annual Form 700 no later than April 1st. Additionally, designated filers must also complete the Attorney General's Ethics Training for State Officials at the same time that the initial Form 700 is due and repeated every two calendar years.

Cause

The PCMH does not clearly outline the roles and responsibilities between the Business Services Branch (BSB) and program contract managers for maintaining Form 700 filings and ethics training certificates. As a result, there was a lack of coordination between BSB and PERD to ensure the annual Form 700 filing and ethics training requirements were met.

Effect

Non-compliance with Form 700 and ethics training requirements could expose Covered California to reputational damage and potential violations of state regulations, including penalties. Additionally, operational inefficiencies such as unclear roles, miscommunication, and lack of coordination could impact the monitoring of contractor compliance with filing and training processes.

Recommendation

PERD should work with BSB to ensure applicable contractor employees timely complete the required Form 700 and ethics training.

Conclusion

PERD demonstrated effective controls over the contract management process. The controls ensure alignment with applicable contract management policies, procedures, requirements, and activities. However, as highlighted in the finding we identified, there is an opportunity to improve compliance with Form 700 filer requirements. While the finding is rated as low risk, correcting it will further improve the effectiveness of PERD's contract management process and reduce potential negative impacts to Covered California's reputation, and potential violations of state regulations, including penalties.

Management Response

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

Finding 1:	Applicable contractor employees did not complete the required Statement of Economic Interests form and ethics training.
Recommendation:	PERD should work with BSB to ensure applicable contractor employees timely complete the required Form 700 and ethics training.
PERD Management Response/ Corrective Action:	We will work with BSB, CCU, and OLA to make sure our designated filer vendors are up-to-date on their Ethics training and Form 700 submissions. We will also confirm roles and responsibilities to manage future contracts.
Targeted Completion Date:	December 31, 2025

Evaluation of Response

The corrective action plan provided by PERD if implemented as intended should be sufficient to correct the reportable condition noted. The Office of Audit Services will conduct quarterly follow-ups to provide reasonable assurance that the corrective action plan has been implemented and is operating as designed. Additionally, a follow-up audit may be performed to determine the completion and adequacy of the correction action plan.

We thank PERD for their help and cooperation during this audit.

Appendix A

Finding Ratings

Finding	Priority	High	Medium	Low
1. **Applicable contractor employees did not complete the required Statement of Economic Interests form and ethics training.**				X

Rating Definitions

Priority	Immediate and on-going threat to the achievement of division or Covered California strategic goals and objectives. In particular: - Significant adverse impact on reputation - Non-compliance with statutory requirements - Potential or known financial losses - Substantially raising the likelihood that risks will occur Management must implement corrective actions as soon as possible and monitor the effectiveness.
High	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. - High potential for adverse impact on reputation - Increase in the possibility of financial losses - Increase in the likelihood that risks may occur
Medium	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. - Medium potential for adverse impact on reputation - Potential increase in the likelihood that risks may occur
Low	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.