# Audit Committee Meeting

Deepshikha Kumar, Chief Audit Executive, Office of Audit Services

August 20, 2026

# Audit Committee Agenda

**01** External Audit Results - **Discussion**
- 2025 Programmatic Audit

**02** FY 26-27 Risk-Based Internal Audit Plan – **Action**

**03** Wrap-Up and Next Steps – **Discussion**

COVERED CALIFORNIA

## External Audit Results

# 2025 Programmatic Audit

Colin Buttarazzi, BerryDunn Representative

Discussion

# BerryDunn Presentation to the Audit Committee on Plan Year 2025 Programmatic Audit Results

August 20, 2026

# Suggested Audit Procedures by CMS

The independent external auditor can define its own methodology, as long as guidelines set forth in Generally Accepted Government Auditing Standards are followed.

## Document Review

- Training materials
- Policies and procedures
- Contracts
- Notices to consumers
- Website contents

## Interviews

- Interview marketplace staff members from key functional areas to help assess compliance with 45 CFR 155 requirements

## Testing

- Select a sample of verification files to validate proper processing
- Select a sample of eligibility and enrollment files to validate proper processing

# Eligibility, Enrollment, and Verification Testing Highlights

BerryDunn received a listing of the most recent 6,084,458 eligibility determination transactions completed for each applicant between October 2024 and July 31, 2025, and 2,795,816 eligibility determination transactions from August 1, 2025, through December 31, 2025.

## Verification Testing

- BerryDunn selected 95 cases to test for compliance with verification rules, which included Qualified Health Plan (QHP) applicants only.

## Eligibility and Enrollment Testing

- BerryDunn selected 95 cases to test compliance with eligibility rules, which included Medicaid.
- BerryDunn selected 95 cases to test compliance with enrollment rules, which included QHP applicants only.

## Outcome

- BerryDunn identified six findings, some of which were repeat findings from the prior years.
- BerryDunn's Independent Accountant's Report reflects a "modified" opinion.

# PY25 Audit Scope

- Audit Period: Determinations made for PY2025 (January 1, 2025 – December 31, 2025)
- Programmatic audit was conducted in accordance with AT-C Section 315 of the AICPA's SSAE, and standards as described in Chapter 7 of the 2018 Generally Accepted Government Auditing Standards
- BerryDunn performed the examination to obtain reasonable assurance about whether the Exchange complied, in all material respects, with the specified requirements
- The audit reviews federal government regulations set forth in 45 CFR 155, Subparts C, D, E, and K

# Types of Deficiencies in a Programmatic Examination

## Definitions of Deficiencies for a Programmatic (Compliance) Examination

- The terms “material weakness” and “material noncompliance” for programmatic (compliance) audits are defined by the American Institute of Certified Public Accountants (AICPA) and Government Auditing Standards issued by the Government Accountability Office.
  - A ***material weakness*** is a deficiency, or combination of deficiencies, in internal control over compliance, where there is a reasonable possibility that material noncompliance with a requirement will not be prevented, detected and/or corrected, on a timely basis.
  - ***Material noncompliance*** is a failure to follow compliance requirements, or a violation of prohibitions included in the specified requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance.
- BerryDunn also provided a draft Management Letter that includes additional matters for management’s attention that do not rise to the level of a finding.

# Findings Terminology

## Criteria

- The regulation that the condition is being evaluated against.

## Condition

- A description of the actual situation that exists. It should be a factual description supported in context by the audit evidence, in this case, likely testing.

## Cause

- The reason the condition exists. It should be identified, if possible, and supported by audit evidence. Management often needs to assist in identifying the cause.

## Effect

- The consequence of the condition. It should be described in terms of the impact on the entity's operations and compliance with the relevant laws and regulations.

## Recommendation

- How to correct the condition. It should be realistic and achievable and often needs management input.

# Finding #2025-001

## Condition

- BerryDunn tested a sample of 95 cases for verification and identified five cases where individuals had been erroneously issued household income verification notices during the manual eligibility run. The notices that were provided to these households included due dates from a previous income inconsistency notice. Since these notices were not meant to be sent, the information included in the notice was pulling from the previous verification. For example, one notice that was sent on 9/4/2025 had a due date of 4/7/2025, 150 days before the notice sent date. Each notice's due date ranged from 150 days before the notice sent date to 63 days before the notice sent date

## Cause

- A process gap in the manual eligibility workflow allowed cases with unverified income to be included in the manual eligibility run. This resulted in the generation and mailing of unnecessary notices to applicants with past-due reasonable opportunity period (ROP) dates.

## Effect

- This process gap may cause applicant confusion due to the appearance of past-due ROP dates. In addition, these applicants remained conditionally eligible for financial assistance past their due date.

## Recommendation

- Covered California implemented their corrective action plan related to this finding in December 2025. BerryDunn recommends that the Exchange perform validation and ongoing monitoring of the updated procedures to ensure that exclusion criteria are consistently applied during the Manual Eligibility (MNE) run.

# Finding #2025-002

## Condition

- BerryDunn identified one eligibility determination scenario of the 95 tested where the applicant was held in carry-forward status for multiple years, and their application data was inaccessible within the system. The case was placed in inactive status for the coverage year, with a termination date of November 1, 2025; consequently, it did not receive the data fix that was deployed to the system.

## Cause

- CalHEERS performed a root cause analysis and determined this case was caused by a system defect that returned an error when a case in carry-forward status did not include an application for the current year.

## Effect

- The application for the selected determination date could not be viewed within the system, preventing BerryDunn from observing the information used in the determination. As such, we were unable to determine accuracy of the eligibility determination for this case.

## Recommendation

- BerryDunn recommends the Exchange work with its vendor to monitor the system fix to allow applications to be visible in these scenarios.

# Finding #2025-003 (Prior Year Finding #2024-001)

## Condition

- BerryDunn identified two eligibility determination scenarios of the 95 tested where the applicant was held in carry-forward transition for over one year. 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 applicants in this sample reported income that was 123% and 129% of the federal poverty level, both of which were under the 138% threshold for Medi-Cal but were determined eligible for a QHP with APTC instead of MAGI Medi-Cal. The system defects have been reported since 2022.
- Additionally, BerryDunn conducted verification testing for a sample of 95 eligibility determinations and identified one eligibility determination where the applicant was held in carry-forward status since November of 2023 in an attempt to assess Medicaid eligibility.

## Cause

- The applicants were placed in carry-forward status and did not receive timely Medi-Cal determinations through the eligibility processes managed by DHCS. The lack of resolution of the Medicaid eligibility caused the applicants to remain in carry-forward status with QHP eligibility for extended periods of time.

## Effect

- The applicant in the first scenario may have unnecessarily incurred a cost to purchase health insurance through the marketplace and might have improperly received APTC for which they were ineligible under the Internal Revenue Code. The applicant in the second scenario might have incurred cost associated with the use of a private health plan that would not have been incurred under a Medi-Cal plan.

## Recommendation

- We recommend that Covered California coordinate with DHCS to 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 #2025-004 (Prior Year Finding #2024-002)

## Condition

- BerryDunn identified that financial assistance was not removed or redetermined after expiration of the applicable Reasonable Opportunity Period (ROP), as required by Covered California policy, for six cases from a sample selection of 125 during the PY24 audit and four cases from a sample of 95 during the PY25 audit.

## 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.

## Recommendation

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

# Finding #2025-005 (Prior Year Finding #2024-004)

## Condition

- 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, the prior auditor was not provided with evidence demonstrating that users had completed the required Acceptable Use Statement.

## Cause

- Covered California Information Technology (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 Human Resources Branch (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.

## 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 #2025-006 (Prior Year Finding #2024-005)

## Condition

- 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 Acceptable Use Statement.

## 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.

## Recommendation

- BerryDunn recommends that Covered California 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.

# Questions?

# PUBLIC COMMENT

## CALL: (877) 336-4440

## PARTICIPANT CODE: 6981308

- To request to make a comment, press 10; you will hear a tone indicating you are in the queue for comment. Please wait until the operator has introduced you before you make your comments.
- If watching via the live webcast, please mute your computer to eliminate audio feedback while calling in. Note, there is a delay in the webcast.
- The call-in instructions can also be found on page two of the Agenda.

**EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM**

***Written comment may be submitted to AuditCommittee@covered.ca.gov***

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## Fiscal Year 2026-27

# Risk-Based Internal Audit Plan

Deepshikha Kumar, Chief Audit Executive

Action

# Risk Assessment Methodology

Interviews with Directors, Chief Deputy Executive Directors, Executive Director

State High Risk Audit Program, Audit Plan: January 2026 through December 2027 ~ California State Auditor *(click to follow link)*

High Risk List | U.S. GAO *(click to follow link)*

ERM Risk Register

Emerging External Risks

External Audits Results

# Fiscal Year 2026-27 Risk-Based Internal Audit Plan

## Assurance Engagements for FY 2026-27

| | |
|---|---|
| **Contractor's Privacy and Security Assessment Review**<br>*Information Security/Third Parties* | **Objective:** To determine whether ITD reviews Tier 1 Privacy and Security Safeguards reports submitted by contractors and monitors the timely remediation of findings by contractors. |
| **Certified Agent Compliance Review**<br>*Regulatory Compliance* | **Objective:** To assess and verify whether Covered California certified agents comply with key requirements in the Agent Agreement, Non-Monetary Agreement, Code of Conduct, and related program requirements. |
| **Records Retention Requirement Review**<br>*Data Governance* | **Objective:** To assess the adequacy and effectiveness of controls over records management, including compliance with approved retention schedules, assigned record management responsibilities, and record destruction requirements. |
| **Follow-Up Review of Annual Programmatic Audit Corrective Action**<br>*Regulatory Compliance* | **Objective:** To determine whether corrective action plans developed in response to annual programmatic audit findings have been timely implemented by the responsible divisions and are effectively mitigating the related compliance and operational risks. |
| **Special Reviews** | As requested by the Audit Committee and Executive Management. |

## Advisory Engagement for FY 2026-27

| | |
|---|---|
| **Financial Governance Review**<br>*Financial Governance* | **Objective:** To determine whether divisions effectively plan, justify, monitor, and follow through on budget resources, and whether governance over spending ensures expenditures are timely, appropriately justified, and aligned with approved budgets and Covered California priorities. |

# Carry Over Audits from FY 2025-26

**Health Plan Payments Audit ~ Assurance Engagement**
Completed July 2026

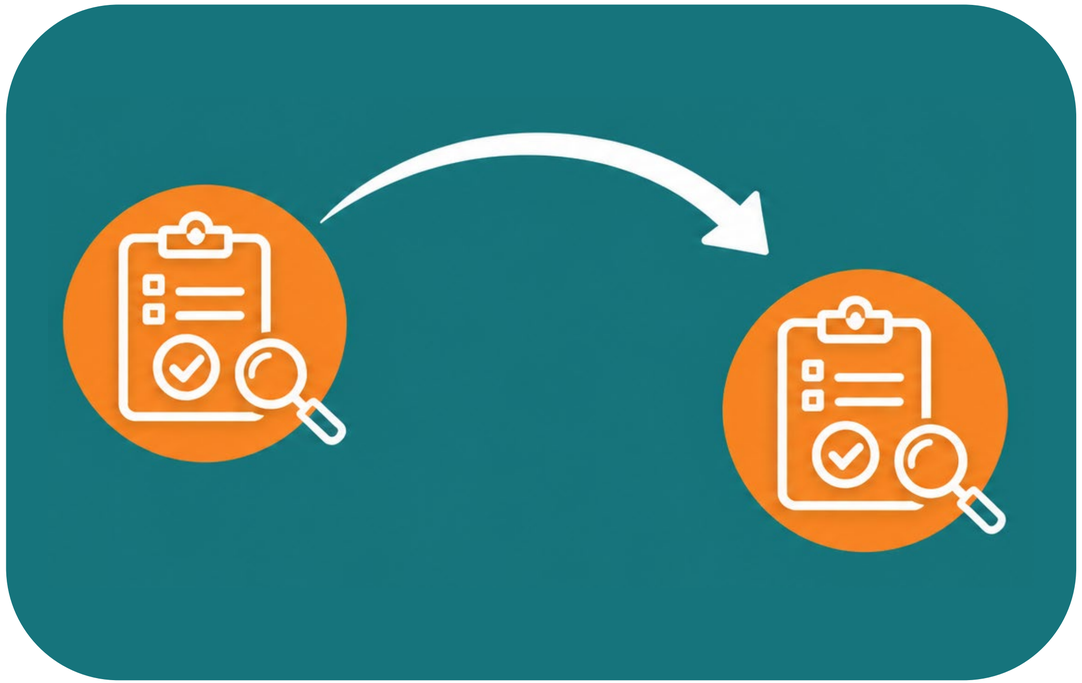
**Physical Security Audit ~ Assurance Engagement**
Est. Completion FY 2026-27 Q1

**Appeals Implementation ~ Advisory Engagement**
Est. Completion FY 2026-27 Q1

**Agent Agreements Audit ~ Assurance Engagement**
(Conducted by BerryDunn)
Est. Completion FY 2026-27 Q1

**Navigator Grant Contract Audit ~ Assurance Engagement**
Est. Completion FY 26-27 Q2

**Follow-Up on Surge Vendor**
**User Access Audit ~ Assurance Engagement**
Est. Completion FY 2026-27 Q2



# Other Internal Audit Activities

- Annual Risk Assessment
- Audit Plan and Budgeting
- Audit Charter
- Audit Manual Update
- Strategic Planning
- Internal Assessment
- Corrective Action Plan Follow-up and Tracking
- Certified Qualified Health Plan Application Evaluation
- Direct Supervision
- Quality Assurance and Improvement Program
- Ad Hoc Audits
- Other

# External Audit Facilitation

- Centers for Medicare and Medicaid (CMS) Advanced Premium Tax Credit Audit
- CMS Annual Programmatic Audit
- Financial Statement Audit
- State Exchange Improper Payment Measurement (SEIPM)
- Other External Audits
- Corrective Action Plan Follow-up and Tracking
- Direct Supervision

# Office of Audit Services Resources

PROFESSIONAL DEVELOPMENT

## Training

**40** **Hours**
of continuing professional education annually

### OAS auditors receive CPE training from:

- The Institute of Internal Auditor (IIA)
- California Association of State Auditors (CASA)
- Association of Certified Fraud Examiners (ACFE)
- American Institute of Certified Public Accountants (AICPA)
- Information Systems Audit and Control Associations (ISACA)

**Annual continuing professional education requirements.**

CAPACITY PLANNING

## Budgeted Hours

**27,200** **Total Budgeted Hours**

**1,600 hours** x **17 FTE positions**

Full Time Equivalent (FTE) positions

**CALCULATION NOTE**

1,600 hours = total hours per employee minus state holidays, vacation, mandatory CPE, etc.

# Requested Audit Committee Action:

- **Action Requested:** The Office of Audit Servies is seeking the Covered California Audit Committee's approval of the proposed Fiscal Year 2026-27 Risk-Based Internal Audit Plan.

# PUBLIC COMMENT

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# Wrap-Up and Next Steps

**Today's Meeting:**

- Approval of FY 2026-27 Internal Audit Plan – **Action**

**Future Meeting:**

- Completed Engagements and Results – **Discussion**
- Internal Audit Charter – Q2 FY 2026-27 – **Action**

# Thank You

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