OFFICE OF AUDIT SERVICES
AUDIT PLAN

Fiscal Year (FY) 2026-27

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FISCAL YEAR 2026-27

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PURPOSE

The purpose of the internal audit function is to strengthen Covered California's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Covered California's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The Institute of Internal Auditor (IIA) Global Internal Audit Standards (GIAS), which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the Audit Committee.
- Internal auditors are free from undue influence and committed to making objective assessments.

As required by the GIAS and the Office of Audit Services' Internal Audit Charter, a risk-based Annual Internal Audit Plan has been prepared for the Audit Committee's review and approval.

VISION

To be a trusted business partner and strategic assurance function that advances governance, effective risk management, and performance across Covered California.

MISSION

To provide independent, objective assurance and advisory services that strengthen governance, improve risk management and internal controls, and help Covered California achieve its strategic objectives.

AUTHORITY

The Office of Audit Services (OAS) was created and operates according to the requirements of Government Code Sections 1236−1237, 3400−13407, and 13885−13888.

OAS Internal Audit Charter further outlines the authority and responsibilities.

The following are additional sources of reference for administrative, operational, or functional policies and procedures applicable to OAS:

- California Government Code Sections 100500–100521
- IRS Publication 1075
- National Institute of Standards and Technology Special Publication 800-53
- OMB A-130 Management of Federal Information Resources
- State Accounting Manual
- Purchasing Authority Manual
- Benefits Administration Manual
- Bargaining Unit Contract Agreements
- State Personnel Board Laws, Rules, and Policies
- Covered California Administrative Manual (CCAM)

ORGANIZATIONAL STRUCTURE

OAS is organizationally part of Program Compliance & Accountability. The Chief Audit Executive (CAE) reports administratively to the Program Integrity Division Director and functionally to the Audit Committee.

PROFESSIONAL AUDIT STANDARDS

OAS follows the mandatory professional auditing standards of the Institute of Internal Auditors' Global Internal Audit Standards and adapts the U.S. Government Accountability Office's (GAO) Generally Accepted Government Audit Standards, when necessary.

TYPES OF OAS SERVICES

OAS performs three types of services:

1. *Assurance* services are internal audit engagements through which internal auditors perform objective assessments to provide assurance regarding Covered California's governance, risk management, and control processes for the activity under review. Examples include compliance, financial, operational/performance, and information technology engagements.

2. *Advisory* services are internal audit engagements through which internal auditors provide advice to stakeholders without providing assurance or assuming management responsibility. The nature and scope of these services are agreed upon with relevant stakeholders. Examples include recommendations or advice, facilitation, and training.
3. *External Audit Coordination* are other audit-related activities under OAS that include coordinating external audits such as Programmatic, Center for Medicare and Medicaid (CMS) Annual Programmatic, Financial Statement, State Exchange Improper Payment Measurement, CMS Advance Premium Tax Credit, Financial Statement Audit, State Personnel Board, Office of Inspector General, and other state and federal audits. While these activities support the broader work of OAS, they are separated from the internal audit's assurance and advisory services under GIAS.

AUDIT PLAN

The following is the internal audit plan for FY 2026-27:

INTERNAL AUDITS

PLANNED INTERNAL AUDIT ENGAGEMENTS

1. Financial Governance Review (Advisory Service)

   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.

2. Contractor's Privacy and Security Assessment Review (Assurance Service)

   To determine whether ITD reviews Tier 1 Privacy and Security Safeguards reports submitted by contractors and monitors the timely remediation of findings by contractors.

3. Certified Agent Compliance Review (Assurance Service)

   To assess and verify whether Covered California certified agents comply with key requirements in the Agent Agreement, Non-Monetary Agent Agreement, Code of Conduct, and related program requirements.

4. Record Retention Requirements Review (Assurance Service)

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.

5. Follow up Review of Annual Programmatic Audit Corrective Action Plans (Assurance Service)

To determine whether corrective action plan developed in response to annual programmatic audit findings have been implemented timely by the responsible divisions and are effectively mitigating the related compliance and operational risks.

6. Special Reviews – Requested by Executive Management or the Audit Committee

<u>CARRY OVER AUDITS FROM FY 2025-26</u>

1. Physical Security Audit
2. Health Plan Payments Audit
3. Navigator Grant Contracts Audit
4. Appeals Implementation Advisory Engagement
5. Agent Agreement Audit conducted by BerryDunn
6. Follow-up on Surge Vendor User Access Audit

<u>INTERNAL AUDIT ACTIVITIES</u>

1. Annual Risk Assessment
2. Audit Plan and Budgeting
3. Audit Charter
4. Audit Manual update
5. Strategic Planning
6. Internal Assessment
7. Corrective Action Plan Follow-up and Tracking
8. Certified Qualified Health Plan Application Evaluation
9. Direct Supervision
10. Quality Assurance and Improvement Program
11. Other

EXTERNAL AUDIT FACILITATION

1. Centers for Medicare and Medicaid (CMS) Advanced Premium Tax Credit Audit
2. CMS Annual Programmatic Audit
3. Financial Statement Audit
4. State Exchange Improper Payment Measurement
5. Other External Audits
6. Corrective Action Plan Follow-up and Tracking
7. Ad Hoc Audits
8. Direct Supervision

CONTINUING PROFESSIONAL EDUCATION

GIAS require government auditors to obtain Continuing Professional Education (CPE). The requirements specifically include fraud and ethics training as part of the CPE hours. Internal Auditors are responsible for continuing their education to enhance their proficiency with governance, risk, and internal control processes. They must also stay informed of improvements and current developments in internal auditing standards, procedures, and techniques.

RESOURCES

OAS consists of 17 positions. Resources are assigned based on internal auditors' knowledge, skills, competencies, and experience to perform internal audit activities. This audit plan also includes contracting outside audit services from an external service provider.

Please refer to Attachment A for detailed resource allocation.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The CAE will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the OAS function, including its conformance with the GIAS, as verified by external and internal assessments. The program will also measure the OAS's performance, including its progress toward achieving its continuous improvement. The program will also assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. If applicable, the assessment will also include plans to address OAS's deficiencies and opportunities for improvement.

The CAE will communicate with the Audit Committee about the OAS's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Covered California; required qualifications must include at least one assessor holding an active Certified Internal Auditor designation.

Attachment A

Staffing and Available Audit Hours
FY 2026-27

Total hours per employee per year	**2,080**
Less:	
Holidays	88
Professional Development Days (PDD)	16
Personal Holiday (PH)	8
Vacation/Annual Leave	168
Required Training Hours	40
Collaboration Hours	40
Administrative Hours	120
Total	480
Total hours available per employee	**1,600**
Positions	**17**
Total Hours Available for 2026/27	**27,200**

Allocation of Hours

Planned Internal Audit Engagements	15,576
Other Internal Audit Activities	5,000
External Audit Facilitation	6,624
Total	**27,200**

APPROVAL

The Audit Plan is presented to the Audit Committee for review and approval and is effective upon approval on the date indicated below.

Approved: August ________, 2026