COVERED CALIFORNIA

MEMORANDUM

April 3, 2026

TO: Darci Haesche, Director
Administrative Services Division

Kevin Cathy

FROM: Kevin Cathy, Branch Chief
Program Integrity Division, Office of Audit Services

RE: Human Resources Branch – Final Audit Report –
Family and Medical Leave Act Compliance (Assignment # 2526.02)

In accordance with the Fiscal Year 2025-26 Internal Audit Plan that was approved by Covered California's Audit Committee on June 20, 2025, the Office of Audit Services conducted an audit to provide reasonable assurance of the existence and strength of Covered California's internal controls over the Family and Medical Leave Act process for the period of July 1, 2024, through June 30, 2025. Our report of this audit is attached.

We appreciate the cooperation and assistance of the Human Resources Branch management and staff during our audit. If you have any questions regarding this report, please contact me at 916-954-3270 or Kevin.Cathy@covered.ca.gov.

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REVIEW OF FAMILY AND MEDICAL LEAVE ACT COMPLIANCE

COVERED CALIFORNIA
HUMAN RESOURCES BRANCH

FINAL AUDIT REPORT

ISSUED ON:
APRIL 3, 2026

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

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Executive Summary

Objective and Scope

The Office of Audit Services conducted an audit to assess the Human Resources Branch's (HRB) compliance with the Family and Medical Leave Act (FMLA) leave of absence, notification, and certification procedures, in accordance with state and federal regulations for the period of July 1, 2024, through June 30, 2025.

Positive Observations

The following are areas we noted with reasonable assurance where HRB demonstrated effective controls over the FMLA leave process. These positive observations reflect HRB's commitment to Covered California's Strategic Pillar of Organizational Excellence:

- HRB's process for determining employee eligibility for FMLA leave is efficient and reliable, which ensured the timely completion of employee FMLA submissions.
- HRB's document retention process for FMLA records is efficient, which ensured that approved FMLA submissions were fully supported.

Reportable Conditions

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

- **Two employees were overcharged FMLA leave hours.**
- **Two employees exceeded the limits of their approved FMLA leave hours.**

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 Human Resources Branch (HRB) provides overall policy direction on human resource management and administrative support functions related to employee management. Their mission is to cultivate a supportive and efficient work environment through specialized program areas, including Digital Innovation and Operations, Strategic Solutions and People Analytics, Employment and Classification Services, Career Services, Labor Relations, Payroll and Benefits, Administrative Investigations, and Performance & Disability Management.

Of these, the Disability Management Unit (DMU) within Performance & Disability Management is responsible for administering the Family and Medical Leave Act (FMLA) process. DMU ensures employees receive the benefits they are entitled to under state and federal leave laws. This approach supports employee well-being while promoting timely, consistent, and well-managed workplace processes.

FMLA is a federal law that is enforced by the U.S. Department of Labor. This law provides eligible employees with a total of 12 workweeks of job-protected, unpaid leave per calendar year. An eligible employee must have worked for the employer for at least 12 months and have at least 1,250 actual hours worked during the 12-month period immediately preceding the leave before the employee can be granted FMLA leave. To ensure compliance with this law, DMU has developed procedures that allow Covered California employees to request FMLA leave. Additionally, DMU has implemented internal processes to guide the certification and verification of these leave applications, ensuring a smooth and consistent approach.

Objective

The objective of this audit was to assess HRB's compliance with FMLA leave of absence, notification, and certification procedures, in accordance with state and federal regulations.

Scope

The scope of this audit covered the FMLA compliance process during the period of July 1, 2024, through June 30, 2025.

Methodology

Our evaluation included:

- Gaining an in-depth understanding of the FMLA eligibility review process and the timelines associated with FMLA leave.
- Conducting interviews and walkthroughs with HRB staff to clarify questions identified during our review.
- Assessing compliance with relevant policies, procedures, and requirements.
- Performing testing to ensure employees were deemed eligible and took FMLA leave according to the applicable laws and regulations.

RESULTS

Positive Observations

In the course of our review, we evaluated various aspects of HRB’s processes regarding compliance with FMLA. We were able to ascertain, with reasonable assurance, the following areas where internal controls were strengthened or were found to be effective and operating as intended:

- HRB's process for determining employee eligibility for FMLA leave is efficient and reliable, which ensured the timely completion of employee FMLA submissions.
- HRB's document retention process for FMLA records is efficient, which ensured that approved FMLA submissions were fully supported.

Findings & Recommendations

Finding #1 – Two employees were overcharged FMLA leave hours.

Finding Rating:	Priority	High	Medium	Low

Condition

We reviewed five employees who took both continuous and intermittent leave, and identified that two of those employees were double charged for leave, resulting in overlapping FMLA hour overcharges:

Employee	Time Period	Leave Hours Charged	Leave Hours Approved	Leave Hours Overcharged
Employee A	1/30/2025 – 2/4/2025	48	32	16
	2/5/2025 – 2/10/2025	64	40	24
	2/12/2025 – 2/18/2025	48	40	8
	2/20/2025 – 2/25/2025	48	32	16
Employee B	10/18/2024 – 10/24/2024	80	40	40
			Total Hours Overcharged	**104**

Criteria

California Code of Regulations, Chapter 29, section 825.205 (b)(1) states, in part: "When an employee takes leave on an intermittent or reduced leave schedule, only the amount of leave actually taken may be counted toward the employee's leave entitlement. The actual workweek is the basis of leave entitlement."

Cause

Workday system limitations allow employees on continuous leave to access timesheets, record intermittent leave for overlapping periods, and submit concurrent leave entries, while HRB also lacks a formal review process to track, detect, and prevent these overlapping leave charges.

Effect

By not ensuring the accurate tracking of employees' FMLA leave, Covered California risks compromising employees' well-being and the quality of their work by requiring them to return earlier than they are entitled to. Additionally, this exposes Covered California to legal risk from employees who are impacted by premature returns to work.

Recommendation

HRB should evaluate Workday controls to determine if adjustments can be made to prevent employees from entering both intermittent and continuous leave for the same period. Additionally, HRB should establish a formal review process to ensure leave hours are accurate and there are no overlapping entries.

Finding #2 – Two employees exceeded the limits of their approved FMLA leave hours.

Finding Rating:	Priority	High	Medium	Low

Condition

We reviewed 12 employees who took intermittent FMLA leave, and identified that two of those employees used more FMLA hours than deemed medically necessary:

Employee	Calendar Year	Leave Hours Used	Leave Hours Approved	Excess Leave Hours Used
Employee A	2024	247	60	187
	2025	189	60	129
Employee B	2025	418	192	226
			Total Excess Leave Hours Used	**542**

Criteria

United States Code, Title 29, Chapter 28, section 2612 (b) states, in part: "Leave under subparagraph (A) or (B) of subsection (a)(1) shall not be taken by an employee intermittently or on a reduced leave schedule unless the employee and the employer of the employee agree otherwise. Subject to paragraph (2), subsection (e)(2), and subsection (b)(5) or (f) (as appropriate) of section 2613 of this title, leave under subparagraph (C) or (D) of subsection (a)(1) or under subsection (a)(3) may be taken intermittently or on a reduced leave schedule when medically necessary."

Cause

HRB does not currently have a formal review process to ensure FMLA intermittent leave is used within the employees' limits of medically approved hours.

Effect

By not ensuring employees use intermittent FMLA leave within approved limits, Covered California could be exposed to misuse of leave benefits, operational disruptions, and potential fraudulent activity.

Recommendation

HRB should implement a formal review process that ensures FMLA intermittent leave is used within the employees' limits of medically approved hours.

Conclusion

During our audit, HRB demonstrated that their employee FMLA eligibility review and document retention processes are efficient and reliable. This helped ensure that employee submissions were completed in a timely manner and were supported. However, as shown in the two findings we identified, opportunities still exist to reduce potential administrative risks related to HRB's administration of FMLA leave time taken. If these findings are not addressed, they could result in negative impacts to Covered California's workplace and operations. In general, one finding is rated at a medium risk level and one is rated at a high risk level due to the potential adverse effects to HRB's operations and Covered California as a whole, including potential legal risks.

Management Response

Presented below is a summary of HRB's management response, which includes their corrective action plans to address both findings.

Finding 1:	**Two employees were overcharged FMLA leave hours.**
Recommendation 1:	*HRB should evaluate Workday controls to determine if adjustments can be made to prevent employees from entering both intermittent and continuous leave for the same period. Additionally, HRB should establish a formal review process to ensure leave hours are accurate and there are no overlapping entries.*
Finding 2:	**Two employees exceeded the limits of their approved FMLA leave hours.**
Recommendation 2:	*HRB should implement a formal review process that ensures FMLA intermittent leave is used within the employees' limits of medically approved hours.*
HRB Management Response/ Corrective Actions:	As a result of this audit, HRB has expanded access and monitoring to leave entries in real time to improve their ability to identify errors and ensure compliance with FMLA compliance. In addition, HRB will: • Enhance reporting and oversight by receiving daily reports to monitor active leave approvals and by having supervisors receive bi-weekly reports to help support accurate tracking. • Enhance system alerts and notifications to be more proactive in approving leave extensions and ensuring FMLA usage is within approved limits. • Update processes and documentation.
Targeted Completion Date:	10/30/2026

Evaluation of Response

The corrective action plans provided by the Human Resources Branch, if implemented as intended, should be sufficient to correct the reportable conditions noted. The Office of Audit Services will conduct quarterly follow-ups to provide reasonable assurance that the corrective action plans have been implemented and are operating as designed. Additionally, a follow-up audit may be performed to determine the completion and adequacy of the correction action plans.

We thank the Human Resources Branch for their help and cooperation during this audit.

Appendix A

Finding Ratings

Finding	Priority	High	Medium	Low
1. Two employees were overcharged FMLA leave hours.		X		
2. Two employees exceeded the limits of their approved FMLA leave hours.			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.