

Independent External Audit:
Covered California, State of California
January 1, 2025, to December 31, 2025
Audit Findings Report

Independent External Audit: 2025 Findings Report

TO: CCIIO STATE EXCHANGE GROUP

FROM: BDMP Assurance, LLP (BerryDunn)

DATE: June 29, 2026

SUBJECT: AUDIT FINDINGS REPORT FOR CALIFORNIA

AUDIT PERIOD: 1/1/2025 – 12/31/2025

I. Executive Summary

PURPOSE:

The purpose of this independent external audit is to assist the State of California in determining whether Covered California, the California State-Based Marketplace (SBM), was in compliance with the programmatic requirements set forth by the Centers for Medicare & Medicaid Services (CMS) during the audit period.

Name of SBM: California Health Benefit Exchange (Covered California)

State of SBM: California

Name of Auditing Firm: BerryDunn

Our responsibility was to perform a programmatic audit to report on Covered California's compliance with Title 45, Code of Federal Regulations, Part 155 (45 CFR § 155) as described in the CMS memo dated June 18, 2014, Frequently Asked Questions about the Annual Independent External Audit of SBMs. The Program Integrity Rule Part II ("PI, Reg."), 45 CFR § 155.1200 (c), states, "The State Exchange must engage an independent qualified auditing entity which follows U.S. generally accepted governmental auditing standards (GAGAS) to perform an annual independent external programmatic audit and must make such information available to the United States (U.S.) Department of Health and Human Services for review."

Covered California Program Highlights

In 2025, Covered California achieved significant milestones in advancing health care affordability, accessibility, and operational efficiency. Below are some of the accomplishments that Covered California would like to highlight for the 2025 benefit year as reported by Covered California Management:

- Covered California built on the 2024 launch of California's Enhanced Cost Sharing Reduction (CSR) program by expanding the eligibility for enhanced Silver CSR plans to all consumers with incomes over 250% of the federal poverty level. The 2025 plan year focused on deepening affordability gains from the prior year's reforms—which had eliminated deductibles and improved cost sharing on Silver CSR plans—by increasing the share of enrollees able to access high-value, low out-of-pocket Silver coverage that more closely approximates Gold-level protection for qualified households.

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- Covered California ended the 2025 Open Enrollment Period with a record-high 1,977,149 million individuals selecting a health plan. By September 2025, Covered California had reached its highest-ever enrollment of 1,969,820.
- The “Let’s Talk Health” campaign promoted health literacy with culturally relevant materials in multiple languages and targeted outreach events across California. Covered California responded proactively to federal policy changes impacting Deferred Action for Childhood Arrivals (DACA) recipients and Premium Tax Credits, providing updated consumer information and resources. Media engagement included collaboration with NASHP and participation in national press events.
- Covered California developed and executed targeted renewal retention campaigns to support enrollees in 2025 facing large premium increases, with an emphasis on consumers most at risk of coverage loss, including those facing premium increases, plan changes, or transitions from Medi-Cal. These campaigns leveraged data-driven segmentation and coordinated outreach across channels—such as custom noticing, digital outreach, and targeted outbound calls—to encourage timely renewals and prevent consumers from terminating coverage to go uninsured.
- Automated solutions for AB 2749 subsidies ensured uninterrupted coverage for strike/lockout workers, while Salesforce integrations improved case handling and consumer retention efforts. Provider directory management transitioned to the Integrated Healthcare Association (IHA) for greater accuracy and compliance. Multifactor authentication (MFA) was implemented to strengthen security for consumer accounts.
- Covered California improved the periodic data matching process so that individuals identified as deceased are automatically discontinued from Exchange programs effective the day after the recorded date of death, reducing manual cleanup and strengthening compliance with eligibility and enrollment requirements.
- Implemented an operational process for periodic monitoring of overlapping coverage, modeled on the Periodic Data Matching (PDM) approach, where consumers are notified and given time to respond before action is taken to resolve any identified overlapping enrollment issues.
- Enhancements to the Enroller Portal (EP) surfaced a direct Shop & Compare link on the EP home page, making it easier for certified enrollers to start quoting without leaving their primary workspace. When an enroller uses the EP Shop & Compare path and prints a quote, their information now appears on the printout, creating a more professional, consumer-friendly experience and reinforcing the relationship between the consumer and their enrollment partner.
- The website homepage, Covered California Small Business section, and “Get Started” page were redesigned to simplify navigation and support enrollment. Consumers gained secure self-service access to tax forms through the CiCi chatbot, reducing Service Center demand during peak tax season. The Intelligent Document Processing platform automated real-time verification of uploaded documents, expediting eligibility determinations.

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Prior Year Finding Status

Table 1 below includes the status of each of the Plan Year 2024 programmatic audit findings as of December 31, 2025.

Table 1: Prior Year Finding Status

Finding Number	Status
2024-001	Open
2024-002	Open
2024-003	Closed
2024-004	Open
2024-005	Open
2024-006	Closed

SCOPE:

The scope of this engagement included an examination of Covered California’s compliance with the programmatic requirements under 45 CFR § 155, Subparts C, D, E, and K for the 12-month period January 1, 2025, through December 31, 2025. We conducted our examination in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We completed an examination of Covered California’s compliance with the applicable programmatic requirements under 45 CFR § 155 and issued our reports dated June 29, 2026.

We reviewed processes and procedures, read pertinent documents, and performed inquiries, observations, and staff interviews to obtain reasonable assurance regarding whether Covered California was in compliance with 45 CFR § 155 in all material respects. We also selected a sample of eligibility and enrollment transactions and tested for compliance with requirements under 45 CFR § 155 for eligibility determination, verification of data, and enrollment with a Qualified Health Plan (QHP)

METHODOLOGY:

Audit Firm Background:

BerryDunn is a national consulting and certified public accounting firm with multiple practice groups dedicated to serving state and local government agencies. BerryDunn was formed in 1974 and has experienced sustained growth throughout its 51-year history. Today, BerryDunn employs 900+ personnel with headquarters in Portland, Maine—and office locations in Arizona, Connecticut, Hawaii, Massachusetts, New Hampshire, West Virginia, and Puerto Rico. The firm has experienced professionals who provide a full range of services, including information technology (IT) consulting; management consulting; and audit, accounting, and tax services.

Those services include conducting financial and/or programmatic audits of multiple state-based exchanges. We also have completed audits in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit

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Requirements for Federal Awards (Uniform Guidance, previously referred to as OMB Circular A 133) for several sizable healthcare organizations, many of which receive U.S. Department of Health and Human Services federal grants or funding. In addition, we provide audit services for higher education, social service, and economic development organizations, as well as other entities that receive federal grants and are subject to the Uniform Guidance.

Programmatic Audit:

We have examined Covered California's compliance with the programmatic requirements described in 45 CFR § 155 for the year ended December 31, 2025, and have issued a report thereon dated June 29, 2026.

Summary of Programmatic Audit Procedures:

Our audit consisted of specific procedures and objectives to evaluate instances of noncompliance and to test Covered California's compliance with certain subparts of 45 CFR 155. BerryDunn examined compliance with the requirements under 45 CFR 155 in the following programmatic areas:

- General Functions (Subpart C)
- Eligibility Determinations (Subpart D)
- Enrollment Functions (Subpart E)
- Certification of QHPs (Subpart K)

We reviewed the processes and procedures under 45 CFR 155, in the following programmatic areas, in order to determine whether they were in compliance with the requirements of the Affordable Care Act:

- Assistors, Navigators, Certified Application Counselors, and Brokers
- Compliance and Program Integrity
- Contact Center
- Eligibility and Enrollment Processes and Procedures
- Privacy and Security
- QHP Certification

We reviewed the following documentation, which was obtained directly from, or located on, either the website or the CMS website:

- **Assister, Broker, Certified Application Counselor, and Navigator Documentation:**
 - Agent Monetary Agreement
 - Agent Non-Monetary Agreement
 - Assister Training Materials
 - Authorization for Enrollment Assistance

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- Certified Application Counselor Agreement
- Certified Enrollment Counselor Agreement
- How to Become a Certified Counselor Guide
- How to Become a Certified Entity Guide
- List of All Agents Active for 2025
- List of all Navigators and Certified Application Counselors (CACs) for 2025
- List of Navigator Organizations
- Navigator Entity Contracts
- Navigator Grant Award Funding Allocations
- Navigator Grant Program Request for Application Announcement
- Training Materials for all Classifications of Assistants
- **Contact Center:**
 - Employee Training and Onboarding Materials
 - Service Center Chat Guidelines
 - Service Center Phone Guidelines
- **Contracts and Amendments:**
 - Authorization For Release of Personal Information & Appointment of Representative
 - Certified Application Entity (CAE) Agreement Template
 - Example Carrier Agreement
 - Executed CAE Contracts
 - Executed Issuer Agreements
 - Executed Navigator Contracts and Contract Amendments
- **Eligibility and Enrollment:**
 - Annual Renewal Process
 - Application for Health Coverage
 - Consumer Consent Form for Authorization to Verify Federal Tax Information (FTI)/Citizenship
 - Consumer Notice Templates
 - Documentation of Processes for Manual System Overrides

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- Eligibility and Enrollment Policy Manual
- Verification Inconsistencies Reminder Notices
- **General Exchange Policies and Procedures:**
 - Consumer Outreach Program Marketing Materials
 - Exchange Bylaws
 - General Appeals Process Documentation
 - Integrated Fraud Management Policies and Procedures
 - Organizational Charts
 - Prior Year Audit Reports
 - Organization Chart
- **Privacy and Security:**
 - Acceptable Use Statement
 - Computer Matching Agreement (CMA)
 - Executed Interagency Agreements containing Personally Identifiable Information (PII)
 - Information Security Policy
 - Privacy Impact Assessment (PIA)
 - Security and Privacy Assessment Report (SAR) for the Covered California Health Benefit Exchange
 - System Security Plan (SSP)
- **QHP:**
 - 2025 Carrier List
 - 2025 Certification Timeline
 - 2025 Insurers and Plan Offerings
 - 2025 Internal Plan Certification Process Materials
 - 2025 Qualified Health Plan & Qualified Dental Plan Certification Requirements
 - 2025 Qualified Health Plan & Qualified Dental Plan Participation Manual
 - 2025 Qualified Health Plan Issuer Agreements
 - Report on Covered California Holding Health Plans Accountable for Quality and Delivery System Reform

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- Report on Covered California's Efforts to Lower Costs While Ensuring Consumers Get the Right Care at the Right Time

To understand management and staff responsibilities and processes as they relate to compliance with 45 CFR § 155, we interviewed the following Covered California staff:

Eligibility and Enrollment Interview:

- Quality Control Analyst, Eligibility and Enrollment Compliance Team, Policy Eligibility & Research Division (PERD)
- Program Eligibility Staff Services Manager III, Program Eligibility & Enrollment Branch, PERD
- Director, PERD
- Deputy Director, PERD
- Eligibility and Enrollment Operations Coordinator, PERD
- Quality Control Analyst, Eligibility Compliance, PERD
- Senior Program Advisor, Program Eligibility and Enrollment Branch, PERD

Agent Broker and Assister Interview:

- Director Outreach and Sales Division
- Senior Manager, Account Services, PERD

Privacy and Security Interview:

- Chief Information Security Officer

Legal, Compliance, and Oversight Interview:

- Privacy Officer, Information Security Data Management Support, Office of Legal Affairs
- Senior Program Attorney

Service Center Interview:

- Branch Chief, Internal Compliance & Support, Service Center

QHP Interview:

- Certification and Contracts Unit Manager, Plan Management Division
- Lead Contract Compliance Specialist, Plan Management Division

We interviewed the following staff from agencies other than Covered California that are involved in functions related to the Exchange:

Navigator Interview – Open Door Community Health Centers (ODCHC):

- Manager, Member Services Humboldt

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- Manager, Member Services Del Norte
- Supervisor, Member Services Humboldt

Navigator Interview – Health Quality Partners of Southern California (HQP):

- Program Manager

We analyzed the following information to assess Covered California’s compliance with the requirements of 45 CFR § 155:

- A listing of the most recent eligibility determination transactions completed for Plan Year 2025. In total, we tested 95 cases for compliance with eligibility and enrollment rules and 95 cases for compliance with verification rules. BerryDunn conducted two rounds of testing. Covered California furnished an initial data set for cases with determinations with a coverage start date between January 1, 2025, and July 31, 2025. BerryDunn requested a year end population of determinations with a coverage start date between August 1, 2025, and December 31, 2025.
 - The first round of testing included 75 cases for eligibility, enrollment, and verification testing.
 - The second data set included 20 cases for eligibility, enrollment, and verification testing.
 - Our sampling methodology involved reviewing and selecting a sample from a distinct 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.

Confidential Information Omitted

N/A

II. Programmatic Audit Findings

MATERIAL NONCOMPLIANCE

Finding 2025-001 – Issuance of Erroneous Notices to Applicants

Criteria

According to 45 CFR § 155.315 – Verification process related to eligibility for enrollment in a QHP through the Exchange:

45 CFR 155.315(f)(1)&(2)(i)-(ii) Inconsistencies. Except as otherwise specified in this subpart, for an applicant for whom the Exchange cannot verify information required to determine eligibility for enrollment in a QHP through the Exchange, advance payments of the premium tax credit, and cost-sharing reductions, including when electronic data is required in accordance with this subpart but data for individuals relevant to the eligibility determination are not included in such data sources or when electronic data from IRS, DHS, or SSA is required but it is not reasonably expected that data sources will be available within 1 day of the initial request to the data source, the Exchange:

- (1) Must make a reasonable effort to identify and address the causes of such inconsistency, including through typographical or other clerical errors, by contacting the application filer to confirm the accuracy of the information submitted by the application filer;
- (2) If unable to resolve the inconsistency through the process described in [paragraph \(f\)\(1\)](#) of this section, must—
 - (i) Provide notice to the applicant regarding the inconsistency; and
 - (ii) Provide the applicant with a period of 90 days from the date on which the notice described in [paragraph \(f\)\(2\)\(i\)](#) of this section is sent to the applicant to either present satisfactory documentary evidence via the channels available for the submission of an application, as described in [§ 155.405\(c\)](#), except for by telephone through a call center, or otherwise resolve the inconsistency.

Condition and Context

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 September 4, 2025, had a due date of April 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.

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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.

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Finding 2025-002 – Application Data Unable to be Viewed

Criteria

45 CFR § 155.1200 (d) General program integrity and oversight requirements states -

(d) **External audit standard.** The State Exchange must ensure that independent audits of State Exchange financial statements and program activities in paragraph (c) of this section address:

- (1) Compliance with paragraph (a)(1) of this section;
- (2) Compliance with subparts D and E of this part 155, or other requirements under this part 155 as specified by HHS;
- (3) Processes and procedures designed to prevent improper eligibility determinations and enrollment transactions, as applicable;
- (4) Compliance with eligibility and enrollment standards through sampling, testing, or other equivalent auditing procedures that demonstrate the accuracy of eligibility determinations and enrollment transactions; and
- (5) Identification of errors that have resulted in incorrect eligibility determinations, as applicable.

45 CFR § 155.1210 Maintenance of Records states -

(a) **General.** The State Exchange must maintain and must ensure its contractors, subcontractors, and agents maintain for 10 years, documents and records (whether paper, electronic, or other media) and other evidence of accounting procedures and practices, which are sufficient to do the following:

- (1) Accommodate periodic auditing of the State Exchange's financial records; and
- (2) Enable HHS or its designee(s) to inspect facilities, or otherwise evaluate the State-Exchange's compliance with Federal standards.

(b) **Records.** The State Exchange and its contractors, subcontractors, and agents must ensure that the records specified in paragraph (a) of this section include, at a minimum, the following:

- (1) Information concerning management and operation of the State Exchange's financial and other record keeping systems;
- (2) Financial statements, including cash flow statements, and accounts receivable and matters pertaining to the costs of operations;
- (3) Any financial reports filed with other Federal programs or State authorities;
- (4) Data and records relating to the State Exchange's eligibility verifications and determinations, enrollment transactions, appeals, and plan variation certifications; and
- (5) Qualified health plan contracting (including benefit review) data and consumer outreach and Navigator grant oversight information.

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(c) **Availability.** A State Exchange must make all records and must ensure its contractors, subcontractors, and agents must make all records in paragraph (a) of this section available to HHS, the OIG, the Comptroller General, or their designees, upon request.

Condition and Context

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

California Healthcare Eligibility, Enrollment and Retention System (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.

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Finding 2025-003 – Prior Year Finding 2024-001

Criteria

45 CFR § 155.305 (f) Eligibility for advance payments of the premium tax credit —

(1) In general. The Exchange must determine a tax filer eligible for advance payments of the premium tax credit if the Exchange determines that—

(ii) One or more applicants for whom the tax filer expects to claim a personal exemption deduction on his or her tax return for the benefit year, including the tax filer and his or her spouse—

(A) Meets the requirements for eligibility for enrollment in a QHP through the Exchange, as specified in paragraph (a) of this section; and

(B) Is not eligible for minimum essential coverage for the full calendar month for which advance payments of the premium tax credit would be paid, with the exception of coverage in the individual market, in accordance with 26 CFR 1.36B-2(a)(2) and (c).

And

45 CFR § 155.345 Coordination with Medicaid, CHIP, the Basic Health Program, and the Pre-existing Condition Insurance Plan.

(a) Agreements. The Exchange must enter into agreements with agencies administering Medicaid, CHIP, and the BHP, if a BHP is operating in the service area of the Exchange, as are necessary to fulfill the requirements of this subpart and provide copies of any such agreements to HHS upon request. Such agreements must include a clear delineation of the responsibilities of each agency to—45 CFR § 155.345

(1) Minimize burden on individuals; 45 CFR § 155.345

(2) Ensure prompt determinations of eligibility and enrollment in the appropriate program without undue delay, based on the date the application is submitted to or redetermination is initiated by the Exchange or the agency administering Medicaid, CHIP, or the BHP;

Additionally, the related provisions from 26 CFR covering the eligibility for Premium Tax Credits:

26 CFR § 1.36B-2 Eligibility for premium tax credit.

(a) In general. An applicable taxpayer (within the meaning of paragraph (b) of this section) is allowed a premium assistance amount only for any month that one or more members of the applicable taxpayer's family (the applicable taxpayer or the applicable taxpayer's spouse or dependent)—

(1) Is enrolled in one or more qualified health plans through an Exchange; and

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(2) Is not eligible for minimum essential coverage (within the meaning of paragraph (c) of this section) other than coverage described in section 5000A(f)(1)(C) (relating to coverage in the individual market).

Condition and Context

Covered California disclosed defects in CalHEERS during examination interviews. The defects impacted eligibility determinations during the examination period, where the system determined redundant eligibility for a QHP with APTC, and Medi-Cal, in certain scenarios. A determination of eligibility for both Medi-Cal, which is minimum essential coverage, and a QHP with APTC is not compliant with the regulations noted above.

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 modified adjusted gross income (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. The applicant was also determined conditionally eligible for a QHP with APTC, pending verification of lawful presence. A notice regarding this requirement was sent to the applicant on November 19, 2022, with a due date of December 31, 2023. In this instance, one of the household members was placed in carry-forward status to protect the household's current coverage while the county verified their eligibility for Medi-Cal.

45 CFR § 155.345(a) stipulates that an exchange must enter into an agreement with agencies administering Medicaid to ensure prompt determinations of eligibility and enrollment. In this case, the applicant did not receive a prompt determination for either Medi-Cal or QHP but rather received a determination of eligibility for both programs. According to CalHEERS, the applicant has been assigned carry-forward status since 2023, which does not meet the criteria for a prompt determination of 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 may have improperly received APTC for which they were ineligible under the Internal Revenue Code. The applicant in the second scenario may have incurred cost associated with the use of a private health plan that would not have been incurred under a Medi-Cal plan.

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Finding 2025-004 – Prior Year Finding 2024-002

Criteria

45 CFR § 155.320(c)(3)(iii)(F) stipulates: If, at the conclusion of the period specified in § 155.315(f)(2)(ii), the Exchange remains unable to verify the applicant's attestation and the information described in paragraph (c)(3)(ii)(A) of this section is unavailable, the Exchange must determine the tax filer ineligible for advance payments of the premium tax credit and cost-sharing reductions, notify the applicant of such determination in accordance with the notice requirements specified in § 155.310(g), and discontinue any advance payments of the premium tax credit and cost-sharing reductions in accordance with the effective dates specified in § 155.330(f).

Condition and Context

BerryDunn reviewed prior year examination findings and assessed whether the conditions still existed during the plan year January 1, 2025, to December 31, 2025. During the Plan Year 2024 audit examination period, Covered California did not discontinue financial assistance for applicants who failed to respond to a conditional eligibility notice for income within the 95-day ROP. Per Covered California policy, applicants are provided a five-day processing time in addition to the 90 days required by federal regulations, for a total of 95 days. When income cannot be verified, Covered California's policy is to send a notice and provide the consumer with 95 days to clear the inconsistency. Covered California noted during the eligibility and enrollment inquiry:

"If, at the conclusion of the 95-day Reasonable Opportunity Period, Covered California remains unable to verify the applicant's attestation, Covered California will:

- a. Determine the applicant's eligibility based on the tax filer's tax return data.
- b. Notify the applicant of the determination
- c. Implement such determination in accordance with the effective dates specified in Effective Dates of Coverage."

BerryDunn identified that financial assistance was not redetermined after expiration of the applicable ROP, as required by Covered California policy, for six cases from a sample selection of 125 during the Plan Year 2024 audit. BerryDunn also identified the same situation occurred for four cases from a sample selection of 95 during the Plan Year 2025 audit.

The prior year finding was identified as 2024-002. Covered California noted that this finding had not been remediated as of December 31, 2025.

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

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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.

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Finding 2025-005 – Prior Year Finding 2024-004

Criteria

45 CFR § 155.260(a)(3)(vii) stipulates: Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure.

Additionally, the Covered California Administrative Manual requires that all users “shall agree to, acknowledge and follow the security protocols outlined in the Acceptable Use Statement.”

Condition and Context

BerryDunn reviewed prior year examination findings, including findings previously identified by Covered California’s prior auditor, and assessed whether the conditions still existed during the plan year January 1, 2025, to December 31, 2025. 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, we were not provided with evidence demonstrating that users had completed the required Acceptable Use Statement.

The prior year finding was identified as 2024-004. Covered California noted that this finding had not been remediated as of December 31, 2025. However, the Covered California Information Technology (CCIT) Division has implemented a verification process to ensure that remote access requests address a legitimate need and have been properly requested by the employee or contractor’s supervisor or manager, prior to establishing new remote access user accounts. The Covered California Human Resources Branch (HRB) has implemented a policy requiring all employees to complete a Telework Agreement that is approved within two business days of the individual’s start date.

The prior examination finding was identified as 2024-004. Covered California indicated it is on track to implement its corrective action plan by July 2026 as outlined in the FY2024 Programmatic Audit Report.

Cause

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 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 acknowledgments and forms were completed.

Effect

The lack of proper remote access policies and procedures could allow inappropriate access to PII of applicants and enrolled members whose information is maintained in Covered California systems.

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Finding 2025-006 – Prior Year Finding 2024-005

Criteria

45 CFR § 155.260 (3) stipulates: The Exchange must establish and implement privacy and security standards that are consistent with the following principles:

(vii) Safeguards. Personally identifiable information should be protected with reasonable operational, administrative, technical, and physical safeguards to ensure its confidentiality, integrity, and availability and to prevent unauthorized or inappropriate access, use, or disclosure; and,

(viii) Accountability. These principles should be implemented, and adherence assured, through appropriate monitoring and other means and methods should be in place to report and mitigate non-adherence and breaches.

Condition and Context

BerryDunn reviewed prior year examination findings, including findings previously identified by Covered California's prior auditor, and assessed whether the condition still existed during the plan year January 1, 2025, to December 31, 2025. 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.

The prior examination finding was identified as 2024-005. Covered California indicated it is on track to implement its corrective action plan by July 2026 as outlined in the FY2024 Programmatic Audit Report.

Cause

Covered California does not have processes in place to monitor contractors' compliance with the requirements that all staff sign a Covered California Remote Access Agreement no later than two business days after beginning a remote access assignment and an Acceptable Use Statement by the end of their onboarding.

Effect

PII could be accessed by, or disclosed to, unauthorized individuals.

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MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE

We identified certain deficiencies in internal control over compliance, described in Findings 2025-001 through 2025-006, that we consider to be material weaknesses.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL OVER COMPLIANCE

Programmatic Auditor's Opinion

Qualified

ADDITIONAL COMMENTS

N/A

III. Recommendations

Finding 2025-001 – Issuance of Erroneous Notices to Applicants

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 – Application Data Unable to be Viewed

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

Recommendation

BerryDunn recognizes that the applicant in carry-forward status since 2021 was awaiting resolution of their Medi-Cal application by DHCS; however, 45 CFR § 155.345 stipulates that a state-based exchange must enter into an agreement with the state Medicaid agency to “Ensure prompt determinations of eligibility and enrollment in the appropriate program without undue delay....” While the procedures that exist between Covered California and DHCS may require action to be taken by DHCS, as an integrated state-based exchange, the regulations require the state-based exchange to ensure compliance with the requirements of 45 CFR Part 155. 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

Recommendation

BerryDunn recommends that Covered California utilize the system functionality 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

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

Audit Findings Report

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

Recommendation

BerryDunn recommends that the Covered California ISO continue progress on implementation of a formal process to monitor that all active contractors, consultants, and other non-civil service workers have signed a 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.

IV. Financial Statement Auditor's Opinion

BerryDunn does not perform the financial audit for Covered California.

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V. Conclusion

Based on a review of the documentation required for this report, in our opinion, except for the material noncompliance described in the Audit Findings section of this report, Covered California complied with the requirements of 45 CFR § 155, Subparts C, D, E, and K during the year ended December 31, 2025, in all material respects.

SIGNATURE OF AUDIT FIRM:

BMP Assurance, LLP

COMPLETION DATE OF AUDIT:

FINDINGS REPORT: June 29, 2026