



## COVERED CALIFORNIA AUDIT AND FINANCIAL COMMITTEE CHARTER

### I. PURPOSE

The Audit and Financial Committee (Committee) of the Covered California Board (the Board) shall assist the Board in fulfilling its oversight responsibilities for the accounting and financial reporting process; the system of internal controls; the audit process; enterprise risk management activities; compliance with the conflict of interest code adopted by the Board; compliance with Covered California's Annual Whistleblower Notification process; fraud, waste, and abuse policies; and all applicable laws and regulations. The Committee reports directly to the Board.

### II. AUTHORITY

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

1. Facilitate the resolution of disagreements between Covered California management and the auditor regarding financial reporting.
2. Determine when a subject matter expert is required and hire advisers when needed by the Committee.
3. Meet with any Covered California staff, Chairperson of the Board, independent auditors, outside counsel, and others as needed.
4. Have full access to Covered California's Internal Audit Services unit, management, personnel, independent auditors, and internal/external audit reports as necessary to carry out its responsibilities.

### III. COMPOSITION

The Committee shall comprise of two members of the Board to be appointed by the Board. At least one member of the Committee shall have a working familiarity with finance, accounting, and auditing practices. In addition, Committee members shall have other such qualities as the Board determines appropriate.

Each Committee member shall serve on the Committee until replacement, with or without cause by a majority vote of the Board.

The Committee may form and delegate authority to subcommittees consisting of one to two members when appropriate.

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## IV. MEETINGS

The Committee shall meet at least twice annually, or more frequently as their responsibilities dictate. Meetings may be in person or via tele- or video-conference. As necessary, the Committee will invite Covered California staff, internal and external auditors, or others to attend meetings and provide pertinent information. In accordance with applicable laws, the Committee may also hold private meetings with auditors and executive sessions, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.

The Committee may invite to its meetings any management or other personnel of Covered California, and any third parties, as it deems appropriate in order to carry out its responsibilities. At least annually, the Chief Audit Executive and General Counsel will meet privately with the Committee to address any issues related to internal and/or external audits of the organization.

## V. RESPONSIBILITIES

The Committee shall carry out the following responsibilities:

### General

1. Be informed of the results of audit reports, reviews, assessments, and management letters, including any difficulties encountered. As necessary, meet with management and external or internal auditors for clarification.
2. Be informed of the status of corrective actions taken to address audit findings.
3. Be informed of, and respond to, enterprise risk management activities related to financial reporting; internal controls; compliance; fraud, waste, and abuse; and audit activities.
4. Be informed of Covered California's Annual Whistleblower Notification, which provides the confidential process for reporting improper activities by state agencies and employees.

### Financial Statements

1. Be informed of and understand significant accounting and reporting issues, including complex or unusual transactions, recent professional and regulatory pronouncements, and understand their impact on financial statements.

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2. Be informed of the audited annual financial statements and other financial reports, and understand whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
3. As necessary, meet with the Chief Financial Officer or other staff for additional information regarding the above or to obtain explanations of significant financial reporting issues.

### Internal Control

1. Be informed of and understand Covered California's internal control processes and risk management and mitigation processes to correct audit deficiencies.
2. Understand the scope of internal and external auditors' review of internal control over financial reporting and program administration, and obtain reports on significant findings and recommendations, together with management's responses.

### Internal Audit

1. Approve the Internal Audit Services Charter.
2. Review and approve the Internal Audit Services' Annual Audit Plan and scope of audits to be conducted.
3. Be apprised of the Internal Audit Services' performance relative to its plan.
4. Ensure that Internal Audit Services follows The Institute of Internal Auditors' International Professional Practices Framework, Generally Accepted Government Auditing Standards, and other auditing standards as appropriate, and maintains an effective quality assessment and improvement program.
5. Receive confirmation of the organizational independence of the internal audit activity from the Chief Audit Executive.

### Reporting

As needed, the Committee, or staff at its direction, shall make reports to the Board with respect to financial and audit risks, findings, and recommendations the Committee may deem appropriate.

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## **VI. ANNUAL PERFORMANCE EVALUATION**

The Committee shall participate in an annual self-assessment of the effectiveness and efficiency of the Committee facilitated by Internal Audit Services. The Charter will be reviewed, as needed, for changes as prescribed by the Committee, Internal Audit Services, or Financial Management Division.

The Covered California Audit and Financial Committee Charter is hereby adopted by Board Resolution No. 2018-30.