

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES
Thursday, August 18, 2022
1601 Exposition Blvd.
Sacramento, CA 95815

Agenda Item I: Call to Order, Roll Call, and Welcome

Dr. Sandra Hernandez called the meeting to order at 9:05 AM.

Audit Committee Members Present During Roll Call:

Dr. Sandra Hernandez
Jarrett Barrios

Agenda Item II: Internal Audit Charter for the Office of Audit Services

Ginny Veneracion-Alunan, Covered California's Chief Audit Executive and Deputy Director of Program, Integrity presented on this agenda item. Ms. Veneracion-Alunan reviewed the background of the Audit and Finance Committee. She noted the Board's approval at the April 2022 Board Meeting of two separate committees (i.e. Audit Committee and Finance Committee).

Ms. Veneracion-Alunan presented the Internal Audit Committee Charter to the Board for approval.

Dr. Hernandez asked for clarification on:

- The appointment of Committee Members, and
- The scope of Internal Audit activities, specifically regarding the Charter's reference to the review of qualified health plan issuers.

Jessica Altman stated that committee members are appointed by the Board. The Charter will be updated to include this information.

Ms. Veneracion-Alunan clarified that the Audit Committee will evaluate qualified health plans issuer grantees for specific identified risks to understand if controls are existing. This will be on a specific case-by-case basis on the specific reviews. The Charter scope will be updated to include this information.

Mr. Barrios asked if quarterly reports, in addition to Annual Reports, would cause an unnecessary burden.

Ms. Veneracion-Alunan explained that periodic reports are a requirement of professional audit standards. Quarterly Reports roll up to the Annual Report. The Office of Audit Services will also provide a risk-based audit plan. These allow transparency and flexibility on reported audit activities.

Public Comment: None

Motion/Action: Dr. Hernandez called for a motion to approve the Internal Audit Charter for the Office of Audit Services. Mr. Barrios moved to approve the Charter.

Vote: With the changes noted, the Internal Audit Charter for the Office of Audit Services was approved by unanimous vote.

Agenda Item III: Fiscal Year 2022-23 Risk-Based Audit Plan

Ginny Veneracion-Alunan, Covered California's Chief Audit Executive and Deputy Director of Program Integrity, presented on this agenda item. The Professional Audit Standards require a Risk-Based Audit Plan (Audit Plan) to be approved annually.

The Audit Plan is intended to ensure that internal audit coverage adequately examines areas with the greatest exposure to the key risks that could affect the organization's ability to achieve its objectives.

Dr. Hernandez asked how the Office of Audit Services works with management to develop a budget that assures necessary resources are available to carry out the audit plan. She stated that it is the responsibility of the Audit Committee to ensure those resources are available.

Ms. Veneracion-Alunan agreed that the budget was critical to success. There are three separate internal audit units and an external audits group at Covered California. Ms. Veneracion-Alunan walked the Committee through the distribution of work based on hours and resources.

Jessica Altman added that, as part of Covered California's budget process, all Directors at Covered California have the opportunity to put forward budget augmentation requests every year, which are thoroughly considered by all four of the chief deputies in concert with one another as well as with her. Looking forward, Covered California can sync up the schedule of the Audit Committee with the schedule of when the budget is approved to make sure that Audit Committee requests are considered. Ms. Altman noted, as an example, there have already been conversations regarding the significant resources that will be required to implement the State Exchange Improper Payment Measurement (SEIPM) compliance review from the federal level.

Ms. Veneracion-Alunan added that the year-end summary would list those resources and periodic reports will provide updates. Electronic audit software, approved for this year, shows a commitment to ensuring the Office of Audit Services can provide effective audit services and a commitment to training and development of team members.

Dr. Hernandez asked if implementation of the software has begun.

Ms. Veneracion-Alunan stated that the Office of Audit Services is in the procurement process now with plans for the software to be implemented this year.

Ms. Veneracion-Alunan presented a breakdown of the planned activities for FY 2022-2023.

Mr. Barrios asked about the nature of the State Exchange Improper Payment Measurement (SEIPM).

Ms. Veneracion-Alunan explained that for the improper payment mandate, the area determined susceptible for exchanges is the advanced payment of tax credits (APTC). Covered California is working with the Centers for Medicare and Medicaid Services (CMS) under a pre-implementation pilot phase (Pilot) to review methodology and ensure readiness for the official rollout. The official measurement is planned to begin in 2024. These SEIPM activities fall under the Compliance responsibilities of the Office of Audit Services.

CMS is focused on APTC but they are also looking at other related review areas, such as enrollments and redeterminations. Covered California is currently working with CMS, during the Pilot, to understand their review modules and corresponding criteria to fully prepare for SEIPM official implementation.

SEIPM is scheduled to be discussed at the February 2023 Audit Committee meeting.

Dr. Hernandez stated the risk assessment survey of Covered California Directors and leaders appears to be a critical function of the year-end planning. She asked what tools are used and how many individuals have access to the tools.

Ms. Veneracion-Alunan explained that until the tools can be implemented, everything is manual. The system is manual but a comprehensive approach of understanding first the organization and the programs, and then the risks. In the end, we have a comprehensive understanding of each program's top risks and controls. The new audit tool will bring automation and will also promote efficiencies.

Mr. Barrios stated the breadth of work covered by the Office of Audit Services was remarkable. He asked for a breakdown of the three separate audit teams at Covered California. He also asked how the Office of Audit Services ensures comprehensive skill sets for personnel.

Ms. Veneracion-Alunan explained that certifications and trainings are required. There are currently three audit managers under the section chief and they are paired with lead auditors. Covered California ensures personnel have the skill set to do the internal control audits.

Dr. Hernandez asked if contractors were used to supplement audit teams.

Ms. Veneracion-Alunan stated that an external contractor is used for the federally mandated programmatic audits. In addition, if a specific expertise is needed in a particular area, we will use an external contractor.

Dr. Hernandez asked for a presentation on how the Office of Audit Services is organized, including vacancies and contracts. This will provide a clear view of the resources dedicated to the effort.

Ms. Veneracion-Alunan responded that it would be covered at the next meeting in November.

Public Comment: None

Motion/Action: Dr. Hernandez called for a motion to approve the 2022-2023 Risk-Based Audit Plan. Mr. Barrios moved to approve 2022-2023 Risk-Based Audit Plan.

Vote: The 2022-2023 Risk-Based Audit Plan was approved by unanimous vote.

Agenda Item IV: Wrap-Up and Next Steps

Dan Washburn, Section Chief for Covered California's Office of Audit Services, presented on this agenda item.

November 2022

- Plan Year 2021 Programmatic Audit Results
- Overview of the Office of Audit Services structure
 - Personnel
 - Vacancies
 - Contractors

February 2023

- Review of Audit Activity
- Organizational Independence Review
- State Exchange Improper Payment Measurement (SEIPM)

June 2023

- Review and approval of FY 2023-2024 Risk-Based Audit Plan
- Review of annual report and audit activities

Mr. Barrios asked about the timing of the Risk-Based Audit Plan.

Mr. Washburn confirmed that the timing is intentional to establish the plan before the new fiscal year. The timing was different this year as the Audit Committee was newly established.

Dr. Hernandez stated that, throughout the course of the year, the Office of Audit Services should flag and bring forward anything that warrants the attention of the Audit Committee. This could include calling an additional meeting, if necessary, or putting it

on the executive session agenda. It is not necessary to wait for a quarterly meeting to bring things to the attention of the Audit Committee.

It was confirmed that Audit Committee meetings will take place in the 9:00-10:00 AM hour on the corresponding Board Meeting dates.

Jessica Altman stated the 2023 Board Meeting dates have not been finalized. They will be formally shared once finalized.

Public Comment: None

Motion/Action: Dr. Hernandez called for a motion to approve the meeting dates. Mr. Barrios moved to approve the dates.

Vote: The Audit Committee meeting dates were approved by unanimous vote.

Jessica Altman adjourned the meeting at 9:58 AM.