

Audit Committee Meeting

November 21, 2022



Presented by

Ginny Veneracion-Alunan, CPA, Deputy Director, Program Integrity Division and Chief Audit Executive

Dan Washburn, CIA/CRMA, Section Chief, Office of Audit Services

AGENDA

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Review Results of 2021 Programmatic Audit	3-21
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2021 PROGRAMMATIC AUDIT RESULTS

BACKGROUND

Sjoberg Evashenk Consulting, Inc. (SEC), conducted an independent external programmatic audit for the 2021 Program Year.

Audit Purpose: As required by 45 Code of Federal Regulations (CFR) §155.1200 and related guidance issued by the Centers for Medicare and Medicaid Services (CMS), an annual external programmatic audit was conducted with the following Audit Objectives:

Evaluate program effectiveness and results;

Evaluate compliance with 45 CFR Part 155:

- Subpart C (General Functions)
- Subpart D (Eligibility Determinations)
- Subpart E (Enrollment Functions)
- Subpart K (Certification of Qualified Health Plans)

Evaluate program efficiencies, including the extent to which programs duplicate, overlap, or conflict with other related programs; and

Evaluate the effectiveness of the systems of internal controls designed and implemented by Covered California, including those related to preventing improper eligibility determinations and enrollment transactions.

BACKGROUND (continued)

Sjoberg Evashenk Consulting, Inc. (SEC), conducted an independent external programmatic audit for the 2021 Program Year.

Additional Areas of Audit Focus – to evaluate controls exist and to assess their efficiency and effectiveness

Individual Market eligibility and enrollment compliance testing – including eligibility determinations, participation in insurance affordability programs (IAP) and related reporting requirements, special enrollments, notices and tax forms sent to customers, calculation of the advance premium tax credit (APTC), and implementation of new program requirements related to the American Rescue Plan.

Navigator Program – including assessing whether Covered California implemented corrective action to address control weaknesses and deficiencies identified during prior external programmatic audits and compliance with Covered California internal policies and procedures, and applicable state and federal regulations.

Controls to protect Personally Identifiable Information (PII) – assessing controls established by Covered California to protect personally identifiable information and assess compliance with 45 CFR §155.260. In addition, to assess protocols in place to ensure required privacy and security training is completed annually.

Plan Management Division’s Oversight and Management of Qualified Health Plans – including assessing whether Covered California implemented the recommended corrective action, or an alternative approach, to sufficiently address areas of non-compliance and opportunities for improved performance as identified in prior external programmatic audits. In addition to assessing the effectiveness of processes and controls in place to ensure accurate and reliable carrier plan data is uploaded into CalHEERS.

CalHEERS data migration controls effectiveness – to ensure CalHEERS data migrated from an on-site storage platform to the cloud storage platform was accurate and reliable, including use of exception reports, data validation processes, and testing prior to and after the data migration.

Ombuds Office – including the efficiency and effectiveness of Ombuds Office operations in fulfilling its assigned duties, mission, goals, and objectives and compliance with Covered California internal policies and procedures, and applicable state and federal regulations.

In general, Covered California agreed with the audit findings.

The audit report and corrective action plans were submitted to CMS on August 31, 2022.

AUDITORS ACKNOWLEDGEMENT OF ACCOMPLISHMENTS

Sjoberg Evashenk Consulting, Inc. (SEC) acknowledged the following accomplishments in the Audit Report.

- Covered California continued its trend of negotiating the best value for consumers by announcing a 1.8% rate change for the individual market in 2022. (The average rate increase for 2020 through 2022 was only 1.1%.)
- Successful implementation of the American Rescue Plan Act (ARPA). *No audit findings.*
- Successful implementation of Cloud Migration. *No audit findings.*
- Improvements to consumer notifications (e.g., more accurately and effectively communicate with consumers and prevent duplicate notice generation).
- Implemented the periodic data matching process to check for updated deceased and Medicare information.
- Implemented the Multi-Factor Authentication across CalHEERS to align with leading edge security practices.

FINDING 1: AUDIT FINDINGS, IMPLICATIONS, & STATUS OF CORRECTIVE ACTION PLANS

Finding	Implications	Status of Corrective Action Plans										
<p>Finding 1: Eligibility verifications did not always occur increasing the risk that unqualified individuals enrolled, many receiving state and Federal subsidies.</p> <p>a) As of December 31, 2021, for the 2021 Plan year, more than 320,000 consumers were conditionally eligible because Covered California was unable to verify the consumer met one or more required eligibility criteria. These potentially ineligible consumers received more than \$1.7 billion in advanced premium tax credits (APTC), of which at least \$121.4 million in APTC was provided to more than 21,000 consumers whose citizenship or lawful presence was not verified.</p> <p>b) For 24 of the 30 sampled new and re-enrollments, the consumer had at least one eligibility attribute that was not verified within 95 days of the eligibility determination or at all for the 2021 plan year.</p> <p>c) Covered California continued to not always verify consumers' general and Insurance Affordability Program (IAP) eligibility.</p> <p>d) Covered California did not send required notices to employers.</p>	<p>a) Due to repeat audit findings from prior years regarding non-verification of eligibility during the Reasonable Opportunity Period, SEC has included dollar amounts. In prior years, for similar findings, the audit report did not identify specific dollar amounts regarding potentially ineligible consumers.</p> <p>b) Increases the risk that individuals who do not meet eligibility requirements may be allowed to enroll in coverage and/or receive benefits for which they are not eligible.</p> <p>c) Unverified conditional eligibility beyond the 95-day Reasonable Opportunity Period poses significant risk of non-compliance with federal regulations and the use of public funds for subsidies provided to ineligible consumers.</p> <p>d) Employers may face penalties if notices to employers are not sent, and employer is not able to appeal cases where employees received APTC they were not eligible for.</p>	<p style="text-align: center;">TARGETED IMPLEMENTATION DATE September 2022-(Reported) Q1 2023 (Revised)</p> <p style="text-align: center;">FULLY IMPLEMENTED</p> <table border="1" data-bbox="2010 678 2448 805"> <thead> <tr> <th>Item*</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>1.1</td> <td>July 2022</td> </tr> </tbody> </table> <p style="text-align: center;">PARTIALLY IMPLEMENTED</p> <table border="1" data-bbox="2010 972 2448 1160"> <thead> <tr> <th>Item*</th> <th>Revised Dates</th> </tr> </thead> <tbody> <tr> <td>1.2</td> <td>Q1 2023</td> </tr> <tr> <td>1.3</td> <td>Q1 2023</td> </tr> </tbody> </table> <p>*Recommendation</p>	Item*	Date	1.1	July 2022	Item*	Revised Dates	1.2	Q1 2023	1.3	Q1 2023
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1.2	Q1 2023											
1.3	Q1 2023											

FINDING 1: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 1.1	Summary of Corrective Action Plan
<p>Covered California should ensure individuals deemed conditionally eligible pending verification of citizenship or, lawful presence, or status as a national are verified by the end of the 95-day reasonable opportunity period (ROP). If a customer’s citizenship or, lawful presence, or status as a national eligibility cannot be verified by the deadline, the customer should be deemed ineligible and disenrolled in a qualified health plan offered by Covered California, as required.</p>	<p>FULLY IMPLEMENTED: Completion Date July 2022</p> <p>Covered California has implemented the auto-discontinuance batch for citizenship and lawful presence effective July 2022. However, because the Medicaid negative action moratorium is still in effect and to avoid negatively impacting Medi-Cal beneficiaries, Covered California mixed households with Citizenship, and Lawful Presence ROP are excluded from this process through the PHE unwinding period.</p> <p>NOTE: The ROP process for all attributes has been stopped during the Renewal Period to avoid consumer confusion and duplicate request for documentation during the switch between plan years. Consumers with 2023 enrollment are being asked to submit documentation for inconsistencies, and the auto-discontinuance batch will resume February 2023 after the first 2023 ROP case expires.</p>

FINDING 1: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 1.2	Summary of Corrective Action Plan
<p>As previously recommended in prior audits and most recently in the 2020 External Programmatic Audit, ensure individuals deemed conditionally eligible are re-reviewed at the end of the reasonable opportunity period, ensure all required verifications occur in a timely manner, in compliance with state and federal requirements.</p>	<p>PARTIALLY IMPLEMENTED: Targeted Completion Date Q1 2023</p> <p>Covered California does not agree with the finding that eligibility verifications were not completed. Due to the ongoing Public Health Emergency, Covered California, in consultation with CMS and in accordance with 45 CFR § 155.315(f)(3), extended the reasonable opportunity period due date for the eligibility verifications.</p> <p>Covered California began the auto-discontinuance batch process in Q2 2022 for individuals with Incarceration, Deceased, Citizenship, and Lawful Presence with expired ROP. In Q3 2022, Covered California ran a simulation process for those with an income inconsistency and was able to successfully clear the income inconsistency of over 250K consumers.</p> <p>In addition, Covered California completed a successful pilot to take action (remove subsidies) for consumers with unverified Minimum Essential Coverage (MEC) and an expired reasonable opportunity period date. Beginning Q1 2023, Covered California will implement a process to take the necessary actions for consumers with unverified Minimum Essential Coverage (MEC), American Indian/Alaska Native (AI/AN), and unverified Social Security Number (SSN) with an expired reasonable opportunity period date.</p> <p>NOTE: The ROP process for all attributes has been stopped during the Renewal Period to avoid consumer confusion and duplicate request for documentation during the switch between plan years. Consumers with 2023 enrollment are being asked to submit documentation for inconsistencies, and the auto-discontinuance batch will resume February 2023 after the first 2023 ROP case expires.</p> <p>Additionally, because the Medicaid negative action moratorium is still in effect, and to avoid negatively impacting Medi-Cal beneficiaries, Covered California mixed households will be excluded from the ROP batch process, except for deceased and incarceration.</p>

FINDING 1: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 1.3	Summary of Corrective Action Plan
<p>As previously recommended in the 2019 External Programmatic Audit, implement processes to ensure employers are notified timely when an employee indicates they do not receive minimum essential coverage and receive APTC benefits.</p>	<p>PARTIALLY IMPLEMENTED: Targeted Completion Date Q1 2023</p> <p>As Covered California worked on the resumption of the Employer Advisement letter, our validation process identified significant issues with consumer-provided data, which added unexpected work to the project plan and planned timeline. Specifically, the issue resolution now requires additional manual data cleanup through the end of year 2022. Beginning Q1 2023 Covered California will resume sending the Employer Advisement letter.</p>

FINDING 2: AUDIT FINDINGS, IMPLICATIONS, & STATUS OF CORRECTIVE ACTION PLANS

Finding	Implications	Status of Corrective Action Plan										
<p>Finding 2: Continued improvements are needed to ensure full compliance with notice and enrollment termination requirements.</p> <p>SEC found that while sampled notices sent to consumers were generally sent timely and accurately:</p> <ul style="list-style-type: none"> a) Several system issues impacted the accuracy and timeliness of notices. b) Two CalHEERS system issues impacted the accuracy and reliability of information displayed in the CalHEERS portal. c) With the exception of two of 15 cases, required Federal tax forms were generally issued timely and accurately. d) With one exception of 15 cases, terminations generally complied with federal regulations and Covered California guidance. 	<ul style="list-style-type: none"> a) Increases the risk that consumers receive coverage and/or benefits after consumer is no longer eligible. b) Inaccurate CalHEERS portal information increases the risk that consumers obtain incorrect information and could cause consumer confusion and/or cause consumer to not correct an error because the notices and/or portal do not indicate an error exists. c) Inaccurate IRS Form 1095-A forms increases the risk of inaccurate tax filings for consumers and inaccurate APTC reconciliation. d) Increases the risk that consumers maintain coverage beyond termination date. 	<p style="text-align: center;">DATE COMPLETED June 2022</p> <p style="text-align: center;">FULLY IMPLEMENTED</p> <table border="1" data-bbox="2028 659 2479 976"> <thead> <tr> <th data-bbox="2028 659 2211 725">Item*</th> <th data-bbox="2211 659 2479 725">Dates</th> </tr> </thead> <tbody> <tr> <td data-bbox="2028 725 2211 791">2.1</td> <td data-bbox="2211 725 2479 791">June 2022</td> </tr> <tr> <td data-bbox="2028 791 2211 856">2.2</td> <td data-bbox="2211 791 2479 856">June 2022</td> </tr> <tr> <td data-bbox="2028 856 2211 922">2.3</td> <td data-bbox="2211 856 2479 922">Current Process</td> </tr> <tr> <td data-bbox="2028 922 2211 976">2.4</td> <td data-bbox="2211 922 2479 976">May 2022</td> </tr> </tbody> </table> <p>*Recommendation</p>	Item*	Dates	2.1	June 2022	2.2	June 2022	2.3	Current Process	2.4	May 2022
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2.3	Current Process											
2.4	May 2022											

FINDING 2: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 2.1	Summary of Corrective Action Plan
<p>As previously recommended in the 2020 External Programmatic Audit, move forward with plans to implement CalHEERS updates to address system issues impacting the accuracy and timeliness of notices as well as system issues causing display issues in the CalHEERS Portal. Once implemented, verify system update addressed defect concerns.</p>	<p>FULLY IMPLEMENTED: Completed June 2022</p> <p>To address accuracy and timeliness of notices as well as to correct the CalHEERS portal display issue, Covered California has worked with CalHEERS partners and implemented the following system fixes:</p> <ul style="list-style-type: none"> • Discrepancy in eligibility start date and premium effective date after American Rescue Plan (ARP) batch (during testing in April 2021) – <i>After a code fix in April 2021, cases were reprocessed proactively and successfully with zero impacted cases.</i> • CalHEERS portal display issue of APTC calculation affecting date values and remaining APTC – <i>The CalHEERS Project Team identified and fixed this display issue in the 22.2 release (February 2022).</i> • CalHEERS portal display issue of the incorrect reasonable opportunity period (ROP) date populating in the reapply scenario for conditional eligible notices – <i>The issue was proactively identified and fixed in December 2021.</i> • Warning notices (NOD03) were not generating when ROP date was not populated after Covered California ROP extension – <i>An additional fix was targeted for release 22.6 (June 2022). Subsequently, a code fix was not necessary after the workarounds were implemented.</i>
Recommendation 2.2	Summary of Corrective Action Plan
<p>To ensure information used by program areas and retained in CalHEERS is accurate and reliable, Covered California and the CalHEERS project team should implement a process to work together to notify the appropriate program areas and correct information in a timely manner when a typo or other error is identified.</p>	<p>FULLY IMPLEMENTED: Completion Date June 2022</p> <p>Covered California and the CalHEERS project team implemented a process to work together to notify the appropriate program areas and to correct information in a timely manner when a typo or other error is identified. This fix will ensure information used by program areas and retained in CalHEERS is accurate and reliable.</p> <p>A Service Investigation Report (SIR) and associated Production Change Request (PCR) have been created to track the cosmetic adjustment of the defect number in the specific affected case notes with the typo. This SIR will go through the established CalHEERS Production Defect Triage process to prioritize the data fix based on severity and impact to system or consumers. Further, the PCR will facilitate the updating of the internal-facing case notes to align the correct description with the correct defect number.</p> <p><i>Through the Production Defect Triage process CalHEERS works with relevant Covered California teams to discuss and ascertain the issue priority.</i></p>

FINDING 2: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 2.3	Summary of Corrective Action Plan
<p>Recognizing that CalHEERS is the system of record, ensure that the final IRS Form 1095-A issued to consumers aligns with the consumers actual experience.</p> <p>Continue monthly reconciliation activities with carriers to identify discrepancies between carrier and CalHEERS enrollment records.</p>	<p>CURRENT PROCESS</p> <p>Currently, Covered California conducts a monthly reconciliation process to ensure that data between carrier system and CalHEERS is accurate and help identify any discrepancies. Fundamental to this process is the ability to readily find, track, and resolve artifacts that result from transactions between Covered California and its carriers through the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS).</p>

Recommendation 2.4	Summary of Corrective Action Plan
<p>Covered California should continue efforts to work with carriers to ensure grace periods are appropriately applied for consumers and the correct benefit termination date used.</p>	<p>FULLY IMPLEMENTED: Completion Date May 2022</p> <p>Covered California will continue efforts to work with carriers to ensure that grace periods are appropriately applied and the correct benefit termination date is used. Covered California’s Program Integrity Division (PID) has a monthly reconciliation process that validates enrollment information such as Start Dates and End Dates. If any discrepancies are identified with enrollment information, PID notifies carriers of these discrepancies. On 5/20/22, Plan Management Division notified the carrier identified during testing that the case identified did not meet the appropriate grace periods and coverage ends dates per Covered California policy and provided the appropriate Covered California policy guidance regarding grace period requirements. On 5/23/22, the Carrier confirmed that they have and understand the grace period policy guidance.</p>

FINDING 3: AUDIT FINDINGS, IMPLICATIONS, & STATUS OF CORRECTIVE ACTION PLANS

Finding	Implications	Status of Corrective Action Plan								
<p>Finding 3: Ombuds program activities generally aligned with industry standards and complied with Federal requirements; however, some opportunities exist for enhancements.</p> <p>a) With one exception, Covered California’s practices aligned with Ombuds Office industry standards. Ombuds offices normally do not implement an appeals decision, Covered California Ombuds does. Therefore, caution should be exercised to maintain independence and neutrality from activities of the agency.</p> <p>b) Covered California generally followed internal policies and complied with Federal appeals requirements with 3 exceptions: Two cases where appeal decision went beyond 30-days, one case where Covered California did not contact the appellant within five business days per internal policy, and two cases where Covered California did not provide the appellant with a courtesy closing call as required by internal policy.</p> <p>c) While the Ombuds Affairs Unit generally followed internal policies, opportunities exist to improve documentation of Consumer Authentication Practices.</p>	<p>a) Risk of Ombuds office not remaining independent in its appeals decision.</p> <p>b) Potential delays in appeals decisions.</p> <p>c) Risk of not authenticating customers and could lead to duplication of work if not documented per policy.</p>	<p>DATE COMPLETED March 2023 (Reported) October 2022 (Revised)</p> <p>FULLY IMPLEMENTED</p> <table border="1"> <thead> <tr> <th>Item*</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>3.1</td> <td>April 2022</td> </tr> <tr> <td>3.2</td> <td>April 2022</td> </tr> <tr> <td>3.3</td> <td>Oct 2022</td> </tr> </tbody> </table> <p>*Recommendation</p>	Item*	Date	3.1	April 2022	3.2	April 2022	3.3	Oct 2022
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3.1	April 2022									
3.2	April 2022									
3.3	Oct 2022									

FINDING 3: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 3.1	Summary of Corrective Action Plan
<p>The Ombuds Office should assess whether its practice of implementing appeals decisions poses a risk to its independence from performing a compliance function of Covered California and whether this activity is in alignment with the standards outlined by the International Ombudsman Association.</p>	<p>FULLY IMPLEMENTED: Date April 2022</p> <p>Covered California has completed the assessment and agrees that implementing appeals is not in alignment with International Ombudsman Association standards. Based on our assessment, we concluded that the risk to our independence is not great enough to change our practices.</p>
Recommendation 3.2	Summary of Corrective Action Plan
<p>Ensure staff are knowledgeable of and familiar with established policies and procedures for implementing appeals decisions.</p>	<p>FULLY IMPLEMENTED: Completion Date April 2022</p> <p>Covered California’s Ombuds Office has updated their task guides based on preliminary audit findings regarding case documentation to ensure notes are complete and consistent between the analysts. The Ombuds Office will also have task guide reviews and updates ongoing on a quarterly basis during its Team meetings.</p>
Recommendation 3.3	Summary of Corrective Action Plan
<p>Update Ombuds Affairs Unit policies and procedures to include requirements to maintain documentation of consumer authentications conducted and/or include a field for staff to document the date and method used to authenticate consumers that contacted the Ombuds Office through e-mail.</p>	<p>FULLY IMPLEMENTED: Completion Date October 2022</p> <p>Covered California’s Ombuds Affairs Unit updated policies and procedures for documentation of consumer authentications and made the necessary Salesforce changes which were deployed on 10/24/22.</p> <p>Two fields, consumer authentication method and consumer authentication date, were added to the Salesforce workspace.</p>

FINDING 4: AUDIT FINDINGS, IMPLICATIONS, & STATUS OF CORRECTIVE ACTION PLANS

Finding	Implications	Status of Corrective Action Plan				
<p>Finding 4: Navigator program has strong oversight practices and controls in place to ensure grantee compliance with grant provisions.</p> <p>a) Covered California had sufficient processes in place to ensure grantees complied with reporting requirements and grantees generally submitted progress reports, workplans, and supplemental funds usage reports, where applicable, timely with the required information. Covered California completed annual site visits and ensured required annual training was completed.</p> <p>b) Covered California appropriately approved payments to sampled grantees and payments were generally supported, timely, and adhered to contract payment provisions. However, contract payment provisions for one grantee were inconsistent. While the grantee was paid the correct amount, the payment schedule stated in the contract was incorrect.</p>	<p>Risk of improper payments to grantees compared to contracted amount.</p>	<p>DATE COMPLETED June 2022</p> <p>FULLY IMPLEMENTED</p> <table border="1" data-bbox="2040 715 2469 839"> <thead> <tr> <th data-bbox="2040 715 2244 776">Item*</th> <th data-bbox="2244 715 2469 776">Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="2040 776 2244 839">4.1</td> <td data-bbox="2244 776 2469 839">June 2022</td> </tr> </tbody> </table> <p>*Recommendation</p>	Item*	Date	4.1	June 2022
Item*	Date					
4.1	June 2022					

FINDING 4: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 4.1	Summary of Corrective Action Plan
<p>Implement a step to review and verify payment provisions are accurate prior to executing and/or amending Navigator grant agreements.</p>	<p>FULLY IMPLEMENTED: Completion Date June 2022</p> <p>To review and verify payment provisions are accurate, a new process was developed by the Outreach and Sales, Account Services staff, in partnership with Business Services Branch (BSB) staff. Specifically, for any Navigator contract execution or amendment, a verification list has been created by Account Services and shared with BSB that will detail all values that are tailored to an individual grantee. This now will allow BSB and Account Services staff to perform two separate reviews, to check for accuracy of each grant agreement.</p> <p>Formal contract review procedures were also established within Outreach and Sales and shared with Business Services Branch prior to the end of the FY 2021-22 fiscal year (6/30/2022).</p> <p>Additionally, for this specific finding, the Account Services staff corrected the contract payment schedule for the impacted grant.</p>

FINDING 5: AUDIT FINDINGS, IMPLICATIONS, & STATUS OF CORRECTIVE ACTION PLANS

Finding	Implications	Status of Corrective Action Plan				
<p>Finding 5: Opportunities exist to improve management and reporting of Privacy and Security training.</p> <p>a) Approximately half of incomplete trainings in January 2022 could be attributed to Service Center and Surge Vendor employees.</p> <p>b) Some users had duplicate accounts showing different training information on each account.</p>	<p>a) Employees/Contractors having access to Personally Identifiable Information (PII) without required training being completed.</p> <p>b) Incorrect records could cause duplicate training time/expenses</p>	<p>DATE COMPLETED March 2022</p> <p>FULLY IMPLEMENTED</p> <table border="1" data-bbox="2033 421 2474 545"> <thead> <tr> <th>Item*</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>5.1</td> <td>March 2022</td> </tr> </tbody> </table> <p>*Recommendation</p>	Item*	Date	5.1	March 2022
Item*	Date					
5.1	March 2022					

FINDING 5: RECOMMENDATIONS AND CORRECTIVE ACTION PLANS

Recommendation 5.1	Summary of Corrective Action Plan
<p>To better ensure information reported on monthly reports to program areas and used by the Privacy Officer and Information Security Office to track completion are accurate and reliable, Covered California should audit its Learning Management System users to identify and eliminate duplicate accounts and ensure accounts for employees and contractors that have been off-boarded are deactivated.</p>	<p>FULLY IMPLEMENTED: Completion Date March 2022</p> <p>Covered California University (CCU) has implemented monthly reconciliations with our vendor TTEC (formerly Fanueil), to assure that our records accurately reflect their active users. We sent the first report to TTEC on March 11, 2022. CCU has scheduled reconciliation reports be sent to TTEC on a monthly basis going forward, which will verify active vs. inactive status, current names, and email addresses (verifying there are no names changes or duplicate email addresses on file). For monthly accountability and monitoring, TTEC will be given two weeks to respond and CCU will update records accordingly. With this reporting and monitoring process in place, our records will remain updated and accurate on a monthly basis.</p>

CORRECTIVE ACTION PLAN MONITORING AND ASSURANCE WORK

- To ensure accountability and to monitor implementation status of Corrective Action Plans (CAPs), Covered California's Office of Audit Services will follow-up on outstanding CAPs to ensure remediation of audit findings, and conduct CAP assurance.
- As part of the annual programmatic audit, Covered California's external auditors review outstanding CAPS.
- The above coordination and continued monitoring of CAP implementation and assurance work will ensure that internal controls are strengthened and appropriate corrective action has been taken to remediate the identified audit findings.



Questions

PUBLIC COMMENT

CALL: (877) 336-4440

PARTICIPANT CODE: 6981308

- To request to make a comment, press 10; you will hear a tone indicating you are in the queue for comment. Please wait until the operator has introduced you before you make your comments.
- If watching via the live webcast, please mute your computer to eliminate audio feedback while calling in. Note, there is a delay in the webcast.

EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM

Note: Written comment may be submitted to AuditCommittee@covered.ca.gov

2021 FINANCIAL STATEMENT AUDIT RESULTS

BACKGROUND

Lance, Soll & Lunghard, LLP (LSL), conducted an independent financial statement audit for year end June 30, 2021.

Audit Purpose: As required by 45 Code of Federal Regulations (CFR) §155.1200 and related guidance issued by the Centers for Medicare and Medicaid Services (CMS), “the State Exchange must engage an independent qualified auditing entity...to perform an annual independent external financial audit.”

Scope of Audit:

- Obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error;
- Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards will always detect a material misstatement when it exists; and
- Issue an auditor’s report that includes the opinion of the external auditors.

The audit report was submitted to CMS on August 18, 2022.

AUDIT RESULTS

Lance, Soll & Lunghard, LLP (LSL), conducted an independent financial statement audit for year end June 30, 2021.

High-Level Summary of Audit Results

The audit results reflected the following:

- In the opinion of the external auditors, the financial statements present fairly, in all material respects, the respective financial position of Covered California, as of June 30, 2020 and June 30, 2021, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with Generally Accepted Accounting Principles (GAAP).
- The auditors did not identify any significant unusual transactions.
- The auditors did not find any misstatements.
- The auditors did not identify any deficiencies in internal control that they consider to be material weaknesses.
- The report disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Questions

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CALIFORNIA DEPARTMENT OF SOCIAL SERVICES AUDIT RESULTS

BACKGROUND

Covered California and the California Department of Social Services (CDSS) entered into an Interagency Agreement that authorizes CDSS to conduct hearings based on consumer appeals that arise out of the application and enrollment process for the Affordable Care Act. In 2019, CDSS adjudicated over 4,000 appeals for CCA, and billed us over \$7 million.

The Patient Protection and Affordable Care Act requires that a health insurance issuer implement an effective appeals process for appeals of coverage determination and claims (42 U.S. Code § 300gg-19). Furthermore, California Government Code Section 100506.3 states, in part, that the Board of the California Health Benefit Exchange (or Covered California) “shall enter into a contract with the State Department of Social Services to serve as the Exchange appeals entity designated to hear appeals of eligibility or enrollment determination for persons in the individual market, or exemption determinations within the Exchange’s jurisdiction.”

Audit Authority: In accordance with the mandate of the State Leadership Accountability Act, the Office of Audit Services performed the audit in accordance with professional audit standards. This audit is compliant with Internal Audit Charter.

Audit Objectives and Scope:

- The objective of this audit was to provide reasonable assurance of:
 - The accuracy and timeliness of appeals invoices; and
 - Compliance with Interagency Agreement’s terms and conditions.
- The audit covered CDSS appeals invoices issued between July 1, 2019 through June 30, 2021.

AUDIT RESULTS

Key Findings:

- Reports used in preparation of invoices lacked accuracy and timeliness.
 - For example, supporting reports were inconsistent with the month being invoiced.
- CDSS applied unclear accounting records to invoice Covered California.
 - For example, adjustments to prior months invoices are not detailed or supported.
- CDSS must address weaknesses in computer systems.
 - CDSS' computer systems (FI\$Cal for financial accounting and the Appeals Case Management System (ACMS)) for managing ACA caseloads do not provide all the reports needed for an audit trail. Specifically, the systems can only produce reports for the point in time and cannot generate historical reports.

CDSS Management Response: In general, CDSS management agreed with the audit findings.

Corrective Action Plan (CAP): CDSS has already begun to improve their processes for their appeals invoices. Specifically, they are working on creating reports that have all data elements to substantiate invoices.

Next Steps: To ensure accountability and to monitor their CAPs implementation status, Covered California's Office of Audit Services will follow-up on CDSS' process improvements. This will ensure that internal controls are strengthened, and appropriate corrective action has been taken to remediate the identified audit findings.



Questions

PUBLIC COMMENT

CALL: (877) 336-4440

PARTICIPANT CODE: 6981308

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OFFICE OF AUDIT SERVICES QUARTERLY REPORT

OFFICE OF AUDIT SERVICES QUARTERLY REPORT

Executive Summary:

The Office of Audit Services presents its Quarterly Status Report of Audit Activity, in accordance with the International Standards for the Professional Practice of Internal Auditing.

The following pages provide a high-level summary of the status of projects and activities:

- Audits
- State Exchange Improper Payment Measurement (SEIPM)
- External Audit Coordination
 - Federally Mandated Annual Programmatic Audit Report
 - Federal Control Agencies
- Audit Transformation Plan – Audit Software
- Additional Office of Audit Services Activities

AUDITS

Internal Auditing adds value and improves Covered California’s operations by providing independent, objective assurance and consulting activities. The Office of Audit Services helps Covered California accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Area Under Review	Description/Objective	Status
IN PROGRESS		
Employee Separation	Review internal controls over employee separation.	<ul style="list-style-type: none"> Entrance Conference held August 2022. Currently in fieldwork. Final Report expected FY 22-23, Q3.
Accounts Payable	Review internal controls over Financial Management Division’s (FMD) review, processing, and encumbrance of invoices.	<ul style="list-style-type: none"> Entrance conference held March 2022 Currently in fieldwork. Final report expected FY 22-23, Q3.
Contracting	Review internal controls over contract development, renewal, monitoring, and payment approval.	<ul style="list-style-type: none"> Entrance conference held March 2022. Currently in fieldwork. Final report expected FY 22-23, Q3.
Call Center User Access	Review internal controls over user access at the call center surge vendor (TTEC, formerly Faneuil).	<ul style="list-style-type: none"> Entrance conference held January 2022. Currently completing fieldwork. Final report expected FY 22-23, Q3 (February 2023).
Business Continuity Planning	Compliance audit over business continuity and technology recovery planning. Assess that business continuity planning is being performed and that plans are reviewed regularly and are accessible.	The Business Continuity Plan is being updated. Therefore, OAS will propose a revised audit strategy and timeline.

AUDITS (CONTINUED)

Internal Auditing adds value and improves Covered California’s operations by providing independent, objective assurance and consulting activities. The Office of Audit Services helps Covered California accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Area Under Review FY	Description/Objective	Status
IN PROGRESS <u>Consulting</u>		
Covered California for Small Business Internal Control Consultation	Consulting on internal controls of Covered California for Small Business’s operations with NFP (request by leadership). Review of financial reconciliations and controls.	<ul style="list-style-type: none"> • Currently completing fieldwork. • Final report expected FY22-23, Q3 (Feb. 2023).
NOT STARTED <u>Internal Control Audits</u>		
Human Resources	Review internal controls over employee pay, time reporting, and leave balances (evaluate controls after Workday implementation).	-
Service Center	Review internal controls over CalHEERS L3 (override) authorization use and monitoring.	-
CalHEERS/Covered California Information Technology (CCIT)	Review internal controls over CalHEERS help desk ticket process.	-
Agent Payments	Review internal controls over carrier records for agent payments.	-
Expense Reimbursements	Review internal controls over travel/expense reimbursements and the appropriate use of Concur (State Travel Agent).	-

STATE EXCHANGE IMPROPER PAYMENT MEASUREMENT

Activity	Description/Objective	Status
<p>State Exchange Improper Payment Measurement (SEIPM) for Pilot (pre-implementation)</p>	<p>Dedicated project team responsible for coordinating with CMS on the organization-wide Pilot pre-implementation project to prepare for the official SEIPM annual measurement cycle planned for 2024.</p> <p>Background: The Payment Integrity Information Act (PIIA) of 2019, government agencies are required to identify, report and reduce improper payments. In compliance with the PIIA, the CMS' SEIPM program will identify, measure and report erroneous payments. The SEIPM program will measure improper payments for Advance payments of the Premium Tax Credit (APTC) administered by the exchanges. The SEIPM program is currently under development.</p> <p>Covered California is working with CMS under a pre-implementation Pilot Project to review methodology and ensure readiness for the official rollout of the official SEIPM annual measurement program planned for 2024.</p>	<p>Working closely with CMS on SEIPM pre-implementation Pilot Project.</p> <p>Completed Program Analysis work phase.</p> <p>Current: In Program Design work phase Reviewing and confirming CMS' review criteria and methodology based on CA's unique processes.</p> <p>Next Steps *Pilot Work Phase (review and analysis of sampled data). *Program Analysis Report will be issued by CMS 90 days after Pilot completion.</p> <p>*Detailed SEIPM discussion at February 2023 Audit Committee meeting.</p>

EXTERNAL AUDIT COORDINATION

Covered California is audited annually by external federal and state control entities. The Office of Audit Services coordinates those audits with internal audit clients and ensures timely communication, and any findings from those audits are timely and corresponding corrective actions are appropriately resolved.

Activity	Description/Objective	Status
ONGOING		
2022 Programmatic Audit *Contracted Audit	45 CFR § 155.1200(c) requires Covered California to engage an independent qualified auditing entity to perform an annual independent programmatic audit.	<ul style="list-style-type: none"> Entrance held August 29th. Currently in fieldwork. Final report expected FY22-23, Q4 (May 2023).
2022 Carrier Record and Policy Based Payment Audit (Ad Hoc) *Contracted Audit	Audit Objectives: <ul style="list-style-type: none"> Accuracy and Reliability of Carrier Records; and Accuracy, Reliability, and Timely Reporting of Individual Market Policy Based Payments to CMS. 	<ul style="list-style-type: none"> Entrance conference held October 6, 2022. Fieldwork scheduled November 2022 – April 2023. Final report expected FY22-23, Q4 (May 2023).
Government Accountability Office (GAO) Audit of Advanced Payment Tax Credit (APTC) payment integrity <i>GAO is auditing CMS and included a review of selected states.</i>	Audit Objectives: <ul style="list-style-type: none"> Determine what key control activities, if any, selected states and CMS have designed and implemented to prevent advance premium tax credit (APTC) improper payments in the state exchanges; and Determine (1) the extent to which CMS has designed and implemented an appropriate methodology to estimate APTC improper payments, identify the root causes of improper payments, and develop corrective actions to address such root causes; and (2) what barrier(s), if any, are preventing CMS from executing the methodology. 	<ul style="list-style-type: none"> GAO has concluded fieldwork and exit conference held October 18, 2022. Draft report expected late November. Final report from GAO expected January 2023.

AUDIT TRANSFORMATION PLAN – AUDIT SOFTWARE

The Office of Audit Services performs non-audit activities that support improvement and management of the office. These activities seek to provide efficiencies in how we provide audit services and improve the services we provide to Covered California.

Activity	Description/Objective	Status
AuditBoard Software Implementation (Electronic Audit Workpapers)	Procurement and implementation of an audit software solution to streamline the audit process, to improve performance, to better demonstrate compliance, and to manage and document the audit activities of the Office of Audit Services.	<ul style="list-style-type: none">• Started September 2022.• Currently in the design phase.• Expected go-live date: January 2023 (test environment).

ADDITIONAL OAS ACTIVITIES

Activity	Description/Objective	Status
Financial Statement Audit Contract	Request for proposal for a new audit contractor.	<ul style="list-style-type: none">• Currently under review.<ul style="list-style-type: none">○ Three proposals received and evaluated. Scores sent to Business Services in late October.
Recruiting Activities	For open auditor and analyst positions (external audit coordination).	<ul style="list-style-type: none">• In progress.• Targeted hire date: end of December.



Questions

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WRAP-UP AND NEXT STEPS

February 2023

- State Exchange Improper Payment Measurement (SEIPM)
- Organizational Independence Review of the Office of Audit Services
- Quarterly Report of Audit Activities

June 2023

- Review and Approval of Proposed FY 2023-2024 Risk-Based Audit Plan
- Annual Report of Audit Activities

APPENDIX

TEAM ORGANIZATION

OFFICE OF AUDIT SERVICES TEAM ORGANIZATION

WITHIN PROGRAM INTEGRITY DIVISION

The Program Integrity Division consists of two branches:
 Reconciliation of Enrollment and Membership • Program Oversight and Compliance

Office of Audit Services - Classifications Legend

AGPA	Associate Governmental Program Analyst
SSMA	Staff Services Management Auditor
AMA	Associate Management Auditor
SMA	Staff Management Auditor
SrMA	Senior Management Auditor
SupMA	Supervising Management Auditor

Kathleen Keeshen
 GENERAL COUNSEL

Thien Lam
 DIRECTOR, PROGRAM INTEGRITY DIVISION

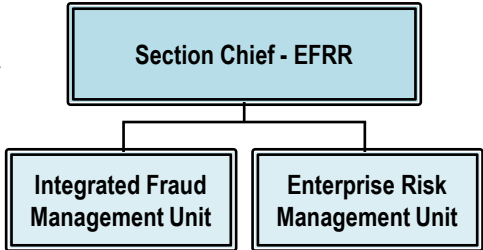
Ginny Veneracion-Alunan, CPA
 CHIEF AUDIT EXECUTIVE / DEPUTY DIRECTOR

Program Oversight and Compliance Branch

Vacant
 Branch Chief
SupMA

Enterprise Fraud, Risk, and Reporting (EFRR)

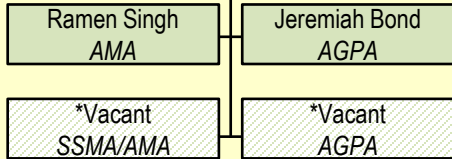
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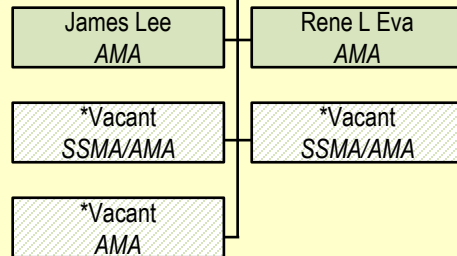
Office of Audit Services (OAS)

Dan Washburn, CIA, CRMA
 Section Chief - OAS
SrMA

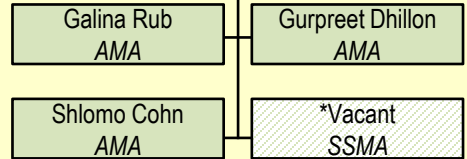
Jeff Diefenbach
 Audit Manager
SMA



Archana Newcomb, CPA, CIA
 Audit Manager
SMA



Kurt Faubion
 Audit Manager
SMA



***NOTE: Actively recruiting for vacancies**

COMPETENCIES

The Office of Audit Services team are members of several professional and accounting organizations. These groups are excellent sources for obtaining information and training on auditing, accounting, business management, and other professional issues. Some of these organizations also provide certifications to show proficiency in a variety of auditing and accounting subject areas.



The Institute of Internal Auditors (IIA)



American Institute of Certified Public Accountants (AICPA)



Information Systems Audit and Control Association (ISACA)



California Association of State Auditors (CASA)

TRAINING

Professional Audit Standards require that practicing auditors obtain at least 40 hours of continuing professional education each year. Covered California provides the resources to auditors to complete this training. Some example of training taken in 2022 are:

- Quality Assurance for the Internal Audit Activity (CASA)
- Risk Management (IIA)
- Audit Evidence and Workpapers (IIA)
- Engagement Planning (IIA)
- Risks and Controls (Specialized Governmental Solutions)
- Data Privacy & Ethics (IIA)
- Impact Through Value Added Audits (CASA)
- Audit Interviews (IIA)
- COSO Based Auditing (IIA)
- Assurance Engagement Communications (IIA)

PROFESSIONAL CERTIFICATIONS



CONTRACTORS

Title 45 Code of Federal Regulations Section 155.1200(c) states that a “State Exchange must engage an independent qualified auditing entity which follows generally accepted government auditing standards (GAGAS) to perform an annual independent external financial and programmatic audit...”

Programmatic Audit

Contractor*: Sjoberg Evashenk Consulting, Inc. (SEC)

Current Contract Term: June 1, 2020 through June 30, 2023

Financial Statement Audit/Single Audit**

Request for proposal for a new audit contractor was issued. Currently, the proposals received are under evaluation.

Contractor*: *To be determined*

For Contract Term: December 1, 2022 through November 30, 2023 (*with option to extend up to two years*)

Ad Hoc Audit

Contractor*: Sjoberg Evashenk Consulting, Inc. (SEC)

Current Contract Term: June 1, 2020 through June 30, 2023

This audit is not a requirement of federal regulations and is commissioned by Covered California in order to assess those risky areas not covered by other audits.

The current Ad Hoc audit, 2022 Carrier Record and Policy Based Payment Audit, includes:

- Assessing whether insurance carriers’ current practices ensure accurate and reliable Individual market enrollment records and
- Assessing whether Covered California implemented appropriate controls to ensure accurate, reliable, and timely reporting of Policy Based Payments to the Centers for Medicare & Medicaid Services.

**Selected through competitive bidding process*

*** A financial statement audit is required if Covered California expends less than \$750,000 in federal awards during the fiscal year. A single audit is required if Covered California expends \$750,000 or more in federal awards during the fiscal year. A financial statement audit is expected for FY 2021-22 and a single audit expected for FY 22-23.*