

Audit Committee Meeting

November 15, 2023



Presented by

Kevin Cathy, CIA/CFE, Branch Chief, Office of Audit Services

Thien Lam, Director, Program Integrity Division

AGENDA

Presentation	Slides
Two Charters <ul style="list-style-type: none"><li data-bbox="249 608 1098 658">• Audit Committee Charter (Action)<li data-bbox="249 686 1021 736">• Internal Audit Charter (Action)	3 - 13
External Audit Results <ul style="list-style-type: none"><li data-bbox="239 851 1200 901">• 2022 Programmatic Audit (Discussion)	14 - 32
Wrap-Up and Next Steps (Discussion)	33

**TWO CHARTERS:
AUDIT COMMITTEE CHARTER
INTERNAL AUDIT CHARTER**

TWO SEPARATE CHARTERS



Audit Committee Charter

Purpose

The purpose of the Audit Committee is to provide a structured, systematic oversight of the organization's governance, risk (and controls), and compliance practices. The committee assists the Covered California Board (Board) and management by providing advice and guidance on the adequacy of the organization's system of internal controls, the internal audit process (executed by the Office of Audit Services [OAS]), and Covered California's process for monitoring compliance with laws.

Mandate

Government Code section 13886, subdivision (a) states, "Any governing body that oversees a state agency that performs or reviews internal audits shall establish an audit committee that generally meets the frameworks recommended by the American Institute of Certified Public Accountants, as set forth in the publication entitled 'AICPA Audit

AUDIT COMMITTEE CHARTER

- Outlines the responsibilities of the Audit Committee.
- Needs to be reviewed and approved annually by the governing Audit Committee.
- Was last approved by the Board at the April 2022 Board Meeting.



Covered California Internal Audit Charter

Policy

It is the policy of Covered California to establish and maintain an independent and objective internal audit function and provide the resources necessary to enable the Office of Audit Services (OAS) to achieve its mission and discharge its responsibilities.

Purpose (Definition of Internal Control)

The purpose of Covered California OAS is to provide independent, objective assurance and consulting services designed to add value and improve Covered California's operations. We help Covered California accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and organizational governance processes.

INTERNAL AUDIT CHARTER

- Outlines the responsibilities of the Office of Audit Services.
- Needs to be reviewed and approved annually by the governing Audit Committee.
- Was last approved by the Audit Committee at the November 2022 Audit Committee Meeting.

AUDIT COMMITTEE CHARTER

AUDIT COMMITTEE CHARTER: MAJOR ELEMENTS & REVIEW

The Audit Committee Charter defines the Audit Committee's purpose, authority, and responsibilities.

- **Major Elements:**

- ✓ **Mandate** – Government Code and Professional Audit Standards; the Audit Committee plays a significant role in setting the tone of an organization.
- ✓ **Authority** – In discharging its responsibility, the Audit Committee will have unrestricted access to members of management, employees, and relevant information. The Audit Committee has authority to approve audits, operational reviews, and investigations into any matters.
- ✓ **Significant responsibilities under the purview of the Audit Committee include the following:**
 - 1) Ensure Covered California establishes and maintains effective governance, risk and controls, and compliance practices.
 - 2) Review the results of external and internal audit reports, including management's corrective action plans.
 - 3) Review and approve the annual risk-based audit plan.
 - 4) Receive confirmation from the Chief Audit Executive of the independence of the internal audit organization and its activities.
 - 5) Review and approve the Internal Audit Charter annually.
 - 6) Review the Audit Committee Charter annually and recommend any proposed changes to the Board.
 - 7) Regularly report to the Board about Committee activities and provide an open avenue of communication between the Office of Audit Services and the Board Members.

- **Action:** Covered California staff is seeking approval of the Audit Committee Charter.



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.
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EACH CALLER WILL BE LIMITED TO TWO MINUTES PER AGENDA ITEM

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

INTERNAL AUDIT CHARTER

INTERNAL AUDIT CHARTER: MAJOR ELEMENTS & REVIEW

The Internal Audit Charter defines the Office of Audit Services' purpose, authority, and responsibilities. It provides the organization with a blueprint for how internal audits will operate and helps the governing body clearly signal the value it places on internal audit's independence.

- **Major Elements:**
 - ✓ **Purpose/Mission** – Provides the purpose for having an internal audit unit and the mission.
 - ✓ **Core Principles for the Professional Practice of Internal Auditing** – Explains the principles by which the Office of Audit Services will conduct themselves.
 - ✓ **Authority** – Government codes and standards for establishing and maintaining an internal audit unit.
 - ✓ **Standards for the Professional Practice of Internal Auditing** – Establishes the standards for the Office of Audit Services as promulgated by The Institute of Internal Auditors and the United States Government Accountability Office.
 - ✓ **Code of Ethics** – States the principles and expectations governing the behavior of individuals and organizations in the conduct of internal auditing. It describes the minimum requirements for conduct and behavioral expectations rather than specific activities.
 - ✓ **Definition of Internal Auditing** – Defines internal auditing as being an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and government processes.
 - ✓ **Scope of Internal Audit Activities** – Delineates the primary activities undertaken by the Office of Audit Services.
 - ✓ **Responsibility** – Outlines the responsibilities to Covered California and the Board.

INTERNAL AUDIT CHARTER: MISSION AND SCOPE

Office of Audit Services Mission

- The mission of the Office of Audit Services is:
 - To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
 - To assist Covered California's management in the discharge of their oversight, management, and operating responsibilities through independent audits and consultations designed to assess and promote the systems of internal controls, including effective and efficient operations.
- The Office of Audit Services will accomplish this through communication, monitoring, and collaboration with management.
- This supports the accomplishment of Covered California objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Scope of Internal Audit Activities

- Ensuring programs and systems are operating within the highest standards and are directed toward the requirements defined in the Federal and State laws, regulations, and Covered California policies and procedures.
- Reviewing the reliability and integrity of financial and operating controls and information and the means used to identify, measure, classify, and report such information.
- Assessing business risks and verifying appropriate mitigating control mechanisms are in place.
- Reviewing established system of internal control to ascertain whether they are functioning as designed.
- Assessing the efficiency of processes and resources deployed.
- Evaluating information technology governance and security practices and ensuring that they adequately protect information assets, support Covered California's objectives, and are in compliance with applicable policies, rules, and regulations.
- Evaluating Covered California's grantees, contractors, and vendors for compliance with contractual provisions, laws, and regulations.

Action: Covered California staff is seeking approval of the Internal Audit Charter.



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EXTERNAL AUDIT RESULTS: 2022 PROGRAMMATIC AUDIT

BACKGROUND

The Affordable Care Act requires Covered California to contract with an independent firm to perform an annual programmatic audit. The purpose of this audit is to evaluate Covered California's operations, program effectiveness and efficiencies, and administrative functions in accordance with 45 Code of Federal Regulations (CFR) Part 155. The reporting period for this audit was for the Benefit Year 2022. This federally required audit was submitted to the Centers for Medicare & Medicaid Services (CMS) in August 2023.

AUDIT SCOPE:

- **Individual Market Eligibility and Enrollment:** Reviewed the efficiency and effectiveness of eligibility and enrollment processes (e.g., new enrollments, re-enrollments, special enrollments, conditional eligible enrollments, terminations, remote identify verification, etc.).
- **Protection of Personally Identifiable Information:** Assessed protocols in place to grant and monitor remote access to Covered California's networks and practices to oversee Covered California's Telework Program.
- **Individual Market Surge Contractor:** Evaluated Covered California's monitoring and oversight of the Surge Contractor.
- **Small Business Eligibility and Enrollment:** Reviewed the accuracy and reliability of Covered California Small Business enrollment records, including data transmissions to and from the carriers and processes to reconcile carrier enrollment records to Covered California's records.
- **Small Business Agent Payments:** Evaluated Covered California's policies and procedures to ensure accurate and timely Small Business and General Agent commission payments.
- **Plan Management Process:** Reviewed Covered California's policies and procedures to oversee and manage carrier compliance with contractual and regulatory requirements.
- **Data Warehouse Migration:** Reviewed Covered California's policies and procedures to ensure data migrated to the new cloud storage platform was accurate and reliable, including use of exception reports, data validation processes, and testing prior to and after the data migration.

AUDITORS ACKNOWLEDGEMENT OF ACCOMPLISHMENTS

While the external auditors identified reportable findings, they acknowledged the good work that Covered California has accomplished. Highlights of accomplishments outlined in the report include the following:

- Covered California reported near record-high enrollment in the Individual Market with approximately 1.7 million Californians enrolled by September 2022.
- Covered California negotiated a preliminary rate increase of 1.8 percent in 2022 for the Individual Market.
- Covered California implemented a newly-formed Data Governance Committee to oversee the internal use and external disclosure of consumer information used for the Health Evidence Initiative Project.
- Covered California's Service Center improved its escalation process to support increased first contact resolution.
- Covered California complied with American Rescue Plan requirements.
- Individual Market eligibility determination notices were generally accurate and sent to customers in a timely manner.
- Covered California's termination of enrollments complied with federal regulations.
- Covered California complied with federal requirements established in 45 CFR Part 155 (Subpart K) and implemented sufficient controls to oversee and manage carriers' compliance with contractual and regulatory requirements.
- Covered California successfully completed its Data Warehouse cloud refresh and implemented strong controls to ensure the accuracy and reliability of data.

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 1: Eligibility Verifications Did Not Always Occur Increasing the Risk that Unqualified Individuals Enrolled, Many Receiving Federal Subsidies

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> The auditors sampled 45 cases and determined Covered California's application of the reasonable opportunity period did not comply with federal regulations. As of December 31, 2022, over 188,450 households were conditionally eligible because Covered California was unable to verify the consumer met the required eligibility criteria. These potentially ineligible consumers received more than \$1.7 billion in advance premium tax credits (APTC). Approximately 7,300 households (out of the 188,450 households) received \$34.9 million in APTC whose citizenship or lawful presence was not verified. 	<ul style="list-style-type: none"> Covered California should ensure extensions granted to the 95-day reasonable opportunity period fully comply with federal regulations. As previously recommended in prior audits, ensure individuals deemed conditionally eligible are re-reviewed at the end of ROP, ensure all required verifications occur in a timely manner, in compliance with state and federal requirements. 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 ROP. If a customer can not be verified, the customer should be deemed ineligible and disenrolled in a qualified health plan. 	<p>Covered California does not agree with this finding due to the following reasons:</p> <ul style="list-style-type: none"> In response to the COVID-19 pandemic, Covered California extended consumer deadlines for resolving eligibility inconsistencies during the 2020 and 2021 benefit years. Covered California formally communicated to CMS our plan to use federal flexibility when extending the deadlines, which was supported by CMS. During 2022, Covered California phased out extensions and returned to pre-pandemic operations for resolving and taking action on eligibility inconsistencies. Nuances of the status of the sampled households were not captured by the auditors (e.g., if enrollees were within their reasonable opportunity period or mixed Med-Cal/Covered California families). For income inconsistencies, Covered California will implement new federal flexibility for accepting consumer attestation (and automatically extending the reasonable opportunity period). This is permitted in the 2024 Notice of Benefit and Payment Parameters (the annual federal rulemaking for Marketplaces).

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 1 (continued): Eligibility Verifications Did Not Always Occur Increasing the Risk that Unqualified Individuals Enrolled, Many Receiving Federal Subsidies

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none">The consumer's reasonable opportunity period information shown on the CalHEERS Portal or information sent to the consumer in an eligibility notice was not accurate. For example, the reason why a consumer was placed in the reasonable opportunity period and due date to submit documentation were incorrect.	<ul style="list-style-type: none">Covered California should move forward with plans to implement system fixes to address the defects identified.	<ul style="list-style-type: none">Covered California will implement system enhancements to ensure information shown in CalHEERS Portal and information contained in eligibility notices are accurate and reliable. Targeted Implementation: By November 2023

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 1 (continued): Eligibility Verifications Did Not Always Occur Increasing the Risk that Unqualified Individuals Enrolled, Many Receiving Federal Subsidies

Finding	Recommendation	Summary of Corrective Action Plans
<p>Covered California suspended its process to notify employers when an employee attests that they do not receive employer sponsored minimum essential coverage and receives APTC. As such, some employers were not given the opportunity to appeal and may face penalties and some ineligible consumers may have received federal subsidies.</p>	<p>As previously recommended in prior audits, Covered California should 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>Covered California does not send employer notifications.</p> <ul style="list-style-type: none"> • According to the CMS, the Health and Human Services (HHS) determined this requirement caused substantial confusion among employers. CMS believes this process does not effectively verify whether employees have affordable coverage offered to them that meet minimum value. Additionally, Internal Revenue Service (IRS) currently sends letters to employers to satisfy this requirement. Therefore, Covered California does not send this notification. • Covered California informed CMS that employer notifications are not sent. CMS did not express any concerns. <p>Targeted Implementation: Completed</p>

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 2: Manual Verifications of Remote Identity Verification Exceptions Requires Attention

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> The auditors sampled 50 cases that could not be electronically verified through the remote identify proofing process and determined Covered California did not comply with state regulations. CalHEERS does not have adequate controls to ensure a person's identity is verified prior to submitting an application. Unacceptable documentation was uploaded and accepted by Covered California as proof of identification when their identify could not be electronically verified. 	<ul style="list-style-type: none"> Covered California should proceed with system changes designed to address gaps in CalHEERS system controls for identity verification. Covered California should implement a process to validate documentation uploaded as legitimate and valid proof of identification. Covered California should update internal procedures and external guidance related to visual verification to specify that documentation submitted for identity proofing must be of sufficient quality to be independently verified. Covered California should update State Regulations (CCR § 6464) to specify county eligibility workers as allowable application assisters during the identify proofing process. 	<ul style="list-style-type: none"> Covered California implemented system enhancements to ensure an applicant's identity is electronically verified prior to submitting an application. Targeted Implementation: Completed in April 2023 --- Covered California will implement system enhancements to include a document verification service. This will prevent the system from accepting invalid documents during verification process. Targeted Implementation: By June 2024 --- Covered California will review and update internal procedures and external guidance related to visual verification. Targeted Implementation: By December 2024 --- Covered California will update State Regulations (CCR § 6464) to specify county eligibility workers as allowable application assisters during the identify proofing process. Targeted Implementation: By June 2024

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 3: Continued Improvements are Needed to Ensure Full Compliance with IRS Form 1095-A Requirements

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> The auditors sampled 15 cases. The auditors determined that the IRS Tax Form 1095-A did not align with the billing statements that the carriers sent to the consumers or with data maintained in the CalHEERS system. 	<ul style="list-style-type: none"> Recognizing CalHEERS is the system of record, ensure that the final IRS Tax Form 1095-A issued to consumers align with the consumers' actual experience. Continue monthly reconciliation activities with carriers to identify and resolve discrepancies between carrier and Covered California enrollment records in a timely manner. Covered California should work with the CalHEERS to identify the universe of IRS Tax Form 1095-As where the total premium and/or total APTC is incorrectly reported and reissue corrected IRS Form 1095-As to impacted consumers. 	<ul style="list-style-type: none"> Covered California will continue to conduct monthly reconciliation with the carriers. In addition, Covered California has a dispute process in place when carriers disagrees with a consumer's enrollment information to resolve the issue. Targeted Implementation: Ongoing --- Covered California will implement system enhances to its daily, monthly, and annual batch processes to increase the accuracy of the IRS Tax Form 1095-As. Targeted Implementation: Completed

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 3 (continued): Continued Improvements are Needed to Ensure Full Compliance with IRS Form 1095-A Requirements

Finding	Recommendation	Summary of Corrective Action Plans
<p>The auditors determined there were issues when regenerating IRS Tax Form 1095-A for consumers.</p>	<p>To reduce the risk of multiple notices being generated and potential consumer confusion, Covered California should ensure corrected IRS Tax Form 1095-As are sent to the consumer prior to the federal tax filing deadline. Covered California should:</p> <ul style="list-style-type: none"> • Ensure required eligibility verifications, such as social security number, are completed during the reasonable opportunity period. • Ensure that the IRS Tax Form 1095-As are properly voided when appropriate, prior to re-issuing a new tax form. In addition, when sending a revised IRS Tax Form, ensure that the revised form is distinguished as a “Corrected” form. • Establish a formal policy on when a reissued IRS Tax Form 1095-A should be considered “Corrected” vs. “Original,” and when a “Void” form is required. 	<p>Covered California will develop a policy regarding when and how to reissue the IRS Tax Form 1095-As.</p> <p>Targeted Implementation: By December 2024</p>

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 4: Special Enrollment Multiple Plan Selection Functionality Does Not Appear to Align with Federal Requirements

Finding	Recommendation	Summary of Corrective Action Plans
<p>Covered California allows consumers to make an unlimited number of plan changes during the Special Enrollment Period. The auditors determined that this is inconsistent with Federal Regulations.</p>	<p>Covered California should seek written guidance from CMS for obtain additional clarification on the accuracy of its interpretation of 45 CFR 155.420(c)(1). Until formal guidance is obtained, Covered California should consider pausing system functionality that allows for unlimited plan selections during a Special Enrollment Period.</p>	<p>Covered California does not agree with this finding due to the following reasons:</p> <ul style="list-style-type: none"> • Covered California determined that there is no prohibition in Regulation or federal authority that prevents a consumer to change their plan choice during the Open Enrollment or Special Enrollment Period with a qualifying life event. • In addition, state law requires Covered California to automatically enroll individuals losing Medi-Cal into the lowest cost silver plan and requires us to allow plan changes during the consumers' special enrollment period.

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 5: Controls Related to Authorizing and Monitoring Remote Access to Covered California's Network Requires Improvement

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> The auditors sampled over 190 individuals. They determined over 90 contractors, consultants, student aids, and Board Members were inappropriately granted access to Covered California's network. Covered California did not have any records demonstrating contractors completed the required Acceptable Use Statement form. 	<p>Covered California should ensure established policies are followed, and required forms completed. To ensure remote access is only granted to those contractors, consultants, and other non-civil service workers that need access to perform their duties, Covered California should:</p> <ul style="list-style-type: none"> Conduct a detailed review of policies and procedures to grant and remove remote access. Develop formal, written processes for overseeing access granted to users assigned to the Executive Operating Unit and processes to off-board Board Members in a timely manner. Ensure consistent language related to the Acceptable Use Policy is used across contracts. Provide a refresher training of expectations to contract managers and establish a policy requiring contract managers or another designated group within Covered California to retain documentation demonstrating the requirement was fulfilled, such as retaining copies of signed Acceptable Use Statements for all contractor staff. 	<ul style="list-style-type: none"> Covered California will review our policies and procedures to grant and remove access. Targeted Implementation: By December 2023 --- The Executive Operating Unit (including Board Members' access) will be transferred to the Information Technology (IT) Access team and will follow their standards. The IT Access team will update their master process guide for on/off-boarding Executives and Board Members. Targeted Implementation: Completed --- Covered California's IT Division will be the designated group that will retain all Acceptable Use Statement forms for contractors (except for the Surge Vendor and Pinnacle). This will eliminate the need to revise the contract templates. In addition, contract managers will be trained on how to on-board contractors. Targeted Implementation: By December 2023

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 5 (continued): Controls Related to Authorizing and Monitoring Remote Access to Covered California's Network Requires Improvement

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> Covered California did not retain records necessary to verify the required Acceptable Use Statement was completed by all current employees. One hundred and eleven (111) Telework Agreements were completed between 31 and 248 days after the effective date. There is no formal policy for when Telework Agreements must be completed. 	<p>Covered California should ensure established policies are followed, and required forms completed. To ensure remote access is only granted to employees that need access to perform their duties, Covered California should:</p> <ul style="list-style-type: none"> Identify current employees where a completed Acceptable Use Statement form is not on file, and require these employees to re-submit the form for record retention in the new system. Establish processes to ensure all employees with remote access complete either a Telework Agreement or Remote Access agreement. Ensure remote access is necessary and was requested by the employee's supervisor or manager prior to providing this provision when establishing new user accounts. Ensure Telework Agreements are completed in a timely manner and establish formal, written timeframes for when the agreement must be completed. 	<ul style="list-style-type: none"> All Covered California employees will have a signed Telework Agreement or Remote Access Agreement, as well as the Acceptable Use Statement form on file. New employees will sign the forms upon hardware delivery. Targeted Implementation: By December 2023 --- New Covered California employees will sign the Acceptable Use Statement form during the on-boarding process. These efforts will be coordinated between Covered California's Human Resources Branch and the Information Technology Division. Targeted Implementation: By December 2023 --- New employee Telework Agreements must be completed within two business days of the telework start date. The Human Resources Branch will continue to monitor the on-boarding calendars to ensure timely submission signed Agreements and will follow-up with division leadership as needed. Targeted Implementation: By December 2023

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 6: While Covered California Improved Its Oversight of the Individual Market Service Center Surge Contractor, Additional Opportunities for Improvement Remain

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> Covered California implemented many strong controls to ensure the Surge Contractor complied with most contract provisions. However, the auditors determined that Covered California did not ensure the Surge Contractor consistently complied with all information technology and security requirements sampled. In addition, Covered California has not established formal deadlines for implementing recommendations from an independent security audit. 	<ul style="list-style-type: none"> Covered California should ensure all contract provisions and reporting expectations are enforced. In addition, the Service Center should work with the Information Security Office to establish timelines for implementing the remaining recommendations from the August 2021 security audit. To ensure access to Covered California’s active directory is only granted for current Surge Contractor employees and reduce the risk of Personal Identifiable Information is being inappropriately accessed, the Information Technology (IT) Division should implement a process to compare staffing reports provided by the Surge Contractor to active users in the active directory each month. The IT Division should work with the Surge Contractor to identify discrepancies and promptly remove access for former employees. 	<ul style="list-style-type: none"> The Service Center will develop a formal oversight process to ensure information technology and security reporting requirements are being met by the Surge Contractor. Targeted Implementation: By December 2023 --- The Service Center will also work with the Information Security Office to establish deadlines for the Surge Contractor to implement recommendations from the 2021 security audit and a process for staff to sign Covered California’s Acceptable Use Policy. Targeted Implementation: By December 2023 --- The IT Division will develop a process to conduct monthly reviews to compare staffing reports provided by the Surge Contractor and will address discrepancies. Targeted Implementation: By December 2023

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 6 (continued): While Covered California Improved Its Oversight of the Individual Market Service Center Surge Contractor, Additional Opportunities for Improvement Remain

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> The Surge Contractor did not always meet bilingual staff requirements and total staffing requirements. In those instances, Covered California appropriately applied penalties. However, Covered California was not able to provide written approval for overtime invoiced by the Surge Contractor, as required by the contract. The bilingual rates charged by the Surge Contractor could not be validated. Prior to June 2022, the contractor was not required to include language information in the invoices. 	<ul style="list-style-type: none"> Covered California should ensure contract provisions related to overtime are enforced. If Covered California deems the current overtime provisions do not align with its expectations, the contract language should be updated. In the next contract amendment, Covered California should update contract language to reflect agreed upon changes and ensure language related to performance penalties is consistent throughout the agreement. On a go forward basis, if deliverables are added to the contract, Covered California should specify when the deliverables must be completed. 	<ul style="list-style-type: none"> For the next contract amendment, the Covered California will review the overtime contract language for potential updates and alignment. Targeted Implementation: By December 2023 --- For the next contract amendment, Covered California will improve the contractual language related to the maximum penalty for non-compliance with key performance indicators, identify deadlines when deliverables must be completed, and update language to reflect required positions. Targeted Implementation: By December 2023

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 7: Covered California Implemented Processes and Controls to Ensure Small Business Enrollment Records Are Accurate and Reliable; However, Challenges with Some Carriers Exist

Finding	Recommendation	Summary of Corrective Action Plans
<p>The auditors sampled 60 records and determined that carriers did not always implement corrections to resolve discrepancies identified in a timely manner.</p>	<ul style="list-style-type: none"> • Covered California Small Business (CCSB) should continue efforts to work with a specific carrier to establish a process to ensure the start dates assigned for future newborn enrollments align with CCSB records. • Covered California should work with carriers to ensure carriers understand Covered California’s expectations for resolving discrepancies identified as part of the CCSB monthly reconciliation process in a timely manner. • In addition, Covered California should incorporate language into future Small Business carrier agreements that clearly outlines timelines and expectations for resolving enrollment discrepancies identified during the monthly CCSB reconciliation process. 	<ul style="list-style-type: none"> • Covered California will continue to work closely with the carrier to resolve discrepancies. The carrier is in the process of performing a root cause analysis and will implement improvements which will resolve the issue. Covered California will continue to monitor the issue until it is resolved. Targeted Implementation: By March 2024 --- • Covered California will include contractual terms which outlines expectations and timelines for resolving enrollment discrepancies identified during the reconciliation process by the carriers. This will be considered for the Plan Year 2025. Targeted Implementation: By December 2024

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 8: Covered California Implemented Strong Controls Over Agent Payments; However, Opportunities for Improvement Exist in Two Areas

Finding	Recommendation	Summary of Corrective Action Plans
<ul style="list-style-type: none"> The auditors sampled agent commission payments, totaling more than \$10.9 million, tied to underlying reports provided by National Financial Partners Health Services Administrators, LLC (NFP Health), as well as the total amounts recorded in Fi\$CAL. The auditors determined that Covered California followed processes described to verify the accuracy of reports and ensured amounts paid tied to revenues received. The auditors sampled 4 months of payments and determined that a formal process to recoup agent commission overpayments has not been established for inactive or decertified agents. Covered California began the process of recouping payments, though \$24,583 in overpayments still needs to be recovered. 	<p>To collect the remaining amounts owed from agent commission overpayments and reduce the risk of future over payments not being recouped, Covered California should move forward with it plans to establish and implement a formal policy and process for handling Small Business agent and general agent commission overpayments for inactive agents or general agents.</p>	<p>Covered California will continue to move forward with its plans to establish and implement a formal policy and process for handling Small Business Agent and General Agent commission overpayments for inactive agents and general agents.</p> <p>Targeted Implementation: By January 2024</p>

HIGH-LEVEL SUMMARY OF AUDIT FINDINGS & CORRECTIVE ACTION PLANS

Finding 8 (continued): Covered California Implemented Strong Controls Over Agent Payments; However, Opportunities for Improvement Exist in Two Areas

Finding	Recommendation	Summary of Corrective Action Plans
<p>CCSB system limitations impact Covered California's ability to report out-of-state agent California tax withholdings to the Franchise Tax Board (FTB).</p>	<p>Covered California should continue to work with NFP Health to implement a software solution update that allows NFP Health to capture and report the tax withholding for out-of-state agents to the FTB.</p>	<p>Covered California will continue to work with NFP Health to implement a software solution update that allows NFP Health to capture and report the tax withholding for out-of-state agents to the FTB.</p> <p>Targeted Implementation: By January 2024</p>



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WRAP-UP AND NEXT STEPS

Future Meeting Dates:

- March 21, 2024
- June 20, 2024
- September 19, 2024
- November 21, 2024