

COVERED CALIFORNIA AUDIT COMMITTEE MINUTES  
Monday, November 21, 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 9:00 AM.

**Audit Committee Members Present During Roll Call:**

Dr. Sandra Hernandez  
Kate Kendell

**Conflict Disclosure:**

A conflict disclosure was performed and there were no conflicts from the committee members that needed to be disclosed.

**Agenda Item II: August 18, 2022 - Audit Committee Meeting Minutes**

Discussion: None

**Motion/Action:** Dr. Hernandez called for a motion to approve the Internal Audit Charter for the Office of Audit Services. Kate Kendell moved to approve the meeting minutes and noted that she was not present at the August 18, 2022 meeting.

Kathy Keeshen, Covered California General Counsel, noted that the vote on the minutes is to establish that the minutes are an accurate reflection of what occurred at the meeting. Ms. Keeshen stated that unless she had evidence that the minutes were inaccurate, Ms. Kendell may vote on the minutes, despite not being present at the August 18, 2022 meeting.

**Public Comment:** None

**Vote:** The motion was approved by unanimous vote.

**Agenda Item III: Revised Internal Audit Charter**

Ginny Veneracion-Alunan, Covered California's Chief Audit Executive and Deputy Director of Program Integrity, presented on this agenda item. Ms. Veneracion-Alunan explained that the Internal Audit Charter was revised for administrative purposes. The changes reflect minor conforming changes requested at the August 2022 Audit Committee meeting and include:

- Audit Committee composition and term
- Clarification on how audits are conducted

Ms. Veneracion-Alunan recommended the approval of the revised Internal Audit Charter.

**Committee Members Comment:** None

**Public Comment:** None

**Motion/Action:** Dr. Hernandez called for a motion to approve the revised Internal Audit Charter for the Office of Audit Services. Ms. Kendell moved to approve the Charter. Dr. Hernandez seconded the motion.

**Vote:** The motion was approved by unanimous vote.

#### **Agenda Item IV: Review Results of 2021 Programmatic Audit**

Ginny Veneracion-Alunan, Covered California's Chief Audit Executive and Deputy Director of Program Integrity, presented on this agenda item. Ms. Veneracion-Alunan stated the agenda was very full and suggested the conversation focus on the results of the 2021 Programmatic Audit results. She stated that the goal was to facilitate a robust conversation and highlight the notable accomplishments acknowledged by the auditors as well as additional work needed. Ms. Veneracion-Alunan said that program leadership was present and would provide background perspectives and details on corrective actions. She suggested that with just one-hour available, additional agenda items would be discussed, time-permitting, or tabled for a future discussion.

Dr. Hernandez and Ms. Kendell agreed.

This annual audit is required by 45 Code of Federal Regulations (CFR) §155.1200 and related guidance issued by the Centers for Medicare and Medicaid Services (CMS). Sjoberg Evashenk Consulting, Inc. (SEC) conducted this independent external programmatic audit for the 2021 Program Year.

Dr. Hernandez stated that SEC had been used by Covered California in the past. She asked how they were selected.

Ms. Veneracion-Alunan explained that they were selected through the competitive bid process. Ms. Veneracion-Alunan reviewed the areas of focus for the audit as well as Covered California accomplishments stated in the Audit Report.

#### **Finding 1: Eligibility verifications did not always occur increasing the risk that unqualified individuals enrolled, many receiving state and federal subsidies.**

Ms. Veneracion-Alunan presented slides which provided details on Finding 1. The slides detailed the findings, the implications (including the area of risk), the status of the

corrective actions, the auditor's recommendations, and provided a summary of the corrective action plans.

Dr. Hernandez asked if there was an assignment of money. She asked if the 1.7 billion in tax credits was hypothetical or real based on the audit findings.

Ms. Veneracion-Alunan stated that this is the first time that the auditors mentioned an amount, and it was a potential amount extrapolated from sampled cases.

Ms. Veneracion-Alunan called upon Katie Ravel to provide further background.

Ms. Ravel was present virtually.

Katie Ravel, the Director of the Policy, Eligibility and Research Division said the 1.7 billion should be considered a hypothetical number. Ms. Ravel explained how, at tax time, half of these members receive money back while the other half must make an additional payment to the IRS. Ms. Ravel said that she and her team believe the methodology used by the auditors overstated the amount as it totaled all APTC from approximately 300,000 individuals and said the entire amount was at risk. That is not the way the data is expected to flow.

Dr. Hernandez restated Ms. Ravel's statement that the estimate is unilaterally high as half of consumers would owe and the other half would benefit and asked if the restatement was correct.

Ms. Ravel said that was correct.

Dr. Hernandez asked if there was a remedy in terms of how we think about verification of eligibility financially. Ms. Kendall additionally asked if there is a remedy that the auditors accept.

Ms. Ravel said she would begin with background on what was done in 2021. Fewer than five percent of enrollees fall into the three events that are truly disqualifying: (1.) Lack of citizenship or immigration status, (2.) Incarceration, or (3.) Being deceased. Consumers are given 95 days to clear these through documentation or attestation. Consumers are terminated for coverage if disqualifying events are not cleared. Income amount and having other coverage does not prevent buying through the marketplace, but it does change your financial subsidies. Flexibilities that were put into place during the public health emergency were lifted in 2022. Covered California is now in compliance with the finding on citizenship and immigration status.

In fall of 2021 California changed regulations and took the federal government's offer to provide a wider range of income variation to consumers. The federal government also provided an additional eligibility income data source which has been implemented at Covered California. Prior findings included verifications for minimum essential coverage. Ms. Ravel stated that, moving into 2023, she is positive that Covered California has the system features in place and the tools needed to take the actions required.

Dr. Hernandez asked about the timeline with a start of Q1 2023.

Ms. Ravel explained that the Q1 2023 timeline will prevent consumers from having to provide duplicative documentation for different years (2022 and 2023).

Dr. Hernandez asked when the auditors would look for compliance.

Ms. Veneracion-Alunan stated that this is an annual audit and the auditors would begin looking at work done on prior audit findings around February of 2023. They will be working to complete the 2022 audit and submit it to CMS in June of 2023. The Office of Audit Services will work with Programs and the external auditors to coordinate the processes. Ms. Veneracion-Alunan then reviewed the recommendations and summaries of the corrective action plans.

Dr. Hernandez asked how the American Indian/Alaska Native (AI/AN) piece is related to minimum essential coverage.

Ms. Ravel explained that they are related by limitations in the system. They happen at the person level, rather than the household level, and there have historically been limitations in the system in being able to take the eligibility actions needed at the individual level. Covered California found a work-around in 2022. Ms. Ravel further explained that there is not a good data source for individuals who are members of federally recognized American Indian/Alaska native tribes. Individuals must provide documentation that they are members of those tribes.

Ms. Veneracion-Alunan said that the final recommendation for this finding was related to notices that were not provided to employers. Targeted completion for the Employer Advisement letter is set for Q1 of 2023.

Dr. Hernandez noted it was a manual cleanup and asked about the level of effort needed.

Ms. Ravel said it is a big lift. Consumers are asked to provide employer addresses. Addresses often need clean-up. An effort is made to consolidate lists for employers with multiple enrollees. Covered California is working with state partners to find ways to make this easier for the consumer.

**Finding 2: Continued Improvements are needed to ensure full compliance with notice and enrollment termination requirements.**

Ms. Veneracion-Alunan presented slides which provided details on Finding 2. The slides detailed the findings, the implications (including the area of risk), the status of the corrective actions, the auditor's recommendations, and provided a summary of the corrective action plans.

Ms. Veneracion-Alunan explained that details on the fully implemented findings were available in the slides. She asked if the committee members would like them presented in detail or quickly.

Dr. Hernandez and Kate Kendell agreed that the fully implemented items were straightforward and agreed that Ms. Veneracion-Alunan should move through them quickly.

**Finding 3: Ombuds program activities generally aligned with industry standards and complied with Federal requirements; however, some opportunities exist for enhancements.**

Ms. Veneracion-Alunan presented slides which provided details on Finding 3. The slides detailed the findings, the implications (including the area of risk), the status of the corrective actions, the auditor's recommendations, and provided a summary of the corrective action plans.

Dr. Hernandez asked who requested the audit of the Ombuds Office.

Ms. Veneracion-Alunan explained that it was not a specific request. When Covered California completes a risk-assessment, they work with the auditors. The Ombuds Office was reviewed as a new division with a new function. The auditors noted this was lower risk because everything was working well and they noted accomplishments of the Ombuds Office in their report.

**Finding 4: Navigator program has strong oversight practices and controls in place to ensure grantee compliance with grant provisions.**

Ms. Veneracion-Alunan presented slides which provided details on Finding 4. The slides detailed the findings, the implications (including the area of risk), the status of the corrective actions, the auditor's recommendations, and provided a summary of the corrective action plans.

**Finding 5: Opportunities exist to improve management and reporting of Privacy and Security Training.**

Ms. Veneracion-Alunan presented slides which provided details on Finding 5. The slides detailed the findings, the implications (including the area of risk), the status of the corrective actions, the auditor's recommendations, and provided a summary of the corrective action plans.

**Corrective Action Plan Monitoring and Assurance Work**

Ms. Veneracion-Alunan stated that a team in the Office of Audit Services performs corrective action assurance to ensure accountability and to monitor the implementation status of corrective action plans. As part of the annual programmatic audit, Covered California's external auditors review outstanding corrective action plans.

**Public Comment:** None

## **Agenda Item V: Review Results of Fiscal Year 20-21 Financial Statement Audit**

Dan Washburn, Section Chief for Covered California's Office of Audit Services, presented on this agenda item. This annual audit is required by 45 Code of Federal Regulations (CFR) §155.1200 and related guidance issued by the Centers for Medicare and Medicaid Service (CMS). Lance, Soll & Lunghard, LLP (LSL), conducted this independent financial statement audit for year-end June 30, 2021.

Mr. Washburn presented slides that detailed the purpose, scope, and results of the audit. He noted that the financial results were shared with the Finance Committee. There were no findings.

Dr. Hernandez asked if there were conversations with auditors regarding fraud; if there were fraud, where it might occur.

Mr. Washburn replied that the financial management division leads the financial statement audit. He was unaware of any specific conversations related to fraud but noted that it is something at the front of all auditors' minds.

Ms. Veneracion-Alunan stated that fraud would fall under the annual risk-assessment process.

Dr. Hernandez stated it is good practice to ask the auditors where fraud might occur.

Ms. Veneracion-Alunan stated that the process is in place and there would be interviews and/or a questionnaire. She said that could be shared in the next report.

Dr. Hernandez replied that they would like that to be shared.

Ms. Kendell asked for a future presentation to include areas of potential risk, potential for fraud, and what redundancies are built in to assure that doesn't happen.

Dr. Hernandez asked that Jessica Altman, Executive Director, meets with the auditors, and has this conversation regarding fraud.

Ms. Altman agreed.

**Public Comment:** None

Dr. Hernandez congratulated the team on the good work.

## **Agenda Item VI: Review of California Department of Social Services (CDSS) Appeals Invoice Audit**

Dan Washburn, Section Chief for Covered California's Office of Audit Services, presented on this agenda item. Mr. Washburn presented slides that detailed the background, authority, objective and scope, key findings, the CDSS management response, the corrective action plan, and the next steps.

Dr. Hernandez asked when remedies for findings were anticipated.

Mr. Washburn replied that they are in the process of making the changes but a specific timeframe was not provided. They do follow up about every six months.

Dr. Hernandez said that CDSS has adjudicated about 4,000 appeals. She asked if that number is typical.

Mr. Washburn said the number was average but that during the pandemic, appeals dropped significantly. Many eligibility and enrollment rules were suspended during the public health emergency. Appeals can be expected to reach 4,000 again as the public health emergency ends.

Dr. Hernandez requested that for anything not yet remediated, we go back to CDSS and get a timeframe for remediation.

**Public Comment:** None

## **Agenda Item VII: Office of Audit Services Quarterly Report**

This agenda item discussion was tabled for the next meeting.

## **Agenda Item VIII: Wrap-Up and Next Steps**

Ginny Veneracion-Alunan, Covered California's Chief Audit Executive and Deputy Director of Program Integrity, presented on this agenda item.

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

Dr. Hernandez thanked the team and wished everyone a nice Thanksgiving.

The meeting adjourned 9:57 AM.