

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

November 27,
2023

2. Department

Covered California

3. Organizational Placement (Division/Branch/Office Name)

Program Integrity Division

4. CEA Position Title

Deputy Director, Office of Audit Services

5. Summary of proposed position description and how it relates to the program's mission or purpose.
(2-3 sentences)

The Deputy Director (DD), Office of Audit Services (OAS), is the Chief Audit Executive (CAE) for Covered California (Department) and has governance over policy involving Covered California's internal and external audits. The DD, OAS, administers all internal audit activities (with the exception of PID, which is performed by independent external entities); oversees the compliance and monitoring functions to meet federal and state mandates; directs the external audit coordination services for Covered California; and manages the Covered California Audit Committee (Audit Committee) responsibilities. Through this work, the DD, OAS, supports Covered California's ability to remain transparent, innovative, efficient, and in compliance with state and federal laws and regulations.

6. Reports to: (Class Title/Level)

Director, Program Integrity / Exempt

7. Relationship with Department Director (Select one)

- ☒ Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- ☐ Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain):

8. Organizational Level (Select one)

- ☐ 1st ☐ 2nd ☐ 3rd ☒ 4th ☐ 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

The DD, OAS, is the CAE for Covered California and has governance over policy involving Covered California's internal and external audits. The DD, OAS, reports to the Director, Program Integrity Division (PID), and quarterly to the Audit Committee (which is comprised of two Board Members). The DD, OAS, administers all internal audit activities with the exception of PID, which is performed by independent external entities to ensure compliance with federal and state audit standards and regulations. In addition, the DD, OAS oversees the compliance and monitoring functions to meet federal and state mandates; directs the external audit coordination services for Covered California; and manages Audit Committee responsibilities.

The DD, OAS, is the policy decision leader responsible for developing, executing, and reporting on the results of the annual risk-based internal audit plan (Audit Plan), or the schedule of proposed internal audits, to Covered California's recently established stand-alone Audit Committee and to senior leadership. The DD, OAS, develops and maintains policies (in accordance with applicable professional audit standards) to create an audit risk assessment process and builds in-house audit capabilities to provide adequate coverage of organizational financial and operational risks. Further, the DD, OAS, leverages their business and audit technical experience to navigate the complexities of Covered California's financial, operations, eligibility and enrollment, sales and marketing and information system processes, to devise adequate policies and strategies for deploying audit resources.

The DD, OAS, directs and oversees the operation of multiple units within OAS by identifying operational needs; analyzing resources, costs and incorporating them into corresponding audit engagement and compliance plans; translating audit strategy into actionable work requirements; setting policy in accordance with applicable professional auditing standards performance metrics; and measuring progress, guiding performance, and developing contingency plans accordingly.

The DD, OAS, also builds and maintains collaborative working relationships with stakeholders and functional leaders to identify where OAS can add value to Covered California, while remaining objective and independent with respect to audit findings and results. Specifically, the DD, OAS, performs the following duties:

Internal Audits:

Plans, organizes, and directs the activities of the Internal Audit Services teams, including, but not limited to internal control (fiscal and management), information technology, and operational and financial audits. Directs audit risk assessment activities and develops the Audit Plan for approval by the Audit Committee. Directs the execution of individual audit engagements defined in the approved Audit Plan, in compliance with audit standards, and ensures audit findings are properly documented and audit evidence is sufficient. Issues evidence-based audit reports that are clear, concise, and timely, and identifies root causes with feasible solutions. Establishes and maintains a Quality Assurance Improvement Program (QAIP) to comply with mandated audit standards. Develops and implements internal audit policies and processes, in accordance with professional audit standards. Identifies and socializes issues and improvement opportunities with appropriate stakeholders to ensure needed process and control improvements are made.

External Audits:

Directs the coordination of external audits (conducted by federal and state control agencies), and the federally mandated programmatic audits and financial audits (performed by contracted audit firms) across multiple divisions. Leads and manages highly complex projects which impact multiple divisions and business implementation areas. Acts as the audit escalation point of contact for external agencies such as the Centers for Medicare and Medicaid Services (CMS), the California State Auditor, the Internal Revenue Service, the Government Accountability Office, and the Office of Inspector General.

Compliance:

Develops procedures for OAS' Compliance and Monitoring Program (CMP) in accordance with federal and state guidance, as applicable. Provides strategic oversight and leadership over the new compliance and monitoring function to comply with federal and state mandates and assess/validate compliance levels. Leads the CMP design and oversees and monitors its implementation. Establishes standards and implements procedures to ensure that compliance programs are effective and efficient in identifying areas of noncompliance with applicable laws and regulations. Develops an annual Compliance Work Plan.

Develops strategic oversight and policies for the federally mandated State Exchange Improper Payment Measurement (SEIPM) Project Team. Establishes review methodologies to validate proposed federal criteria that will be applied to defined sampling scenarios to test improper payments prior to official improper payment measurement. Evaluates the SEIPM Review Module Document to confirm the federal contractor's understanding of Covered California's documented processes and the resulting federal review criteria; communicates and resolves identified inaccuracies or clarifying questions. Coordinates Covered California and the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) efforts for the SEIPM work phases including the pilot testing phase. Develops policy to ensure agency-wide coordination of the SEIPM review process.

Audit Committee:

Presents the Audit Plan to the Audit Committee. Reports on all internal and external audit and advisory results, audit recommendations and agreed upon corrective actions to the Audit Committee and Executive Leadership, while concurrently monitoring and reporting on the implementation of these Corrective Action Plans (CAPs). Evaluates management's CAPs remediation efforts to strengthen internal controls.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- ☒ Program is directly related to department's primary mission and is critical to achieving the department's goals.
- ☐ Program is indirectly related to department's primary mission.
- ☐ Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The mission of Covered California is to increase the number of insured Californians, improve health care quality, lower costs, and reduce health disparities through an innovative, competitive marketplace that empowers consumers to choose the health plan and providers that give them the best value.

OAS plays a crucial role in directly supporting Covered California's mission by performing independent internal and external audit services to improve the Department's operational efficiencies, effectiveness and program oversight. Additionally, OAS enhances confidence and trust in Covered California's financial reporting, internal controls, and overall operations as OAS provides valuable insights, recommendations, and assurance to help the Department manage risks and maintain compliance with applicable federal and state audit standards and regulations. OAS contributes to Covered California's goals, strategic pillars, and initiatives by:

- Performing compliance audits to verify whether the Department is adhering to applicable laws, regulations, and industry-specific requirements. This ensures Covered California is operating within legal and regulatory boundaries and is compliant with reporting obligations, ethical standards, and industry best practices.
- Assessing the effectiveness of Covered California's internal controls, including the systems, policies, and procedures in place to safeguard assets, prevent fraud, and ensure operational efficiency. By identifying weaknesses or gaps in internal controls, OAS helps the Department strengthen their control environment and mitigate risks.
- Assisting Covered California in identifying and evaluating risks to their operations, financial reporting, and compliance.
- Assessing the likelihood and potential impact of risks and providing recommendations for risk mitigation strategies, such as implementing control procedures, risk management frameworks, or CAPs.
- Providing clear and concise reports on their findings, including any identified issues, risks, or areas for improvement. These reports are communicated to executive leadership, the Audit Committee, and other stakeholders to facilitate informed decision-making, transparency, and accountability.

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

Presently, PID is comprised of four branches: Enterprise, Fraud, Risk & Reporting (EFRR), Reconciliation of Enrollment & Membership (REM), OAS, and Customer Care (CC). Since the establishment of the DD, PID, CEA Level A, on April 1, 2020, OAS has experienced an increase in policy responsibilities involving compliance with federal and state mandates. Examples include:

1) Payment Integrity Information Act (PIIA): In compliance with the PIIA of 2019 (enacted on March 2, 2020), CMS implemented the SEIPM program to identify, measure, and report improper payment information for the Advance payment of the Premium Tax Credit program. Over the past few years, Covered California has been developing strategic oversight and policies for SEIPM. In addition, the Department participated in CMS' voluntary engagement for the SEIPM Pilot Program, to ensure California is adequately prepared prior to CMS' official measurement of improper payments. Ultimately, SEIPM was not codified by CMS and was replaced by the Improper Payment Pre-Testing and Assessment (IPPTA) program. The Final Rule was released on April 17, 2023, in which CMS finalized standards for issuers and Marketplaces that help consumers with enrollment through Marketplaces. The IPPTA program requires State Marketplaces, such as Covered California, to participate in pre-audit activities that will prepare them for complying with the audits required under PIIA. Although Covered California's engagement in the voluntary SEIPM program will meet some of the federal requirements under the IPPTA program, leadership and strategic oversight is necessary to review methodologies to validate proposed federal criteria that will be applied to defined sampling scenarios; and develop policy to ensure agency-wide coordination of the SEIPM review process and implementation.

2) CMP: As a result of the increased federal mandates, requiring compliance reviews and conformance with federal guidelines (e.g., Improper Payment Measurement which resulted in the IPPTA program), OAS will establish and implement a CMP to ensure continued compliance with existing and new federal mandates. Further, OAS' CMP will assess/validate compliance levels and develop recommendations for remediation and applicable policies. Standards and procedures must be developed and implemented to ensure that specific compliance programs are effective and efficient in identifying areas of noncompliance with applicable laws and regulations.

3) QAIP: The internal audit activities must maintain a QAIP that contains both internal and external assessments. An external assessment must be obtained at least every five years by an independent reviewer or review team to maintain conformance with the International Standards for the Professional Practice of Internal Auditing (Standards). A QAIP must be established and maintained to comply with mandated audit standards: the Internal Auditing definition; the Standards; Government Code (GC) section 13886.5; and the Code of Ethics. This requires OAS to establish, develop and implement internal audit policies and processes to comply with QAIP, in accordance with professional audit standards.

4) Department of Finance (DOF) Audit Memo 23-02: On August 29, 2022, DOF issued Audit Memo 23-02, to state entities. The Audit Memo outlined the following requirements: 1) to comply with audit standards in accordance with GC section 13886.5; 2) maintain structural independence; and 3) obtain periodic peer reviews. Specifically, DOF clarified state entity audit organizations must maintain structural independence in compliance with internal audit standards and/or government auditing standards, as applicable. Further, DOF states "independence impairments" for those following applicable audit standards "may diminish the credibility, functionality, and usefulness of the audit activities within the state entity and the ability to place reliance on the results of the audit activities performed."

Based on OAS' additional policy responsibilities and to conform to the DOF Audit Memo, Covered California is proposing to restructure PID. To comply with DOF's audit directive and ensure the structural independence of OAS, the current DD, PID (CEA Level A), will be renamed the DD, OAS, and only OAS staff will remain under the DD, OAS. As the CAE, the DD, OAS, will report to the Director, Program Integrity Division (PID), and quarterly to the Audit Committee. The DD, OAS, will administer all internal audit activities with the exception of PID, which is performed by independent external entities to ensure compliance with federal and state audit standards and regulations. The requested change for a dedicated DD, OAS, is required to be in compliance with the governing audit standards and DOF's Audit Memo regarding independence impairments for the DD, OAS. If the DD, OAS, has other functional responsibilities broader than internal audit activities, such as risk and fraud management, the audit organization would not be considered independent of these additional activities which are also subject to audit. Therefore, the DD, OAS, should not have operational responsibilities beyond internal audit activities, as these activities, may themselves, be subject to audit.

The three PID branches (EFRR, REM, and CC) will form the newly restructured PID. The Director, CC (CEA Level B), will be renamed the DD, PID, and redirected from reporting to the General Counsel to the Director, PID. Under the DD's direction, the newly structured PID will provide independent review and program oversight to ensure the accuracy of enrollee data; provide guidance on risk management policies; review the Department's policies and procedures on early detection and prevention of fraud, waste, and abuse activities; and formulate consumer experience policy initiatives with an enterprise-wide, multidivisional organizational focus on serving California's diverse communities and building consumer loyalty.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The DD, OAS, will have a critical role in establishing, developing, and implementing new policies regarding the strategic planning and execution of internal and external programmatic and financial audits. Examples of areas that the DD, OAS, will be the principal policy maker are as follows:

1) Audits and Advisory Services: GC section 13886.5, states in part "all state agencies that have their own internal auditors or that conduct internal audits or internal audit activities, shall conduct internal audit activity under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate." Recently, OAS has been undergoing an "audit transformation" to ensure the Department follows federal and state requirements as failure to comply could impact the enrollment coverage of members, the efficiency of business operations, etc. Audit standards need to be regularly reviewed and changed to meet current business trends, which requires the DD, OAS, to review and/or revise existing policies and have the technical knowledge to decide when to change existing policy.

As the principal policy maker over OAS' internal audit activities, the DD, OAS, will design policies to develop, manage, and execute an Audit Plan. The DD, OAS, will be responsible for the development, interpretation, and implementation of new policies, as well as revising, interpreting, and implementing existing policies, in accordance with applicable professional audit standards, to refine an audit risk assessment process that will assist in the development of an Audit Plan; and, will build in-house audit capabilities that will conduct objective reviews and provide adequate coverage of organization-wide financial and operational risks. Further, the DD, OAS, will leverage their business and audit technical experience to navigate the complexities of Covered California's financial, operations, eligibility and enrollment, sales and marketing and information system processes, to devise adequate policies and strategies for deploying audit resources.

2) Audit Committee Reporting Responsibilities: In accordance with GC sections 100503(p) and 13886, Covered California established a stand-alone Audit Committee comprised of Covered California's Board Members in April 2022. As the CAE, the DD, OAS, will report quarterly to the Audit Committee for accountability, reinforcement, and strategic direction.

Subject to the Bagley-Keene Act, the DD, OAS, will meet regularly (i.e., at least quarterly) with the Audit Committee in public committee meetings to present the Audit Plan for approval, the related execution strategies, and to report on audit results, along with insights into management's effectiveness at maintaining an adequate internal control environment. The DD, OAS, will also inform the Audit Committee of significant accounting, risk and control matters that may impact their decision making.

In carrying out these responsibilities, the DD, OAS, will develop policies, in compliance with professional audit standards, for: 1) developing audit objectives and scopes to objectively review Covered California business processes, efficacy of risk mitigation procedures, and ensure compliance with relevant laws and statutes; 2) developing recommendations for improving internal controls and governance processes and operating efficiency; 3) reporting on the audit results and identifying areas of improvement; and 4) monitoring the implementation of management's planned corrective actions to mitigate the reported audit findings and conducting follow-up reviews of operational deficiencies noted.

Furthermore, OAS issues the final audit reports for each completed audit which is also reported to the Audit Committee. The DD, OAS, will be responsible for policy development and implementation of these final audit reports, which require a multi-step process. The audit report must be drafted, discussed with internal audit clients, accepted, edited, and revised accordingly prior to final audit report distribution. Additional policies developed by the DD, OAS, require report standards (and technical documentation) that are agreed upon as accurate by the audit client and ensure relevance, timeliness and usefulness to the Board, the Audit Committee, and the Department's internal and external stakeholders. Further, the policies are required for executing the internal audit life cycle, otherwise, OAS will be nonconformant with professional audit standards and non-compliant with GC section 13886.5.

Without the critical policies and procedures for Audit Committee reporting responsibilities, OAS risks non-conformance with professional audit standards and most importantly, the Audit Committee's corporate governance and oversight may be diminished.

3) QAIP: The internal audit activities must maintain a QAIP that contains both internal and external assessments. An external assessment must be obtained at least every five years by an independent reviewer or review team to maintain conformance with the Standards. The QAIP also assesses the efficiency and effectiveness of the internal audit activity. Without QAIP policies, an external QAIP report of non-conformance will create potential negative impact on the reputation of Covered California and its internal audit activity's credibility.

The DD, OAS, will develop, implement, and maintain the required QAIP policies to enable an evaluation of the internal audit activity's conformance with the following: the Internal Auditing definition; the Standards; GC section 13886.5; and the Code of Ethics. In addition, the DD, OAS, will develop related key metrics, and design improvement initiatives to ensure conformance with Institute of Internal Auditors (IIA) and Generally Accepted Auditing Standards.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The DD, OAS, will have full decision-making authority, and governance over policy involving Covered California's internal and external audits, which includes oversight of the Department's compliance and monitoring functions to meet federal and state mandates and directing the external audit coordination services. Additionally, the DD, OAS, will have the authority to re-prioritize organizational issues, risks, and areas of focus, as well as assign additional OAS resources based upon consumer or organizational impact.

The DD, OAS, will exercise a high degree of independence in carrying out assigned duties. The consequences of errors in accuracy or judgment may result in substantial public safety risks, which may ultimately result in enrollees not being able to seek medical services legally afforded to them by the Affordable Care Act. Incorrect decisions related to the identification and resolution of quality assurance errors could impact enrollment coverage of members, the efficiency of business operations, the amount of incoming revenues and outgoing expenditures, long-term sustainability, etc.

In addition, the DD, OAS, will be required to have strategic and tactical experience with in-depth knowledge in audits. As a member of the Executive Leadership Team, the DD, OAS, will engage directly and have immediate access to the Audit Committee; the Executive Director; the Chief Deputy Executive Directors; and key members of leadership (e.g., Division Directors). As the CAE, the DD, OAS, will meet quarterly with the Audit Committee to discuss audit findings/recommendations, the Audit Plan, Audit Charters, and risks and issues encountered by Covered California, including mitigation strategies and CAPs. The DD's administration of policies and procedures for Audit Committee reporting responsibilities is critical, as non-conformance with professional audit standards may diminish the Audit Committee's corporate governance and oversight.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

As Covered California is still a developing organization, the DD, OAS, will develop and implement new policies, as well as interpret and implement existing policies.

For example, the DD, OAS, will oversee the establishment and implementation of OAS' CMP to ensure continued compliance with existing and new federal mandates. OAS' CMP will assess/validate compliance levels and develop recommendations for remediation and applicable policies. This may lead to the development of new policies or the interpretation of existing policies.

In addition, OAS must maintain a QAIP that contains both internal and external assessments. An external assessment must be obtained at least every five years by an independent reviewer or review team to maintain conformance with mandated audit standards (e.g., Standards, GC section 13886.5, the Code of Ethics). This requires the DD, OAS, to establish, develop, and implement new internal audit policies and processes as well as review existing policies, to comply with the QAIP, in accordance with professional audit standards.