



**Office of Internal Audit Services**

# **Lifeline Third Party Administrator (TPA)**

## **Contract Management Audit**



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# Lifeline Third Party Administrator (TPA) Contract Management Audit Results

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## Internal Audit

“helps an organization achieve its objectives by bringing a **systematic and disciplined approach** to evaluate and improve the effectiveness of **Risk Management, Controls and Governance** processes.”

## Audit Background

The Office of Internal Audit Services (IAS) conducted an audit of internal controls over the LifeLine program’s Third Party Administrator (TPA) Contract Management





## Audit Objectives

To determine whether:

- (1) contract management over Lifeline TPA is effective; and
- (2) the administration of Lifeline program materially conforms to applicable federal, state, and department rules, regulations, and statutes.

## Audit period

- July 1, 2018 through December 30, 2019
  - Lifeline program - Transition to a new TPA
  - CA Dept of Technology Project Manager assisting since November 2019





## Audit Scope

- Focus on Communication Division's management of the TPA contract.
- Reviewed the roles of other divisions critical to the success of this TPA contract. Therefore, the Information Technology Services Division (ITSD) is included.

### **Risk- based audit work** limited to the review of:

- Lifeline TPA contract management policies and procedures
- TPA transition process from prior TPA Conduent to current TPA Maximus
- Ongoing contract oversight and monitoring
- Invoice review of prior TPA Conduent





# Internal Controls

“Any action taken by **management**, the board, and other parties to **manage risk** and increase the likelihood that established **objectives and goals** will be achieved.”

## OBJECTIVES OF INTERNAL CONTROLS - WHY?

- ✓ Ensure reliability of financial reporting
- ✓ Ensure effective and efficient operations
- ✓ Comply with applicable laws and regulations
- ✓ Safeguard assets





## Review of internal controls

- Conducted in accordance with *Government Code (GC)*, Section 13400 et seq., also referred to as the **State Leadership Accountability Act (SLAA)**.
- SLAA specifies that agency heads are responsible for:
  - establishment and maintenance of a system or systems of internal control
  - effective and objective ongoing monitoring of the internal controls within their state agencies.

## Professional Standards

The International Standards for the Professional Practice of Internal Auditing -  
*Published by the Institute of Internal Auditors*





# AUDIT RESULTS

*Significant lack of internal controls over reviewed areas.*

- 1. No policies and procedures had existed for Lifeline TPA contract management**
- 2. Significant internal control deficiencies over contract transition**
- 3. Lack of sufficient supporting documentation for paid Conduent invoices**
- 4. No monitoring over Maximus monthly reporting contract deliverables**
- 5. Limited CPUC internal capacity and IT Governance**





# RECAP: Audit Findings – by Risk Rating

Finding	Priority	High	Medium	Low	Implemented
1. No policies and procedures had existed over TPA contract management					
2. Significant internal control deficiencies over contract transition					
3. Lack of supporting documentation for paid invoices					
4. No monitoring over Maximus' monthly reporting					
5. Limited IT capacity and lack of IT governance					

**PRIORITY** = Immediate and on-going threat to the achievement of division or CPUC strategic goals and objectives.





# Audit Finding 1 - No policies and procedures had existed for Lifeline TPA contract management.

	<b>Recommendation Communications Division (CD)</b>	<b>Management Response</b>	<b>Initial Target Completion Date</b>	<b>Status</b>
1	Establish, document, and maintain comprehensive LifeLine TPA contract management procedures.	Performed comprehensive contract requirements review; drafted policies and procedures for review and approval. Deployed online tracking tool for issues and corrective actions.	9/1/2020	<b>Implemented</b>





# Audit Finding 2 – Significant internal control deficiencies over contract transition.

	<b>Recommendation Communications Division</b>	<b>Management Response</b>	<b>Initial Target Completion Date</b>	<b>Status</b>
2	Strengthen internal controls and enhance the LifeLine TPA contract monitoring.	Creating stronger internal controls and processes to ensure contract compliance.	10/1/2020	<b>Partially Implemented*</b>  <b>Expected Completion 2/26/21</b>

**\*Supplemental Notes:** CD started training on the monthly reports to staff and management. Due to the complexity of the contract oversight requirements, the training for the contract managers is still being developed. The training development and delivery will continue through February 2021.





## Audit Finding 3 - Lack of sufficient supporting documentation for paid Conduent invoices

	<b>Recommendation Communications Division</b>	<b>Management Response</b>	<b>Initial Target Completion Date</b>	<b>Current Status 8/28/2020</b>
<b>3</b>	Review and maintain complete invoice records and check the claimed amounts against supporting documents.	Will develop a complete invoice process including retention, invoice validation, review, approval, and payment	<b>7/31/2020</b>	<b>Implemented</b>





# Audit Finding 4 - No monitoring over Maximus monthly reporting contract deliverables

Recommendation Communications Division	Management Response	Initial Target Completion Date	Current Status  8/28/2020
<b>4</b> Review Maximus' monthly reporting for completeness and accuracy since Maximus has started to bill CPUC.	Will develop processes for complete and accurate monthly reports; and invoices complying with Service Level Agreements	<b>8/14/2020</b>	<b>Partially Implemented*</b>  <b>Expected Completion 10/30/20</b>

**\*Supplemental Notes:** CD is in the process of designing and providing training to staff on verifying the accuracy of reporting, invoices, and Service Level Agreement determinations.





# Audit Finding 5 - Limited CPUC internal capacity and IT Governance

## Lack of coordination and collaboration between ITSD and CD

	Recommendation ITSD	Management Response	Initial Target Completion Date
<b>5A</b>	Implement formal IT governance.	Short-term plans created and long-term remediation plans in process	<b>12/31/2020</b>
<b>5B</b>	Maintain the current collaboration between ITSD and CD.	Develop an IT governance plan for Lifeline and TPA contract management strategy	<b>12/31/2020</b>
<b>5C</b>	Develop and implement mitigating controls.	Mitigating controls and tracking tools will be stated in the IT Governance Plan. ITSD will need to hire two full-time IT staff dedicated for the Lifeline TPA contract.	<b>12/31/2020</b>

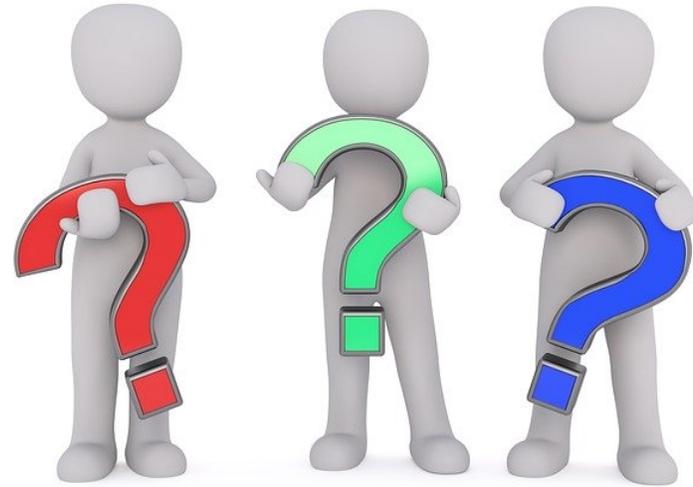




## Audit Follow-up and Monitoring

- Management Progress Reports after 60 days and 6 months after
  - Sept 16 = first progress report to IAS
  - Reported to the Audit Committee
- A follow-up audit may be performed
  - To verify the completion and adequacy of implemented corrective action plans.





**Questions?**





**Thank you!**  
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