

**CITIZENS PROPERTY INSURANCE CORPORATION
TRANSCRIPT OF THE MINUTES OF THE AUDIT COMMITTEE MEETING
HELD TELEPHONICALLY TUESDAY, DECEMBER 15, 2020**

The Audit Committee of Citizens Property Insurance Corporation (“Citizens”) was convened telephonically at 9:00am on Tuesday, December 15, 2020.

The following members of the Audit Committee were present:

Chairman Marc Dunbar
Governor Bette Brown
Governor Jim Holton

The following Citizens Staff were present:

Jay Adams	Francisco Aristiguieta	Christine Ashburn
Ximena Baquerizo	Violet Bloom	Kelly Booten
Chuck Bowen	Candace Bunker	Mathew Carter
Jennifer Dilmore	TJ Dubocq	March Fisher
John Fox	Brittany Fuzia	Chelsea Garfield
Bonnie Gilliland	Barry Gilway	Stephen Guth
Jorge Halan	Deena Harrison	Sarah Harrell
Shari Hamilton	Clifford Haynes	Sheila Hilton
Anthony Huebner	Mark Kagy	Bethany Kocher
Paul Kutter	Derek Leonard	Patrick Lynch
Joe Martins	Cassandra Marcus	Belinda Miller
Jennifer Montero	Alden Mullins	Michael Peltier
Wendy Perry	Jeremy Pope	Meagan Rector
Robert Sellers	Gary Sharrock	Mike Sills
Angela Smith	Nancy Staff	Jill Stafford
Dan Sumner	Betty Veal	Catharine Wadkins
Barbara Walker	Mike Walton	Brian Weaver
Karen Wittlinger	Andrew Woodward	

The following were also present:

Brian Smith, Dixon Hughes Goodman
Mike Deas, Dixon Hughes Goodman
Rick Jain
Sheryl Parker FLOIR
Dave Newell, FAIA
Denisha Sword, My Florida.com
Rawn Williams, Jeffries
Amy Coleman, FSU
Tamaa Paterson, Jeffries

Call Meeting to order

Barbara Walker: Good morning, and welcome to Citizens Audit committee webinar hosted through the Zoom platform. This meeting is publicly noticed in the Florida Administrative Register to convene at 9:00 a.m. For any users who are attending today's session through the public link, you are automatically in listen only mode. Citizens' Board and committee meetings are recorded with transcribed Minutes available at our website. Thank you for identifying yourself prior to addressing the committee. Chairman Dunbar, I will proceed with roll call.

Chairman Dunbar: Yes, please, thank you.

Barbara Walker: Chairman Dunbar.

Chairman Dunbar: Here.

Barbara Walker: Governor Brown.

Governor Brown: Here.

Barbara Walker: Governor Holton?

Governor Holton: Here.

Barbara Walker: Chairman, you have a quorum.

Chairman Dunbar: Great. The wonders of modern technology. Thanks to everybody on the IT staff for helping pull this together for us and to clear up those technical difficulties. Let's go ahead if we can and get the Minutes approved. I will take a motion to approve those now if we can?

Governor Holton: Move to approve.

Governor Brown: I will second.

Chairman Dunbar: Great, we have a motion and second. Without objection, let's show the motion adopted. And then we will go ahead on to item number two. Joe Martins, I know you have a number of items for us. So, if you can proceed, please, thank you.

Joe Martins: Thank you, Mr. Chairman. Good morning, Governors. For the record I am Joe Martins, the Chief of Internal Audit. I would like to refer you to page 1 of the Executive Summary I provided. I provided an overview of audit progress and noted that 46 percent or 13 of the projects scheduled for the period have been completed. Since the previous meeting we finalized five engagements. For the Centerpoint Role Redesign project, we confirmed that the new roles had been properly designed to maintain adequate segregation of duties and appropriate monitoring is in place. With the Claim's Payment Platform project, we reviewed user access and permissions developed during the project, as well as third-party vendor controls. The Identity and Access Management project is a multi-year project and we closely follow the project as processes and controls are considered and implemented. With the OFAC audit we assessed Citizens screening practices. Our work indicated that although screening is being done, there remains an opportunity to improve and strengthen Citizens' screening, governance, and control activities to ensure

comprehensive OFAC screening is conducted going forward. Our Third-party Risk Management audit confirmed that there are robust processes in place which are designed to adequately manage third-party related risks.

We currently have five engagements in progress, and I highlight: An audit of Centerpoint configurations which confirms that Centerpoint modules are properly configured to ensure that security is adequate and prevents the override of key controls, appropriate logging is enabled, and business operational processes are met. With the continued workforce audit we will assess the program to ensure it is properly executed and managed. Citizens is required by state laws and statutes to turn over unclaimed property to the states after a certain period. With the Escheatment we will evaluate the adequacy of key business processes and control functions to ensure adequate management of the account.

Nine additional audit engagements are planned to commence in Q1 2021. These include: Three project advisories, namely the implementation of the newly procured Claims Litigation Management System; the Cloud Migration Program; and continuation of the Identity and Access Management project. The other six engagements are scheduled audits which will focus on the evaluation of process and control design strength. With the Claims Litigation File review audit, we intend to complete a series of audits, the first being an overview of the implementation of suggested changes in the EY advisory engagement.

For control efficiencies Internal Audit is tracking four new observations, of which two are of high impact. Both high rated open items relate to the recent OFAC audit and focus mainly on developing a formal OFAC sanctions compliance program and tightening the OFAC screening practices at Citizens.

The Internal Control team continues to work closely with the business units ensuring that the internal control framework remains current and that annual control self-assessments are completed properly. The Enterprise Risk team partners with business areas to deliver forward looking insightful risk perspective that supports inside of decision-making. So far 381 operational risks and 17 strategic risks have been identified and are being monitored.

I wish to refer you to tab 2B of your pack titled, Action Item GRC Software Services. With this action item Citizens' Office of Internal Audit request Board approval to contract with AuditBoard as the primary vendor and MetricStream as the contingent vendor for the provision of a software as a service governance risk and control system. The GRC system will integrate management and administration of the Office of Internal Audit's three complimentary assurance functions, namely Internal Audit, Enterprise Risk Management, and Internal Control Monitoring. Currently Internal Audit uses TeamMate+, provided by Wolters Kluwer Financial Services. TeamMate+ was procured in 2015 and will reach the end of its original five-year term at the end of December 2020. Enterprise risk uses Resolver Risk management software which was procured during 2017. Internal Control uses a combination of Word, Excel and Visio to maintain the internal control framework which has proven to be ineffective and inefficient. On May 21, 2020, Citizens issued an Invitation to Negotiate number 20-0018 for the procurement for an integrated GRC system. On October 7, 2020, following negotiations and receipts of best and final offers, the Citizens' negotiation team recommended an award to AuditBoard as the primary vendor and to MetricStream as a contingent vendor if the contract with AuditBoard cannot be finalized. This new contract will provide a single integrated source of Internal Audit, Enterprise Risk and Internal Control as opposed to the segregated tools we use now. The single integrated tool will house all three applications and will provide compatible workflows, advanced reporting, self-service and ease of use. The AuditBoard contract will have a five-year base term and four one-year optional renewal terms. The contract amount of \$1.7 million consist of the following: \$87,000 for implementation of services; \$763,100 for the base term subscription fee; \$671,528 for renewal term subscription fees, and \$178,378 in contingency funds. Including additional cost if usage

exceeds current estimates as follows: SoxHub Module includes 250 tested controls (an additional cost will be 2,500 for every 50 additional controls); OpsAudit includes 50 audits (an additional cost of \$5,500 a year for 10 additional audits); and the Risk Oversight module includes 1,000 risks (an additional cost will be \$5,000 per year for 100 additional risks).

The authorized contract amount of \$1.7 million may be transferred to the contingent contract with MetricStream, if necessary, with the understanding that the amount spent in the two contexts will not exceed \$1.7 million over the nine-year authorized term. Mr. Chairman, if there are no questions, I will read the recommendation.

Chairman Dunbar: Yes, please read it, thank you.

Joe Martins: Staff recommends to the Citizens' Board of Governors:

1. Approve the recommendation of a contract to AuditBoard as the primary vendor for GRC Software Solution at an amount not to exceed \$1.7 million over the five-year base term, and four one-year optional renewal terms, and to MetricStream as a contingent vendor and set forth an action item, and
2. Authorize staff to take appropriate or necessary action consistent to the action item.

Chairman Dunbar: Members, are there any questions of Joe on this action item? All right, hearing none, I will note for the record that there is not \$178 million in contingent funds, right, Joe, on this item?

Joe Martins: Unfortunately, not, sir.

Chairman Dunbar: All right, great. I will take a motion to approve this item.

Governor Holton: Move to approve, Jim Holton.

Chairman Dunbar: Looks like a second from Governor Brown. I will go ahead and second the item. It looks like we may be having some – there she is.

Governor Brown: Okay, I will second that. Can you hear me now?

Chairman Dunbar: Yes, yes, we can hear you. All right, so the motion second. We will go ahead and get that adopted without objection. Joe, that does it for all of item two or do you have a couple of other items you want to point out to us?

Joe Martins: I have one more action item. It is the Office of Internal Audit strategy plan and the budget for approval.

Chairman Dunbar: Great, proceed. Thanks.

Joe Martins: I wish to refer you to tab 2A of your pack titled Action Item, Office of Internal Audit Strategy and Plan and OIA Budget. The Office of Internal Audit present for review and approval the 2021 Strategy and Plan and Budget. The plan was developed using a risk-based approach to understand and assess Citizens' operations and associated risks, and the objective of this plan is to provide the most timely and comprehensive scope of audit, risk and control coverage by using the resources available to the Office of Internal Audit. The Internal Audit team follows a detailed annual planning process and prepares a theme-based audit plan which considers the possibility of dynamic risk fluctuations and process changes throughout the year. This necessitates regular

reevaluation of the audit approach and scope so that the appropriate audit focus is always given to important strategic and operational issues and risks. Throughout the year the audit plan continuously evolves to support our dynamic risk environments, focusing on current and emerging reputational compliance, operational, information technology, and financial risks. To achieve the greatest impact Internal Audit rebalances audit activities in a rolling plan to ensure adequate focus is given to Citizens' strategic issues and critical processes. Internal Audit documented seven (7) specific audit themes which consolidate and provide high-level insights into the years' audit focus areas. As the year progresses IA will use its quarterly rolling risk assessment process to identify engagements to be selected for every reporting period.

The Enterprise Risk team will continue to facilitate and enable risk assessments on five different perspectives, namely: strategic risk, operational risk, fraud risk, project risk, and scenario risk. The Internal Control team will continue to ensure consistency and sustainability of internal controls framework throughout the organization, while expanding consulting services to include advice and for controls.

The 2021 budget for the Office of Internal Audit presented is \$3.3 million, as compared to a budget of \$3.06 million budgeted for 2020. I highlight that: Staffing will remain static; Salary and benefits growth indicates filling current IA vacancies during the first half of the year; Training is based on a dollar allocation per staff member to upkeep professional CPE requirements and professional development (additionally, training will be necessary following the roll out of the newly acquired GRC system solution); Operational expenses reflect a small variance due to reduction anticipated travel; Legal Services is traditionally is a placeholder should the department need to use external legal services; Professional Services and Contingent Staffing reflects an amount towards further development of the OIA data analytic capability, GRC system implementation cost and anticipated Internal Audit consulting services; and finally, Software Maintenance and Licensing reflects licensing fees for the newly acquired GRC system.

Mr. Chairman, if there are no questions, I will read the recommendation.

Chairman Dunbar: Members, do you have any question for Joe about the proposed budget? All right, hearing none, let's go ahead and read the recommendation.

Joe Martins: Staff recommends to Citizens' Audit Committee approve the 2021 Office of Internal Audit Strategy and Plan and approve the 2021 Office of Internal Audit Budget as presented.

Chairman Dunbar: May I have a motion to approve?

Governor Holton: I move to approve.

Chairman Dunbar: All right, motion from Holton. Governor Brown, do we have a second?

Governor Brown: I did move to approve, but I will second it. Can you hear me yet?

Chairman Dunbar: Yes, now I can hear you, great. We have a motion and a second. So, without objection, we will show that adopted. On to the next item, Joe.

Joe Martins: Thank you, Mr. Chairman. That concludes my report if there are no questions.

Chairman Dunbar: There is one thing I wanted to thank you for highlighting for us, and that is the OFAC and things you are doing. One of the things that hopefully we can have is a recommendation that comes out of this... I know that Vendor Management has been working on

some things, some comments that I made a year or so ago on OFAC, and also Foreign Corruption Practices Act compliance. One of the things that I hope we can see that comes out of this is, if we have a vendor or any insured that shows up with an OFAC flag or has foreign corrupt practices history, I hope that that will be brought to the Board so we are aware of that so that we can kind of keep an eye on those things. I know that that is something that is particularly sensitive in light of all of the issues both at the state and federal levels with shenanigans in the foreign marketplace. So, thanks.

Joe Martins: Thank you, sir.

Chairman Dunbar: I guess it is on to Jennifer with our financial operations update.

Jennifer Montero: Thank you. Good morning. For the record I am Jennifer Montero, Citizens' Chief Financial Officer. For your reference, the materials I will be discussing are located behind tab three in your book. The document titled, 3Q 2020, Results of Operations and Financial Position, provides an overview of Citizens' unaudited financial condition, including cash flows, invested assets and surplus, as well as operational results for the period ending September 30th, 2020. Where the document titled, 3Q 2020 Results of Operations and Financial Position Commentary, provides commentary, discussion and analysis of those operating results and financial position. I will be providing a summary of information contained within the commentary document.

As of September 30th, 2020, Citizens continues to remain on strong financial footing with consolidated cash in invested assets of \$8.8 billion reflecting an increase of 70 million relative to December 31st, 2019. The increase in consolidated cash invested assets was driven by net cash flows provided by operations, but partially offset by the January 2020 bond redemption and scheduled June 2020 bond principal repayment. Consolidated surplus on September 30th, was 6.49 billion or 130 million more than December 31st, 2019, and was largely driven by consolidated net income of approximately the same amount. Direct written premium to the third quarter of 2020 was 881 million or 33 percent greater than the same period in 2019. This is the result of increases in new policies written in Dade, Broward, and Palm Beach Counties, along with increases in renewal rates largely due to temporary deferrals of payments, cancellations, and certain underwriting procedures in response to the COVID-19 crisis. As of September 30th, 2020, consolidated ultimate direct losses in LAE related to Hurricane Irma were 2.16 billion, which is unchanged from the prior quarter, and of that amount 879.8 million is recoverable under Citizens' reinsurance contracts with both the Florida Hurricane Catastrophe Fund and prior reinsurers. Consolidated ultimate direct losses in LAE related to Hurricane Michael were 149.9 million, also reflecting no change from the prior quarter. There were no reinsurance recoverables related to Hurricane Michael as the attachments levels of the reinsurance agreements were not met. Covered losses in LAE associated with Hurricane Sally and other line of storms in 2020, were 36.3 million as of September 30th, 2020. With Hurricane Sally comprising approximately 98 percent of the total losses in LAE. There were no reinsurance recoverables related for these 2020 storms, as the taxable level for the reinsurance arrangements were not met. Current accident year losses in LAE unrelated to hurricanes and sink hole did not experience meaningful variances from the prior quarter in development for prior accident year losses in LAE was minimal. Although litigated non-weather water claims continue to be a dominant driver of loss in LAE activities in the personal lines accounts, the litigation rate for accident years '18, '19 and '20, continue to show improvement in comparison to accident years 2014 to 2017. Within the commercial lines accounts losses in LAE related to sink hole claims were relatively unchanged. However, volatility and older non-sink hole claims have the potential to contribute to material quarterly variances in reported loss in LAE ratios in future periods. Administrative expenses incurred through the first three-quarters of 2020, of 93.7 million were .3 million more than the same period, 2019, and 9.7 million

or nine percent less than budget. Variances in contingent staffing from budget were primarily due to lower than anticipated needs for independent adjusters, as well as a higher anticipated number of claims entering mediation. Through September 30th, 2020, Citizens' expense ratio was 20.3 percent reflecting a four-percentage point decrease from the same period in 2019, and the 4.9 percentage point decrease as compared to budget. Total invested income was 207.7 million or 36.9 million greater than the same period in 2019. While total average invested asset declined is 351.4 million or four percent. The relative decrease in earned income was principally driven by declines in rates of return within money market funds, as well as reductions in taxes and holdings resulting from the scheduled maturity from certain bonds obligations. The decrease in earned income was more than offset by in an increase in net realized gains as portfolio managers of both securities that were held in positive mark to market positions through an active management or invested assets. In January 2020, \$150 million of the 2015 A-1 series bonds were redeemed at par resulting in a \$1.5 million gain that was incurred in net realized gains. With 2020 drawing to a close, Citizens continues to maintain a strong financial condition despite the moderately active 2020 hurricane season, and operational impacts associated with COVID-19 and the affect that it has had on our policyholders. If there are no questions, Mr. Chairman, that concludes my reports.

Chairman Dunbar: Any questions for Jennifer?

Governor Holton: No questions.

Governor Brown: None from me, thank you for asking.

Chairman Dunbar: Great. Thanks Jennifer, I appreciate it.

Jennifer Montero: Thank you.

Chairman Dunbar: So, I believe we are moving on to the next item which is the external auditor update with Brian Smith and Mike Deas. Gentlemen feel free to proceed.

Brian Smith: Good morning, good morning to the committee. This is Brian Smith for the record with Dixon Hughes Goodman, and along with me is Mike Deas. He is our audit manager serving the external audit. I am the audit engagement partner serving external audit for Citizens. We have on the agenda today to present our audit plan for the 2020 fiscal year audit. We certainly welcome any questions from the committee or any comments. So, I will get started here. We are engaged again for fiscal year 2020 to audit Citizens both on a statutory basis and also on a GAAP basis under government accounting standards. We plan to issue our reports along with corresponding letters which will go to the Florida Office of Insurance Regulation, which includes our letter of acknowledgment and qualifications and along with any internal control matters. For the year 2020, Mike Deas is going to walk us through our audit timeline, and also walk us through our audit risk assessments, and then from there I will take it and walk through any changes in the personnel and specialist. So, Mike, I will let you take the microphone.

Mike Deas: Thanks, Brian. So, I will walk us through our audit engagement timing. So back on November 16th, we started our interim field work, and at that point we have completed our interim procedures and working through the review of those procedures. We plan to start our final field work on April 5th, and typically that takes us about four weeks to complete. And as of right now we are planning to complete those procedures remotely. And then we anticipate issuing our audit reports on May 15th. Brian said I am going to walk us through our significant risk areas as well. These are pretty consistent with the prior year. Those include investments. So, it is specifically

around the level three valuation securities and OTTI. The valuation of IBNR, premium recognition around policy cancellations and cut off risks. Reinsurance and that covers any adjustment or modification to reinsurance contracts as well as risk transfer and Cat bond. And then lastly, we also consider the management override of controls as a significant risk. And that really concludes all of our significant risks. So, if there is no question, I am going to pass it back over to Brian to go over our subject matter professionals.

Chairman Dunbar: I have one quick question. What is it that you are going to do or are you coordinating, because I know we have OIR and the Auditor General that are looking at us. So, do you guys communicate with each other? Are there redundancies in the audit? Are you going to be filling gaps that they are not looking at? Can you tell us how the three of you will kind of blend together, so we know kind of, what we are getting?

Brian Smith: Certainly. Every year we get a request from the Auditor General to essentially leverage or rely on any procedures we do. Those communications are formalized where they are a group audit, we refer over requests and we respond back to any of their questions and then we would point then to our opinion in our report on Citizens. So, there is formal communications between both parties. Obviously, they are on a June year end versus a December fiscal year for Citizens. So, they do year end procedures to correspond that gap, but there is formal communication between both parties.

Chairman Dunbar: And then do you guys prepare a draft report and then sit with management or how does it typically work?

Brian Smith: As far as how they leverage our procedures?

Chairman Dunbar: Yes.

Brian Smith: We essentially provide our communications and neutrality, our risk assessments and then they take it from there to make sure that that is satisfactory with them. We do not sit down with their management, no. That has not been requested in the past.

Chairman Dunbar: Okay. Members, any other questions?

Governor Holton: No questions, thanks.

Chairman Dunbar: Go ahead, Brian.

Brian Smith: I will also point to our subject matter experts. Similarly, in previous year audits we will engage our IT professionals that we have by Ryan Boggs, managing director with DHG. He is very familiar with Citizens and he will lead our IT audit team within the scope of our audit. We will also leverage DHG Valuation to determine values of independent pricing on the investment portfolio. And then externally we will engage Dave Shepard with Merlino & Associates as a specialist to look over the actuarial function and those actuaries from Merlino will work with Citizens to scope and plan their specialist review for loss reserves for a year. Also, any procedures provided by Joe Martins and his group, we will read those reports and if there is any leverage, we can obtain from Internal Audit we will, for the fiscal year end audit. As far as our engagement team, again, I am the lead audit partner, Mike Deas is our engagement manager. Similar teams to the past with one change, we have included Wesley McCloud as our engagement quality review partner this year. Essentially serving as a secondary concurring review, but Wesley has

engagements from years past and we welcome Wesley to the team. But that is our plan for 2020. Are there any questions from there we will take them?

Chairman Dunbar: Members, any questions?

Governor Holton: None from me, thanks.

Chairman Dunbar: Governor Brown.

Governor Brown: No thanks, I am good.

Chairman Dunbar: All right, hearing that, gentlemen, I think that does it for your agenda item. We will move on to item five and Nancy Staff.

Nancy Staff: Good morning. I am Nancy Staff, Director of Ethics and Compliance at Citizens, and I am happy to report that we have successfully completed our fourth annual compliance certification process. Like I said, this is our fourth year, and the process is becoming more mature. Just as a quick overview and reminder of what it is, and I have attached it, it is in your documents for reference. In 2016, the Executive Leadership Team adopted an operational compliance governance framework which is an important part of our overall compliance program here at Citizens. And in a nutshell, what we have done is we have created an inventory of all of the laws, rules and regulations that apply to Citizens and broken them down into implemental elements. The idea was we wanted the certification process to be useful to the business units. We also wanted to create an inventory that was a dynamic inventory so you could add and subtract as things change. And once a year the compliance champions, there are 17 champions located throughout Citizens, they perform a review of the inventory and answer different questions depending on the type of element they are reviewing so that we can remain confident that we are in compliance with the laws that we are required to adhere to. The inventory itself is also used as part of a compliance function, because it provides this institutional knowledge for managers that they can easily refer to. And by design we try to keep the inventory in plain English so that someone that was familiar with Citizens and not necessarily a lawyer, could pick it up and understand what it is they are supposed to do. So, we did complete our fourth certification result and looking forward to continuing to mature this process and actively searching for a better way to house the data. Right now, we are using Excel and access databases, which work well, but we are continuing to investigate that. But I just wanted to give you that update, and if anyone has any questions about the process, I would be happy to answer them.

Chairman Dunbar: Members, any questions for Nancy?

Governor Holton: Chair, one question, Jim Holton.

Chairman Dunbar: Go ahead.

Governor Holton: Yes, Nancy, you said you were looking at other data storage possibilities. Do you have anything in mind that you can share with the committee at this point or is that just under preliminary investigation?

Nancy Staff: That is just under preliminary investigation. And I do believe we are going to be able to successfully maybe integrate with some of the GRC tools that are already available.

Governor Holton: Yes, Excel seems a little, you know, not, you know, with all the other stuff we have in IT, it seems a little bit behind the times there. So hopefully you can integrate that pretty quickly.

Nancy Staff: Yes, thank you.

Chairman Dunbar: Governor Brown, do you have any questions?

Governor Brown: I do not, thank you.

Chairman Dunbar: Nancy, I have a couple.

Nancy Staff: Sure.

Chairman Dunbar: The first one is can you --can you flip to slide 11 or page 11 in your presentation? It is entitled, as a result of compliance monitoring, are you reasonably certain there is compliance with the LLR element.

Nancy Staff: Right, and I don't have the presentation uploaded. So, I don't know if someone else -- if it is in the audit materials so that it can be shown.

Chairman Dunbar: What the slide says is I guess there are 464 responses and 463 of them were yes and one of them was no.

Nancy Staff: Right. And that has to do with, that is the same response that was provided last year. I am sure the committee is aware that we have undertaken at Citizens an enterprise project to conduct criminal background checks on all of our employees to assure that we are in compliance with this federal law that requires if you are in the business of insurance, you are not permitted to engage in the business of insurance if you have been convicted of a felony. It encompasses certain elements. We have always at Citizens conducted criminal background checks on the way in for employees. And in September of 2018, we amended our Code of Ethics to require background -- to require employees to affirmatively report if they are arrested or convicted of any crime. But there was a monitoring gap. So, a year and-a-half ago we set out to engage a vendor so that we could do that. It is Sterling and it is almost completely done. The Inspector General is actually overseeing that process right now, but we do believe we are going to be close to completely finished by the end of 2020. He might have some additional information. My understanding is everything that every employee needs to do to finish the process has been done. We are just waiting on some verifications from outside jurisdiction.

Chairman Dunbar: Okay. The next question I had was on, I guess page 13.

Nancy Staff: Okay.

Chairman Dunbar: And it is the pie graph entitled, is the LRR prohibition element trained and/or communicated to others. And we have 28 responses. Seventy-five percent said yes, seven or 25 percent said no. Can you explain a little bit about that slide?

Nancy Staff: Sure. That is actually elements. So, it is not a percentage. There are elements that are a prohibition. In other words, prohibition is something Citizens cannot do. An example, the question is bad worded, have they been communicated to others outside of the folks that are

certifying this, this report. And remember the champions are managers and hired generally. So, some prohibitions, it is not necessary to have a formal training and communication plan. For example, the violation to use polygraph tests when you make hiring decisions. There is a federal law that prevents that. Well, the director of HR is aware of that. They certify it, I am aware of it. We don't need to necessarily communicate that to everyone in the organization in contrast to our nondiscrimination statute. You cannot discriminate against folks. That is something that we have a very active training and communication implementation plan. So that is what that means.

Chairman Dunbar: Yes, the reason why it jumped out to me is the prohibition element seems to be something you don't want our folks to be unaware of, correct?

Nancy Staff: Right.

Chairman Dunbar: We want to make sure everybody knows everything.

Nancy Staff: Right.

Chairman Dunbar: And so, I was curious what the list of the seven were, and we probably ought to do a quick review to make sure, or maybe I am assuming, Barry does it with the ELT members. There has been a conscious decision to say these seven elements, we are not going to communicate, and I would be curious what the basis is for not communicating them. I mean, because they are prohibition elements and even though you think some stuff is common sense, you can find yourself negligent when you assume knowledge that then turns around and compromises an organization if it hasn't been affirmatively communicated.

Nancy Staff: Right.

Chairman Dunbar: On the side, I mean, if you could let me know the seven prohibition elements that have been affirmatively left out, and maybe we can chat about it, and I will chat with Barry about it and maybe the committee members and see if that is something that we all agree should not be communicated as a matter of course.

Nancy Staff: Absolutely. And just to clarify, it is communicated to the champions through certification process. So, it is kept on the inventory for awareness. That is actually one of the reasons that I created the inventory the way I did was so that there is a document where these things are listed. But I will share that with you.

Chairman Dunbar: So, the champions know it, it's just the lower staff that doesn't know it? Is that right?

Nancy Staff: Right. In other words, the compliance certification process itself I think is a compliance piece of this. In other words, this document is kept easily accessible and it is actually used just so that you know. We have had two outside auditors that have asked for our compliance or our inventory. So, they use it sometimes to start their audit or to verify. And I know that you are an attorney, also. You can't put every possible law on this inventory or else it might lose its effectiveness, because the idea behind it is to operationalize the legal requirements for the business units so they understand what they are. And not only do they understand, but they understand which processes implement those particular laws and that is how I broke them down.

Chairman Dunbar: Yes, I am well aware. The way we also do succession training, you know, making sure that there is knowledge down below just the ELT or, you know, the owner of that item in the event they get hit by a bus or whatever. Again, I am curious what the seven were. The last question I had was around the best practices. Do you proactively try to identify and recommend to ELT leads best practices that they can adopt within their units? Are you proactively trying to see what other organizations are doing? One of the things that I will use as an example, is if you saw something that from an ethics standpoint is recommended in the procurement space that we as an organization might not necessarily have in our LRR, but that you would recommend from a best practices standpoint we adopt. One of the things that I have been talking to Joe Martins about, I have noted is that we have a lot of times these senior ELT members that serve both in the evaluation and negotiation side of procurement with their ordinance. And so, when you do that in other organizations that I advise, one of the things that I worry about is that is your boss, says someone gets a 10, you are sometimes hesitant from a scoring standpoint to give that person an eight or a seven or a six because your boss wants that person to have a 10 from a scoring standpoint. Then when you cross over to evaluation -- I mean, for negotiation, if there is a strong bias, particularly at the leadership level, it has a tendency to carry over in the negotiation and could lead to not getting the best deal for the organization. So, examples like that, are you proactively looking at some of these and saying, hey, you know, we might want to consider from a best practices' standpoint, you know, formalizing this separation here or adopting this redundancy over here just to keep an extra set of eyes from an ethics standpoint?

Nancy Staff: I try to, especially when it comes to potential conflict of interest scenarios or indicators. But I haven't actually addressed that particular example, but I do -- I just recently at the risk committee in August, I did a presentation. I attended some outside video courses on what is going on in the world of compliance and ethics, big picture, right. The federal guideline eight defense and things like that. And so, I did the best I can with that, and most was very receptive. And that is one of the nice things about the champions. The fact that the champions are located throughout the enterprise. For example, Spencer Kramer is a compliance champion. So, I have a good relationship with the champions, and I have an open dialogue. But it would be I think ad hoc as I see it.

Chairman Dunbar: Have you ever had an instance where you suggested something to a champion and got pushed back?

Nancy Staff: No, not that I can think of, but I will have to think about that a little bit.

Chairman Dunbar: Let me know if you do. I will be more than happy to help you.

Nancy Staff: Okay, thank you.

Chairman Dunbar: Good, fair enough. All right, members, any other questions for Nancy?

Governor Holton: None here, thanks.

Governor Brown: No thanks.

Chairman Dunbar: I think that brings us to the end of the agenda. Joe, did I miss anything?

Joe Martins: Thank you, Mr. Chairman. I think that concludes the agenda.

Chairman Dunbar: Great. I will take a motion to adjourn then.

Governor Brown: Move to approve, move to adjourn.

Governor: Holton: Second.

Chairman Dunbar: Do you want to stay on the phone, or do you want to second that motion?

Governor Holton: No, I am seconding the motion. I didn't know we needed a second and an adjourn motion, but I am happy to do so.

Chairman Dunbar: Good, good. All right, so without objection, let's show that adopted and we will show this committee meeting adjourned. Thank you all very much. Take care.

(Whereupon the meeting was adjourned.)

F U N D A M E N T A L