

INTERNAL AUDIT

HB 1079 Legislative
Reform Implementation

August 11, 2021





Advisory Memo

Background

The Florida Legislature recently completed the 2021 session. Approved legislative changes included property insurance reforms with far reaching impacts to business processes and systems across Citizens. House Bill (HB) 1079 makes several changes relating to the evaluation, management, and oversight of competitively procured contracts for commodities and contractual services. This Bill was signed into law by Governor DeSantis on June 29, 2021 and was effective July 1, 2021. The Bill includes several provisions for the evaluation, management, and oversight of contractual service agreements. The following are several of the notable provisions that impacted Citizens' Vendor Management Office:

- Provides guidance on Contract Managers' primary responsibilities and prohibits a person from managing a contract where such person was employed in the prior 5-years by the contracted vendor.
- Establishes experience requirements to manage contracts above \$10 million annually.
- Supervisors of Contract Managers and Contract Administrators will be required to complete Florida Department of Management Services (DMS) offered training, once the DMS has completed development of the training.
- Requires the creation of a "continuing oversight team" for each contractual services contract of \$5 million or greater and establish meeting and reporting requirements. For contracts greater than \$20 million this team must include outside agency representation.
- Prohibits a contract by a state agency from containing non-disclosure language that prohibits the vendor from disclosing information relevant to the performance of the contract to members of the House or Senate.
- Requires notification to the DMS of any vendor meeting the grounds for suspension, describes the required documentation for such reporting.
- Requires the agency inspector general to complete a risk-based compliance audit every three years of all contracts in the preceding three years.

Objectives and Scope

Internal Audit was requested to provide advisory services in support of Citizens' implementation and compliance with the requirements of HB 1079. Consultative advice related to controls of impacted business areas and project management was provided upon request. Internal Audit also confirmed the effective and timely escalation and handling of issues.

Results

Approved legislative changes that impacted Citizens are being managed through the Enterprise Project Portfolio as part of a centralized 2021 Legislative Reform Implementation Program (Program). The Program addresses changes to Citizens' processes and systems resulting from all approved bills that were passed during the 2021 Florida legislative session, including HB 1079.

The Program management approach established critical success factors (objectives, metrics, key performance indicators (KPIs)) necessary to achieve a successful implementation. Next, Steering Committees and cross-functional work groups were established for each legislative change. This



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approach provided visibility, an opportunity for resolution on topics of discussion, and allowed workgroups to align activities and associated metrics.

Internal Audit observed that potential risks were escalated as appropriate to workgroup leaders and the Steering Committee, with workgroup and Steering Committee meetings occurring regularly. As part of the Program management approach, the Program has established a risk management plan, including risk identification, risk analysis, risk response planning, and risk monitoring. The list of risks is reviewed periodically and updated as appropriate during the execution of the project.

To date, the workgroup has effectively addressed several provisions of HB 1079. Specifically:

- In collaboration with Enterprise Risk Management, conducted a pre-implementation project risk assessment to assist with decision-making and to ensure mitigating activities are designed and implemented where needed (twelve risks were identified with three rated as medium and nine rated as low).
- Updated the Vendor and Contract Management System (VCMS) to enhance data collection and better enable sufficient tracking and monitoring. These attributes include: training tracking, contract manager previous employment and contract management experience, and Contract Oversight Team (COST) tracking, among others.
- Communicated to all Contract Managers providing guidance on primary responsibilities, as required by statute.
- Met with all supervisors of Contract Managers to address new training requirements for supervisors.
- Centralized the administration of COSTs and established a roster of potential members.
- Receipt of a formal memo from Legal Services setting forth opinion on HB 1079 timing (go-forward) and scope of COSTs.
- In collaboration with Legal Services, developed potential contract exemptions (such as those contracts not deemed to be “contractual services”) to ensure that HB 1079 will be appropriately applied to Citizens’ contracts.
- Updated standard contract templates that addresses new legislative requirements.
- Anticipated list of go-forward contracts created through 2022 to assess impact.
- Created COST Roster Memo Template to be used for Agency Head approval of COST member assignments.
- Developed “Good Faith Estimate guidelines” to estimate total contract spend value and ensure the correct COST structure.

Citizens’ HB 1079 workgroup is currently focused on one additional task to remain compliant with legislative provisions as follows:

- Survey contract managers and update records with results. Evaluate results and determine if changes to contract managers is needed.



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We would like to thank management and staff for their cooperation and professional courtesy throughout the course of these advisory services.



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