

ANNUAL REPORT

2021

OFFICE OF INSPECTOR GENERAL

Mark Kagy
Inspector General

A report of the Office of Inspector General's
activities and accomplishments.



A Message from the Inspector General

On behalf of the Office of Inspector General (OIG) for Citizens Property Insurance Corporation (Citizens), I am pleased to submit this annual report which summarizes the OIG's major activities for calendar year 2021.

The OIG's mission is to protect the integrity of Citizens and its public purpose to provide property insurance products and services to eligible Floridians. The OIG accomplishes its goals by serving as an independent, investigative entity, which is administratively housed within Citizens. Our job is to help Citizens operate with accountability, integrity, and efficiency. We do this by conducting objective, fact-based analyses, and developing impartial reports.

The effects of COVID-19 undoubtedly made the past two years uniquely challenging for all of us. The typical workplace has been significantly transformed. Citizens' operations shifted to a work from home strategy and the overall results were exceptional. We now shift to a distributed workforce model whereby the benefits of the office environment are merged with the flexibility of working from an alternate location. Through these changes, Citizens and the OIG are continually updating our operations, identifying new processes, and meeting a multitude of challenges.

In each of the previous seven years of OIG operations, we have experienced a significant increase in the number of inbound complaints and projects performed. As the OIG ages and its purpose becomes clearer to Citizens' staff, vendors, and policyholders; increases in projects and complaints are to be expected. The coming year should be no exception and the OIG stands ready to continue meeting the challenge.

As you will see in this report, the OIG has spent considerable time responding to complaints and requests for assistance or investigations. Although investigative projects are the cornerstone of OIG work, having a proactive approach can often provide resolution before an investigation is necessary. As such, we have made considerable efforts to establish the OIG presence at Citizens and build a professional rapport with individual Citizens' divisions. The OIG looks forward to current and future proactive projects such as the anonymous complaint reporting *Tell Citizens* awareness campaign, initiation of a corporate compliance assurance project, and post-hire background checks for all Citizens staff.

In closing, I would personally like to express my thanks and appreciation to the Financial Services Commission who, on May 4, 2021, named me as Citizens Inspector General. I would also like to thank the Chair of Citizens' Board of Governors, and the Chief Inspector General for their support in our operations. I appreciate the efforts of the OIG staff as they have each greatly assisted in maintaining flexibility during the pandemic. This year proved the OIG is a dynamic operation capable of meeting the most difficult challenges. I look forward to the future and I am excited to see the continued successes of this office.

Mark Kagy, CCEP, CIG, CFE, CIGI
Inspector General

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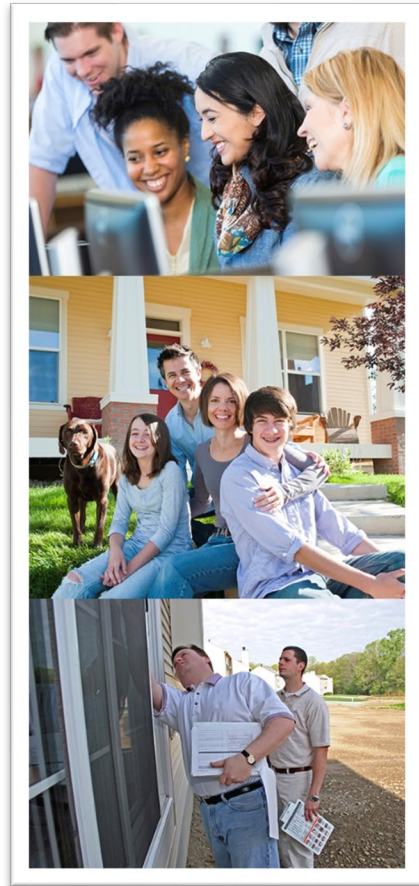
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Executive Summary

Section 627.351(6), Florida Statutes, establishes Citizens Property Insurance Corporation (Citizens) as a government entity that is an integral part of the state. Citizens is responsible for providing insurance protection to Florida policyholders who are entitled to but are unable to obtain insurance in the private market. Citizens operates pursuant to a plan of operation approved by order of the Financial Services Commission.

Citizens' Office of Inspector General (OIG) was established to "provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency." Mark Kagy was appointed Citizens' Inspector General in May of 2021. The OIG has assembled this Annual Report highlighting the accomplishments and activities of the office.

In 2021, the OIG:

- Received 102 correspondence (defined as inbound communications – these include complaints, referrals, requests for investigation or review, or any other tracked communications).

This resulted in the *initiation* of:

- 9 Cases (six Investigations and three Investigative Inquiries)
- 93 Administrative Projects (Consultations, Referrals, and Administrative Closures)
- Closed 14 Investigations/Investigative Inquiries (five Investigations/Investigative Inquiries/Process Reviews carried over from prior year)
- Closed 104 Administrative Projects (Consultations, Referrals and Administrative Closures (four Administrative Projects carried over from 2020)
- Assisted in leading and conducting multiple Citizens training activities, events, and seminars aimed at identifying and enhancing leadership qualities within the corporation
- Continued activities to increase awareness of the OIG and the complaint reporting hotline *Tell Citizens*
- Participated on Citizens' Executive Leadership Team and assisted in corporate response efforts related to COVID-19.
- Conducted formal and informal outreach efforts to Citizens' managers, employees, and stakeholders to exchange information regarding OIG and business unit roles, responsibilities, and expectations.

Corporate Background¹

A Purpose-Driven Mission

Citizens Property Insurance Corporation plays a crucial role in Florida's property insurance marketplace by providing property insurance protection to people who are in good faith entitled to obtain coverage through the private market but are unable to do so. As one of Florida's leading insurers of Florida homes and businesses, we strive to ensure that our customers receive service that is comparable to private-market standards.

Citizens is a not-for-profit company whose employees are driven first and foremost by our mission of service to the people of Florida. In addition to providing a quality product and service, we strive to be good stewards of the premium funds entrusted to us and are committed to modeling the highest level of ethical behavior.

Our purpose-driven mission informs every action and decision we make, and we are proud of the valuable service we provide to our customers and the Florida marketplace.

About Citizens

Citizens was created by the Florida Legislature in August 2002 as a not-for-profit, tax-exempt, government entity to provide property insurance to eligible Florida property owners unable to find insurance coverage in the private market. Citizens is funded by policyholder premiums; however, Florida law also requires that Citizens levy assessments on most Florida policyholders if it experiences a deficit in the wake of a particularly devastating storm or series of storms.

Citizens operates according to statutory requirements established by the Florida Legislature and is governed by a Board of Governors. The board administers a Plan of Operation approved by the Florida Financial Services Commission, an oversight panel made up of the Governor, Chief Financial Officer, Attorney General and Commissioner of Agriculture.

Citizens' primary offices are located in Tallahassee and Jacksonville.



¹ www.Citizensfla.com/who-we-are

The Office of Inspector General

Creation of the OIG

On May 29, 2013, Senate Bill 1770 was signed into law, modifying section 627.351(6)(gg), Florida Statutes. The bill required several modifications to Citizens' structure and operations. Most notably, for purposes here, the bill established the Office of Inspector General (OIG) to "provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency."

Purpose and Mission

The OIG is an integral part of Citizens. The OIG is authorized by Section 627.351(6)(gg), Florida Statutes. The office's mission is to promote accountability, transparency, integrity, and efficiency in Citizens' operations through independent and objective oversight.

The purpose of the OIG is to "provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency."

Differentiating the Role

Offices of inspector general are common throughout Florida. All state agencies maintain an office of inspector general, and many local and county government entities and school districts have begun implementing inspector general offices in their jurisdictions.

State government offices of inspector general are housed within each state agency and operate

under the authority of Section 20.055, Florida Statutes. Although not a state agency, Citizens is a government entity and the Citizens OIG is housed administratively within the corporation. Citizens' OIG does not operate under the same authority as state agency offices of inspector general. Citizens' OIG is authorized by Section 627.351(6)(gg), Florida Statutes.

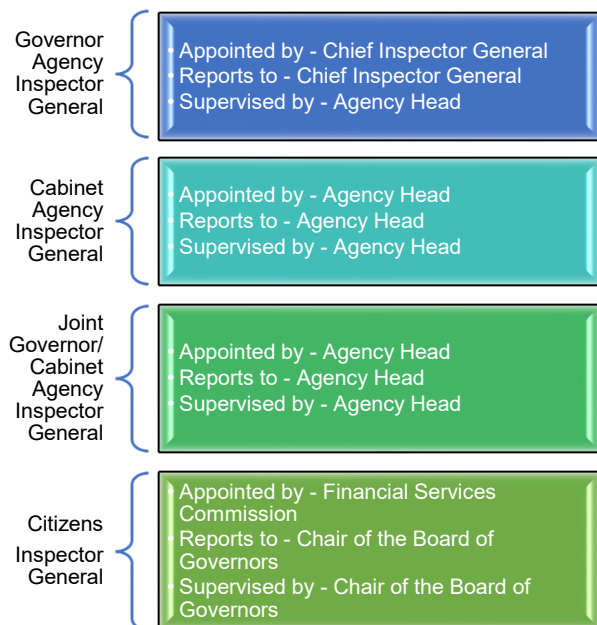
Citizens' OIG is unique in its function and authority as compared to state agency offices of inspector general. Although the reporting structure and responsibility of Citizens' OIG differs from that of state agency OIGs, Citizens' OIG maintains an independent structure and broad authority.

State agency OIGs have authority to conduct audits, investigations, and management reviews, as does Citizens' OIG. With respect to state agency OIGs, the staff and resources required to carry out these functions are housed under a singular OIG unit. Unlike state agencies, Citizens has a separate, independent OIG, and a separate, independent Office of the Internal Auditor (OIA). Citizens' Chief of Internal Audit is appointed by, reports to, and is under the general supervision of the Board of Governors, while reporting functionally to the Audit Committee of the Board of Governors.

Similar to Citizens' OIG, Citizens' OIA has audit, investigation and management review responsibilities in its enabling statute.

Consequently, due to the duality of the OIG and OIA functions, Citizens' Inspector General and Citizens' Chief of Internal Audit have agreed that the OIG will be responsible primarily for investigative activities while the OIA will be responsible primarily for audit functions and will collaborate on projects as necessary and mutually agreed upon. Both offices are required statutorily to cooperate and coordinate activities to maximize efficiencies and avoid duplication of effort.

In addition to investigative, audit, and management review functions, Citizens' OIG also has responsibilities not assigned to state agency OIGs. For example, Citizens' OIG has multiple responsibilities related to Citizens' ethics program, compliance, and security.



Organizational Structure

Citizens' Inspector General is appointed by the Financial Services Commission and may be removed from office only by the commission. The Inspector General reports to, and is under the supervision of, the Chairman of Citizens' Board of Governors.

Mark Kagy was appointed as Citizens' Inspector General in May. The OIG currently consists of four employees:

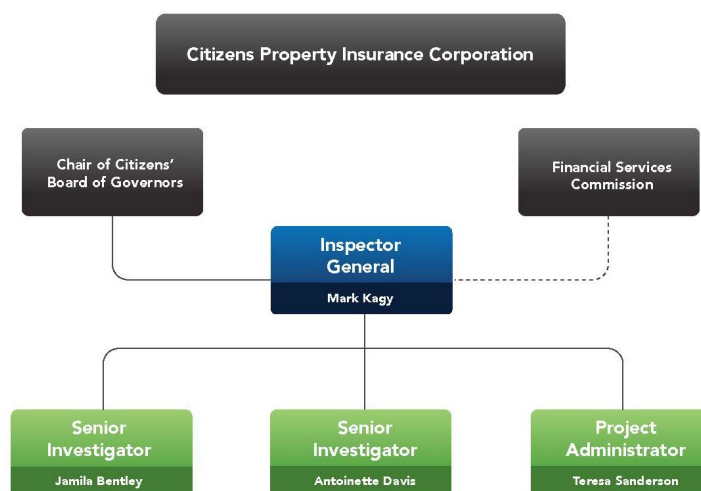
- Inspector General
- Two Senior Investigators
- Project Administrator

The OIG staff functions as a team with each member contributing through their unique background, professional experiences, education, knowledge, and skills.

OIG staff members hold the following specialty certifications and credentials:

- Certified Inspector General (1)
- Certified Compliance and Ethics Professional (1)
- Certified Inspector General Investigators (3)
- Certified Fraud Examiners (2)
- Certified EEOC Investigators (4)
- Notary Public (3)
- Graduate degree (1)
- All staff minimally possess a bachelor's degree

Organizational Chart



Citizens' Inspector General Responsibilities

In accordance with Section 627.351(6)(gg)2, Florida Statutes, the inspector general shall initiate, direct, coordinate, participate in, and perform audits, reviews, evaluations, studies, and investigations designed to assess management practices; compliance with laws, rules, and policies; and program effectiveness and efficiency. This includes:

- a. Conducting internal examinations; investigating allegations of fraud, waste, abuse, malfeasance, mismanagement, employee misconduct, or violations of corporation policies; and conducting any other investigations as directed by the Financial Services Commission or as independently determined
- b. Evaluating and recommending actions regarding security, the ethical behavior of personnel and vendors, and compliance with rules, laws, policies, and personnel matters; and rendering ethics opinions
- c. Evaluating personnel and administrative policy compliance, management and operational matters, and human resources-related matters
- d. Evaluating the application of a corporation code of ethics, providing reviews and recommendations on the design and content of ethics-related policy training courses, educating employees on the code and on appropriate conduct, and checking for compliance
- e. Evaluating the activities of the senior management team and management's compliance with recommended solutions
- f. Cooperating and coordinating activities with the chief of internal audit
- g. Maintaining records of investigations and discipline in accordance with established policies, or as otherwise required
- h. Supervising and directing the tasks and assignments of the staff assigned to assist with the inspector general's projects, including regular review and feedback regarding work in progress and providing recommendations regarding relevant training and staff development activities
- i. Directing, planning, preparing, and presenting interim and final reports and oral briefings which communicate the results of studies, reviews, and investigations
- j. Providing the executive director with independent and objective assessments of programs and activities
- k. Completing special projects, assignments, and other duties as requested by the Financial Services Commission
- l. Reporting expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the inspector general has reasonable grounds to believe there has been a violation of criminal law

OIG Processes

Professional Standards

The OIG is committed to operating in conformity with the Principles and Standards for Offices of Inspector General as established by the national Association of Inspectors General (AIG). These professional ideals promote standardization of practices, policies, and ethics; encouragement of professional development and education; and generation of work products of the highest quality. AIG standards are:

Independence – The inspector general and OIG staff involved in performing or supervising any assignment should be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.

Planning – The OIG should maintain a planning system for assessing the nature, scope, trends, vulnerabilities, special problems, and inherent risks of organizational programs and operations and for use in establishing the goals, objectives, and tasks to be accomplished by the OIG within a specific time period.

Organizing – The inspector general is responsible for organizing the OIG to assure efficient and effective deployment of the OIG's resources.

Staff Qualifications – OIG staff should collectively possess the variety of knowledge, skills, and experience needed to accomplish the OIG mission.

Direction and Control – The inspector general should direct and control OIG operations to ensure that (1) all activities are adequately supervised, (2) performance is consistent with professional standards, and (3) periodic internal assessments are made of OIG activities and accomplishments.

Coordination – The OIG should coordinate its activities internally and with other components of government to assure effective and efficient use of available resources.

Reporting – The OIG should keep appropriate officials and the public properly informed of the OIG's activities, findings, recommendations, and accomplishments as consistent with the OIG's mission, legal authority, organizational placement, and confidentiality requirements.

Confidentiality – The OIG should establish and follow procedures for safeguarding the identity of confidential sources and for protecting privileged and confidential information.

Quality Assurance – The OIG should establish and maintain a quality assurance program to ensure that work performed adheres to established OIG policies and procedures, meets established standards of performance, and is carried out economically, efficiently, and effectively.

OIG Investigations Procedures Manual

The OIG has developed a comprehensive internal investigations manual. This manual outlines standard operating procedures and provides the OIG staff with guidance to ensure activities are conducted in a consistent, fair, thorough, transparent, and objective manner. Procedures include detailed and specific standards and expectations.

Professional Education and Training

To ensure staff remain abreast of ever-changing investigative practices and to ensure compliance with professional standards, OIG investigative staff are required to obtain 40 hours of continuing education at least every two years and maintain professional competence.

All members of the OIG annually attend the Equal Employment Opportunity Commission (EEOC) training to maintain their EEOC Investigators certification.

Complaint Triage Process

Citizens' Inspector General convenes meetings to triage complaints received through Citizens' complaint reporting hotline, *Tell Citizens* (or other mechanisms), to discuss the merits of the complaint and collaboratively assign the complaint for handling as appropriate². The vast majority of complaints received are retained by the OIG for investigative projects. However, complaints involving performance issues, grievance matters, and the like, generally are referred to Human Resources (HR) or the appropriate business unit for handling. Offices in receipt of a referral have 30 days to provide a written response to the OIG of actions taken in response to the complaint.

The triage team may include any persons who are in a position that adds value to the triage process. Typically, the triage team consists of the:

- Inspector General
- Chief of Internal Audit
- Ethics and Compliance Officer
- Human Resources Representative

Complaints determined by the Inspector General to meet the requirements of Florida's Whistle-blower Act are not subject to triage. Additionally, OIG investigations, inquiries, or reviews requested by the Chair of Citizens' Board of Governors, the Financial Services Commission, Citizens' President/CEO and Executive Director, an Executive Leadership Team member, or initiated independently by the Inspector General are not

subject to triage. The Chief of Internal Audit is informed of non-triaged investigative projects.

Claims-Based Complaints

On occasion, Citizens' policyholders will contact the OIG to resolve a claim or dispute an indemnity. Likewise, on occasion, claims-related matters are referred to the OIG by external parties, such as the Office of the Chief Inspector General for the Governor, or the Inspector General for the Office of Insurance Regulation. Again, these referrals usually arise from policyholders seeking to resolve claim disputes.

The OIG does not serve in a claims dispute resolution or mediation role. However, Citizens maintains a statutorily required office dedicated to this function. Consequently, upon receipt of claim-focused complaints or referrals, the OIG generally will refer such matters to Citizens' Customer Correspondence Team. The Customer Correspondence Team will review the matter and provide the OIG with an update on its findings within 30 days. The OIG will track and monitor all referrals to the Customer Correspondence Team to ensure matters are addressed and customer concerns are reviewed and resolved promptly and objectively.

Independent Legal Services

On occasion, the OIG is presented with situations, investigations, or other matters that require the assistance of independent, external legal counsel. As an independent office housed within Citizens, it is sometimes most prudent for the OIG to consult external, independent legal counsel for assistance. Notwithstanding, Citizens' internal general counsel's office staff have been very helpful when assistance has been requested as appropriate.

As a matter of routine procedure, the OIG engages outside counsel on all discrimination, harassment, and whistle-blower investigations. The OIG also may engage outside counsel to assist with other complex issues where the potential consequence of error warrants specific legal expertise and prudence.

² Prior to any triage activities, the Inspector General conducts a Whistle-blower analysis to determine if the complaint could meet the requirements of Florida's Whistle-blower Act.

OIG Outreach and Engagement

Education and Outreach Efforts

Offices of inspectors general have existed in most state executive branch organizations for decades; however, the inspector general concept is relatively new to Citizens. Many staff with private sector insurance backgrounds are unfamiliar with the role of the inspector general and related functions. A primary and ongoing goal of the OIG is to impart related knowledge through formal and informal meetings rather than when contact and interaction becomes necessary during an active investigation.

Inspector General Mark Kagy regularly conducts scheduled, in-person/virtual meetings with select corporate vice-presidents, senior directors, and directors. These meetings are designed as information exchange sessions outlining OIG functions while simultaneously gaining an understanding of individual business unit roles. He also addresses individual business units through their team meetings or general “town hall” meetings. These meetings and information exchanges are critical to the OIG function and visibility and will continue throughout 2022.

Leaders Corner Articles

Leaders Corner features articles written by members of Citizens’ Executive Leadership Team and Senior Leadership Team on Citizens’ Intranet Portal. The articles run for about two weeks before they are archived and still accessible to employees.

Inspector General Mark Kagy wrote two Leaders Corner articles during 2021.

In the first article titled “Don’t Be Afraid to Choose the Difficult Path”, Kagy discussed some challenges, problems, and situations we face in life and noted the path of least resistance may work in some situations but does not always produce the best resolution. In the article, he states, “real growth results from challenge and struggle. Do not avoid something because it is difficult. Tackle it head on - because it is difficult.”

In the second article titled “Reducing Workplace Conflict Starts with You” Kagy discussed ways to maintain a positive work environment and reduce workplace conflicts. Kagy provided one of his favorite quotes, “ten percent of conflicts are due to difference in opinion. Ninety percent are due to wrong tone of voice.”

“Do not avoid something because it is difficult. Tackle it head on - because it is difficult”
– Mark Kagy, Inspector General

OIG and Tell Citizens Awareness Campaign

In early 2020, the OIG created a plan to raise the profile of the *Tell Citizens* hotline and raise awareness of the Office of Inspector General. In 2020, the OIG implemented several ongoing activities to educate employees about our office and *Tell Citizens*. In 2021, the OIG continued to raise awareness of the office with activities such as writing Leaders Corner Articles, updating mandatory employee training with OIG and *Tell Citizens* information, reviewing and updating the OIG page on Citizens’ internal and external sites, providing *Tell Citizens* informational cards with all employee ID badges, and participating in multiple presentations within the organization.

Raising Awareness - Internally

The OIG continues to review all related employee and manager training courses with HR – Learning and Development to verify OIG and *Tell Citizens* information is appropriately included. The OIG routinely partners with HR to determine which corporate training and events are most appropriate for IG participation. In addition, OIG continues to work closely with Communications to develop strategies to raise awareness amongst internal stakeholders.

Raising Awareness - External

The OIG is increasing awareness among vendors and external parties through the creation of an Inspector General page on Citizens’ external site which provides an overview of the office, information on how to file

a complaint, and general contact information. Under the “Contact Us” page on Citizens’ external site, a contact card for the Inspector General that includes a link to the *Tell Citizens* site can be found. In addition, under Email Us an Office of Inspector General contact web form can be completed so external parties can reach the OIG.

Workshop and Seminar Participation

Inspector General Mark Kagy directly participated in multiple Citizens training activities, events, and/or seminars. These events provided an opportunity for Citizens’ staff and managers to meet formally and interact with OIG leadership.

Fraud Awareness Week

Every year Citizens plans a Fraud Awareness Week for employees. During this week, which often coincides with International Fraud Awareness week, there are activities and articles that discuss the effects of fraud and what Citizens does to combat fraud. Inspector General Mark Kagy participates in planning the content and activities surrounding this annual event. This year’s focus was on the Special Investigations Unit (SIU) and their efforts to reduce fraud.

Leadership Summit – Assistant Directors and Above

Inspector General Mark Kagy participated in corporate-wide leadership summits involving the top leaders at Citizens. This forum provides participants with Citizens’ strategic and division-specific priorities and is concluded with a lengthy question and answer session for Executive Leadership Team members.

Lead 365

Rising leaders within Citizens’ ranks were identified and participated in this six-month program, and Inspector General Mark Kagy provided leadership remarks to the graduates. Program topics included leadership and team building, managerial foundations, and mentoring.

Leadership Teams

Citizens’ Executive Leadership Team (ELT) consists of the top nine leaders within the

corporation and is led by Barry Gilway, Citizens’ President/CEO and Executive Director. Upon Mr. Gilway’s invitation and encouragement, Inspector General Kagy has been accorded full membership on Citizens’ ELT where he provides perspective and information from his role as Inspector General during regular and periodic meetings.

Citizens’ Senior Leadership Team (SLT) consists of nine key vice presidents, senior directors, and directors throughout the corporation. Inspector General Mark Kagy is an SLT member and attends the group’s monthly meetings, as well as participates in SLT projects.

As a member of Citizen’s Leadership Teams, Kagy attended the hurricane and catastrophe response calls.

Additionally, Kagy participated in the continued corporate response to the conditions created by COVID-19. These efforts included identifying solutions related to office closures, continuity of operations, issuance of resources and technology, and ultimately the safety of Citizens’ staff and policyholders.

Committee Involvement

Risk Steering Committee

Citizens’ Risk Steering Committee (RSC) is responsible for overseeing the risk management processes for the corporation. Inspector General Mark Kagy participates in these meetings and assists the RSC in its responsibilities to provide leadership through the alignment of risk mitigation activities, prioritizing risk exposures, ensuring optimal risk management, and facilitating open communication across functional units.

Safety and Security Committee

Inspector General Kagy attends Citizens’ Safety and Security Committee meetings and provides advice to the committee’s chairperson as needed. The committee is responsible for promoting a safe and secure working environment. The committee meets regularly and identifies potential unsafe or unsecure work practices and conditions, provides recommendations for resolution, and analyzes historical trends. The committee also assists in the development of safety and security

awareness programs, as well as loss prevention and loss control programs, and promotion of a culture of safety and security.

Kagy takes a lead role in several matters related to the safety and security of Citizens' operations. This year, he was consulted or took a leadership role in resolving three matters. As a result, there were no known negative impacts to Citizens' staff, vendors, policyholders, or operations. The OIG works continually to monitor threats to Citizens' safety and security and takes immediate actions to resolve any threats.

Employee Well-Being Advisory Committee

Inspector General Kagy is a member of the Employee Well-Being Advisory Committee which partners with Human Resources to provide direction and guidance for program development and recommendations to the Employee Well-Being Council. The committee's responsibilities include:

- Communicating and sharing the vision of the employee well-being programs
- Educating and engaging management
- Championing programs that promote a healthy organizational culture
- Promoting program initiatives and encouraging employee involvement

- Encouraging cross-departmental collaboration within each city to enhance a culture of employee well-being
- Rewarding success through recognition and celebratory activities

Florida Chapter of AIG Board of Directors

The Florida Chapter of the Association of Inspectors General (FCAIG) is a civic, educational, charitable, and benevolent organization for the exchange of ideas, information, education, knowledge, and training among municipal, local, state, national and international inspectors general. The FCAIG fosters and promotes public accountability and integrity in the general areas of the prevention, examination, investigation, audit, detection, elimination, and prosecution of fraud, waste and abuse through policy research and analysis; standardization of practices, policies, conduct and ethics; and encouragement of professional development by providing and sponsoring educational programs. Currently serving his second term, Inspector General Mark Kagy is honored to serve on the FCAIG Executive Board.

Investigative Projects

Types of OIG Projects and Activities

The OIG investigates allegations of fraud, waste, abuse, malfeasance, mismanagement, employee misconduct, and violations of corporate policies. The OIG handles and manages several types of activities including investigations, investigative inquiries, reviews, and referrals.

Correspondences

Most of OIG activities begin as a correspondence. Correspondences are inbound communications by any individual or entity to the OIG that subsequently is entered into and tracked by OIG's Case Management and Tracking System. Correspondences include complaints, referrals, requests for investigation or review, or any other tracked communication. However, not all correspondences result in cases or substantive projects.

Cases

An *Investigation* is conducted when the Inspector General has determined that the highest level of review by the OIG is necessary. Investigations typically consist of multiple interviews of the complainant, witnesses, business unit experts and the subject of the complaint. As well as, detailed analysis of Citizens and non-Citizens documents, communications, data, and business processes and systems. Investigations often stem from complaints involving alleged employee or vendor employee misconduct, which if proved, could result in significant action against the employee or vendor employee. Investigations may result in disciplinary action up to and including terminations or criminal prosecutions.

An *Investigative Inquiry* is a lower level of review conducted by the OIG. An investigative inquiry is conducted when circumstances dictate that an alternative to a full investigation is prudent. The purpose of an investigative inquiry is to provide an appropriate level of review in situations where a full, detailed analysis and conclusion typically associated with an investigation is unwarranted or impractical. Additionally, memoranda of Investigative Inquiries do not contain conclusions of fact such as *Supported* or *Not Supported*.

OIG Project/Activity Types

Cases

Investigation

Investigative Inquiry

Substantive Projects

Process Review

Compliance Review

Administrative Projects

Consultation Services

Opinions

Referrals

Administrative Closure

Substantive Projects

A *Process Review* analyzes a particular Citizens business unit's processes and attempts to determine if the actual or outlined processes are effective and efficient, or in need of improvement.

A *Compliance Review* attempts to determine if a specific Citizens business unit, function, action, or process is compliant with applicable laws, rules, policies, and procedures.

Administrative Projects

Consultation Services are provided to any Citizens individual or business unit upon request. This is an OIG engagement whereby leading practices, appropriate responses, or necessary actions to ongoing corporate issues are discussed and analyzed. Care is taken to ensure that any OIG input is provided in a discretionary, advisory manner so as not to impair OIG independence.

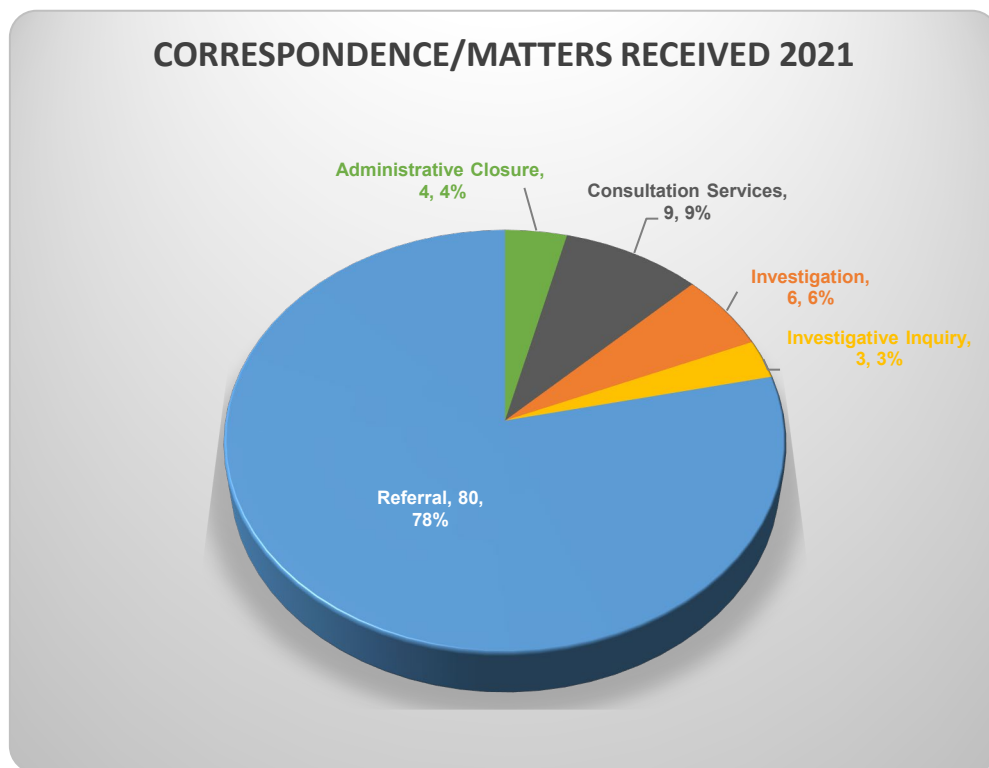
Opinions are proactive determinations provided by the Inspector General to inquiries made by Citizens staff or business partners. Opinions promote assurance that inquiries or concerns have been received and documented by the OIG and appropriate guidance is provided to facilitate compliance. The most common form of opinion is an ethics opinion; rendering of ethics opinions are coordinated and confirmed with Citizens' General Counsel and the Ethics and Compliance Officer.

Referrals can be made to internal Citizens business units or external parties. A referral is a request from the OIG for the recipient to review the matter, address the matter as appropriate, and advise the OIG of the intended response prior to the matter being closed. The most common referrals are job performance or grievance complaints, which are typically referred to HR for handling.

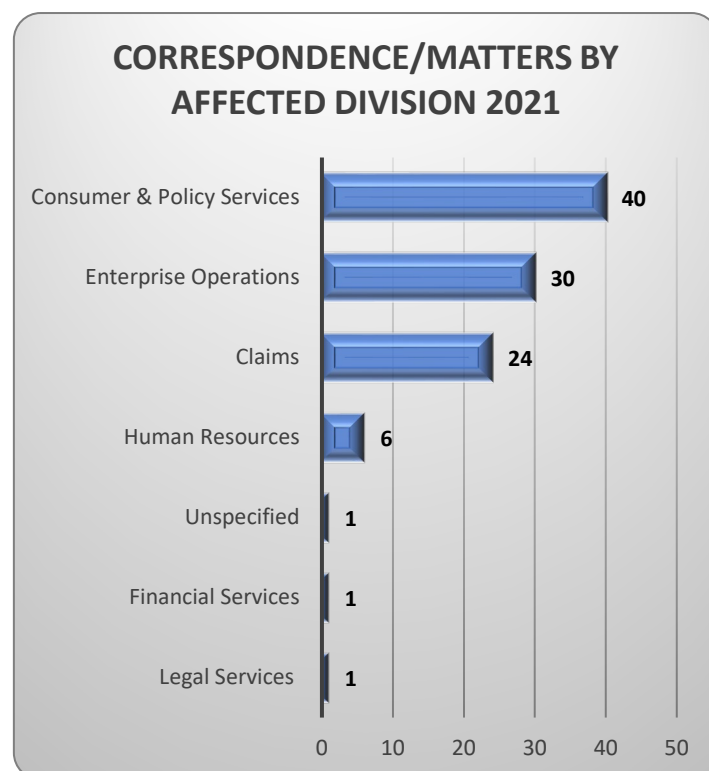
Administrative Closures occur on occasion when no additional investigative activity is warranted for a particular matter or the matter falls outside of the OIG's jurisdiction to handle or refer.

2021 Projects Overview

The OIG received 102 correspondences/matters throughout the year, of which 60 were categorized as complaints. The OIG addressed the 102 correspondences/matters, with the following projects initiated.



The 102 received correspondences involved matters throughout the corporation. In some instances, correspondences can affect multiple divisions. The distribution of correspondence subject matters can be viewed by division within the corporation:



2021 Closed Project Summaries

In 2021, the OIG closed eight Investigations, five Investigative Inquiries, and one Process Review.



19-10 Investigation – Mismanagement

Barry Gilway (President/CEO and Executive Director for Citizens) sent a two-page letter to a staff member outlining multiple performance related concerns. The staff member responded with a five-page letter in which he refuted Gilway's position, provided counter arguments, and alleged multiple violations by various staff members. Gilway immediately forwarded both letters to Citizens' Office of Inspector General (OIG) prompting this investigation.

The complainant alleged a former Board Chair made a comment to a former executive in which he expressed knowledge of a poor business experience with a competing vendor during a 2016 competitive solicitation. OIG determined the comment was problematic due to a possible appearance of improper influence during a competitive solicitation process; however, it does not violate any law, rule, policy or procedure. The allegation was **Not Supported**.

The complainant also alleged that in 2013 Citizens selected hotel accommodations to host Board of Governors Meetings based on a business relationship between the hotel and a former Board Chair. OIG determined the accommodations were selected based on competitive pricing and location without influence from the Board Chair. The allegation was **Not Supported**.

The complainant also alleged that Citizens violated a procurement requirement of utilizing a competitive solicitation for expenditures exceeding \$35,000. The OIG found each of the quarterly meetings costs approximately \$13,000 and when Citizens scheduled all four meetings for a year, the total expenditures exceeded the \$35,000 requirement for a competitive solicitation process. The allegation was **Supported**. It is noteworthy the OIG determined there was no effort by Citizens to avoid the requirement by entering into individual agreements and noted multiple efforts by Citizens to reduce costs. Citizens has altered the method for scheduling these meetings to prevent a similar circumstance from occurring.

The complainant alleged Citizens failed to complete a competitive solicitation process in 2011 for legal services; however, legal services contractual arrangements are exempt from competitive solicitation requirements. The allegation was **Not Supported**.

The complainant alleged Citizens improperly entered into severance agreements with seven former staff members from 2013-2018. OIG determined the agreements were permissible according to policy. The allegation was **Not Supported**.

The complainant also alleged Citizens executives received excessive "bonuses" in which other staff were not eligible. The OIG determined Citizens does not have a "bonus" program and has historically paid staff lower than private market counterparts. Citizens engaged in a process to gradually raise the salaries of all staff to become, and remain, more competitive in the insurance market through off-cycle salary adjustments, as permitted by process. The allegation was **Not Supported**.

The complainant also alleged two law students selected in 2010 and 2013 entered into contractual agreements to provide legal research for Citizens based on relationships rather than a competitive selection. OIG determined a competitive selection process was not required. The allegation was **Not Supported**.

The complainant alleged a Citizens staff member was intoxicated during a Citizens event; however, multiple individuals were in the presence of the staff member throughout the event and refuted the allegation. The allegation was **Not Supported**.



20-09 Investigation – Race Discrimination

The OIG received a complaint from a Claims Adjuster Lead who shared a diversity and inclusion presentation with supervisors. According to the complaint, the supervisors began harshly evaluating the employee's performance and constructed a Coaching and Development Plan designed to force their resignation or transfer in response to the presentation. Human Resources and Claims staff provided documentation and witnesses statements that indicated the Claims Adjuster Lead has a history of performance concerns predating the diversity and inclusion presentation and beginning within the first 90 days of employment. The OIG investigation determined these issues were brought to the Claim Adjuster Lead's attention both formally and informally by multiple members of management prior to their emailed race and inclusion presentation. Additionally, individuals that provided routine training and guidance to the Claims Adjuster Lead stated that they did not believe the employee has consistently demonstrated the ability to work independently. Based on the information obtained, it appears leadership's performance management actions were based on documented performance gaps. OIG found no evidence to suggest manager treatment was based on race or suggestions concerning diversity and inclusion within Citizens. The allegation that the Claims Adjuster Lead's management team discriminated against the employee shortly after the diversity and inclusion presentation was **Not Supported**.



20-10 Process Review – Severance

The OIG conducted a review of all 109 severance payments made between 2013 and 2020. OIG determined all 109 individuals qualified for severance and received payment according to policy. However, two overpayments were found totaling \$9,222.80, and OIG also noted file deficiencies in some instances which are actively being addressed by Human Resources.



20-11 Investigation – Retaliation

The OIG received a complaint from an employee alleging retaliation by her supervisor. According to the employee, the retaliation began in January 2019 following the closure of a complaint she filed with the OIG alleging preferential treatment. The employee stated the retaliation included discourteous treatment, being placed on a performance action plan (PAP), given poor performance evaluations, denied positions, and ultimately involuntarily discharged. The supervisor denied retaliating against the employee. Information obtained showed the supervisor's performance management actions appeared to be based on the employee's documented performance gaps and feedback from independent sources. Human Resources verified the PAP tool was appropriately used for the issues cited. Following a reorganization, the employee interviewed for new positions within Citizens. However, she was not selected based on ratings from various panel members, all of whom indicated the prior complaint was either unknown or did not impact their decision. The OIG's investigation did not find a causal connection between the employment actions involving the employee and the employee's OIG complaints. Also, there was no corroborating evidence to support the allegation of discourteous treatment. The allegation that the supervisor retaliated against the employee for filing a complaint with the OIG was **Not Supported**.





20-12 Investigative Inquiry – Power and Internet Outages

The OIG received a request for assistance regarding an employee's reports of frequent power and internet outages while working from home. The outages caused the employee to miss several hours of work. The OIG contacted the employee's internet and electrical providers to verify her reported outages. The OIG was able to confirm select outage and reported outage dates; however, some dates were unaccounted. During the investigative inquiry, the employee resigned from her position with Citizens. As a result, further investigative activity by the OIG was not warranted and the inquiry was closed.



21-01 Investigation – Legal Billing Appeals Process

The OIG received an anonymous complaint alleging ongoing fraud, waste, and abuse within Citizens' "law department" and "Billing services." The complainant stated certain vendor law firms are afforded opportunities to make more money due to their personal relationship with a legal billing review manager. The manager denied having any personal relationships with personnel at vendor law firms. Additionally, leaders of other claims departments with involvement in the legal billing review process identified multiple checks and balances and controls, including a multilayer review process, a budget approval process, and invoice payment which is handled by a litigation team independent of legal billing. Further, OIA conducted two audits of the legal billing process in 2017 and 2019, resulting in a Satisfactory rating in 2017, and noted process improvements made to address increasing case volume and legal expenses in 2019.

Multiple witnesses, and an OIG review of historical data, indicated a high percentage of appealed invoices are ultimately paid because some firms initially fail to submit the required documentation. OIG further determined that less than one percent of the total appealed amount paid (0.35% totaling \$4,941) did not go through the normal process, which ties each appeal to an original invoice and includes all the system checks for appropriate permission, authority, and spending levels. Of this amount, a single appeal (\$470) was paid to one of the named firms by the complainant. These anomalies appeared to be human error in processing.

Based on the information obtained, it appears the legal billing process is structured to prevent improper payments and is functioning as intended. The OIG found no evidence to suggest fraud or preferential treatment to vendor law firms. The allegation that legal billing standards are not appropriately applied to vendor law firms that have personal relationships with management was **Not Supported**.



21-02 Investigative Inquiry – Release of Sensitive Information

The OIG received a complaint from a former Citizens' employee who voluntarily resigned. The former employee claimed that she was contacted by three individuals who indicated that a staff member was informing others that she had been terminated. The former employee questioned why her "confidential information would be leaked out to people."

The former employee declined to provide the names of the individuals who contacted her. The staff member acknowledged mentioning the discharge to another employee but stated she did not specify termination as she did not know the details of the departure. The staff member stated she became aware of the discharge on March 8, 2021, through a weekly termination report. The witness confirmed the conversation and stated it occurred on March 10, 2021. The OIG concluded that the staff member discussing the former employee's departure, after it became official on March 4, 2021, did not violate a specific law, rule, policy, or procedure. Therefore, no further action by the OIG was warranted and the investigative inquiry was closed.



21-03 Investigative Inquiry – Release of Confidential Information

A former employee claimed her resignation letter had been distributed inappropriately to current and former Citizens employees. Based on interviews and email reviews, the OIG found no evidence that the former employee's resignation letter was inappropriately distributed internally or forwarded to an external individual through Citizens email. The former employee declined to provide witnesses' names or documentation of the inappropriate distribution. Therefore, the OIG was unable to verify the alleged circulation of the resignation letter. Notwithstanding, the OIG reviewed the process by which resignation letters were uploaded into Centerpoint and Citizens has reduced the number of individuals receiving automated notifications of resignation. No further action by the OIG was warranted and the inquiry was closed.



21-04 Investigation – Secondary Employment

A Claims manager reported information she received indicating a Claims Adjuster Lead could be engaging in unapproved secondary employment. The Claims Adjuster Lead acknowledged establishing an LLC and creating a company website but stated the company did not bid on any contracts, earn any income, or operate in any capacity. The employee removed the website during the course of the investigation. The OIG investigation confirmed the Claims Adjuster Lead established an LLC prior to his hire date but found no indication that the company was actively marketing services. The allegation was ***Not Supported***.



21-05 Investigation – Misuse of Position

The OIG received a complaint in which an insured alleged a Claims Principal referred the insured to a contractor, misrepresented the damages to the insured’s home, and sent a payment to the contractor without the insured’s agreement. During the investigation another insured submitted a complaint alleging the Claims Principal referred the insured to the contractor as well. The Claims Principal acknowledged referring multiple insureds to the contractor but denied being compensated or falsifying damages to the insured’s property. The Claims Principal did not recall the circumstances surrounding payments sent to the contractor. The OIG’s investigation confirmed the Claims Principal referred nine policyholders to the contractor and in one claim, improperly sent three payments directly to the contractor. These allegations were **Supported**. The Claims Principal receiving compensation for the referrals and misrepresenting home damages could not be definitively established. These allegations were **Not Supported**.

The Claims Principal was terminated as a result of this investigation.



21-06 Investigative Inquiry – Conflict of Interest

The OIG received information that a Quality Assurance (QA) Representative was involved in two cases during the front-end of the claims repair process, when they are typically involved after repairs are complete. Additionally, the contractor in both claims allegedly received higher than usual claims payment amounts each time. OIG learned a Claims Manager requested assistance from QA after noticing a pattern of the contractor submitting invoices that exceeded the pay limit. Claims management staff said it is not unusual for a QA Representative to be present at an initial inspection, and at times expected, providing a rationale for the QA Representative’s early involvement. OIG’s review determined one of the claims was paid above the limit; however, a documented approval from a Claims Director was noted in the file permitting the payment. OIG reviewed a total of 25 claims involving the contractor and confirmed the QA Representative was not involved in any claims outside of the two in question. Additionally, Citizens’ managed repair vendor verified the random assignment process was followed for both claims. The QA Representative denied having a relationship with the contractor, recommending their services to anyone, or receiving compensation for any claims. No further action by the OIG was warranted and the inquiry was closed.



21-07 Investigation – Conflict of Interest

The OIG received a complaint in which an insured alleged a Claims Principal referred the insured to a contractor in exchange for compensation. The Claims Principal denied the allegation and stated the contractor was selected prior to the claim being assigned to the Claims Principal. The OIG’s investigation confirmed the insured selected Citizens’ Managed Repair Program for the repairs and the contractor was automatically assigned through the program without any input from the Claims Principal. An OIG review of assignments to the Claims Principle did not show a disproportionate number of claims also assigned to the contractor. The allegation was **Not Supported**.





21-08 Investigation – Racially Inappropriate Comments

The OIG received an anonymous complaint alleging a Citizens staff member made racially inappropriate comments to and/or concerning black employees. OIG interviewed witnesses named in the complaint, as well as other employees and managers who work closely with the staff member. Three of the witnesses stated the staff member made racially inappropriate comments to them and three stated they overheard the staff member making racially inappropriate comments to others. The staff member admitted to making most of the alleged comments but denied any malicious intent. Managers stated they had no firsthand knowledge of the alleged comments but stated the staff member had been counseled four times in recent months about the need to improve communication and teamwork. The allegation was **Supported**.

The staff member was terminated as a result of this investigation.



21-09 Investigative Inquiry – Retaliation

A former independent adjuster inquired if he was being “blacklisted” from employment with Citizens based on his history of civil litigation and Equal Employment Opportunity (EEO) complaints against previous employers or due to his participation in a prior OIG case. The complainant stated he applied for several positions with Citizens and Citizens’ vendors for which he was well qualified; however, he did not receive any offers. None of the hiring managers interviewed by the OIG indicated the complainant’s history of civil litigation, EEO complaints, or participation in an OIG matter played a role in their hiring decisions. HR confirmed Citizens’ hiring practices were properly followed and all selected applicants met the minimum job qualifications. Additionally, a review of corporate emails involving the complainant did not reveal any information related to banning the adjuster from employment with Citizens. The OIG did not find a causal connection between the complainant’s non-selections and his participation in protected activity; therefore, the investigative inquiry was closed.



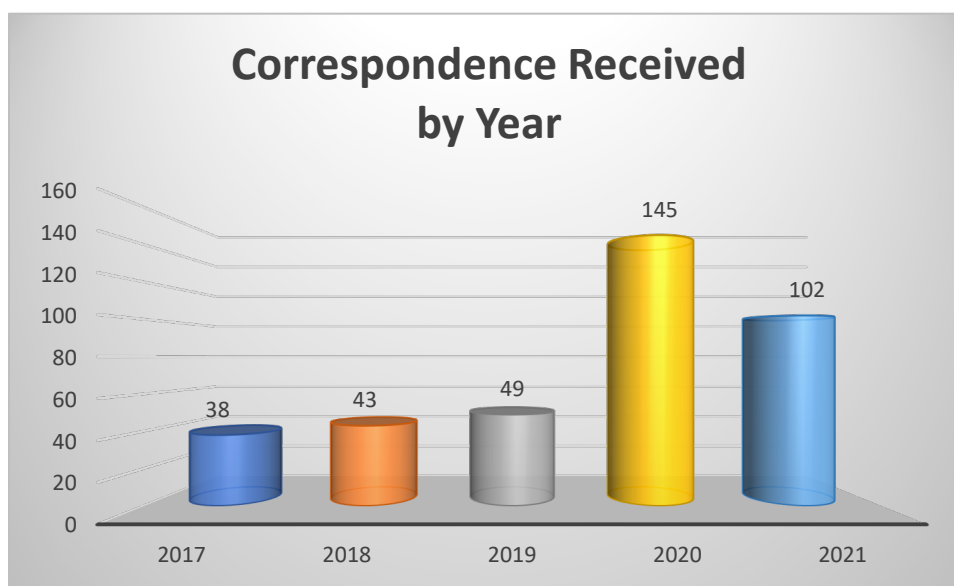
Investigative Findings Summary

The eight closed Investigations (exclusive of Investigative Inquiries) contained 16 individual allegations. Thirteen allegations were **Not Supported** and three allegations were **Supported**.



2017-2021 Trends

Over the past five years the number of correspondences/matters received by the OIG have increased. The increases seen in 2020 and 2021 are due to proactive involvement in projects and to the increased awareness of the office created by the 2020 OIG and *Tell Citizens* branding campaign. The results of the branding campaign nearly doubled the number of contacts through *Tell Citizens*. The addition of the ability to contact the OIG through the “Contact Us” option on Citizens’ external web site accounted for 1/3 of the correspondences/matters in 2021. With the increased awareness and continued proactive measures taken by the OIG, correspondence/matter numbers are expected to remain around the 2020 and 2021 intake volume.



Between 2017 and 2021 correspondences/matters were received by the OIG by the various means of contact. The chart below shows how the increased awareness and proactive involvement of the OIG increased overall correspondences/matters in the last two years.

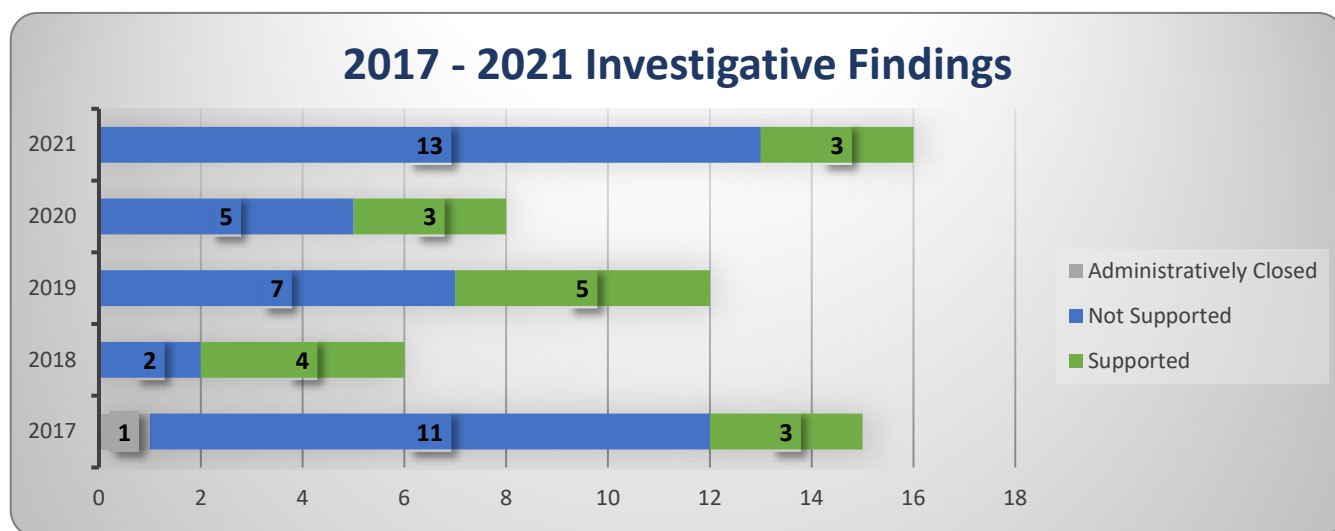
	2017	2018	2019	2020	2021
Contact Us – External Site	0	0	0	17	34
Email	14	21	19	24	37
In Person	3	6	7	4	1
Mail	5	1	3	2	2
Referral	1	0	1	3	1
Other	2	2	1	63 ³	1
Telephone	6	6	5	9	4
<i>Tell Citizens</i>	7	7	13	23	22
Total	38	43	49	145	102

³ The post-hire background screening project led to an increase in the number of correspondences received as Other.

Between 2017 and 2021 the OIG has received correspondences/matters categorized under the following primary issues/allegations:

	2017	2018	2019	2020	2021
Discrimination/ Harassment	3	7	4	4	3
Ethics	2	5	5	2	3
Misconduct	23	21	18	18	10
Mismanagement	4	1	11	9	4
Arrest/Disposition	0	0	0	59 ⁴	2
Other	5	9	5	47 ⁴	4
Customer Inquiry/Complaints	Included in Other				76
Vendor Improprieties	1	0	6	6	0
Total	38	43	49	145⁵	102

Over the past 5 years, the OIG has investigated 57 allegations (exclusive of Investigative Inquiries). Thirty-eight of the allegations were **Not Supported**, eighteen allegations were **Supported**, and one allegation was **Administratively Closed**.



⁴ The post-hire background screening project led to an increase in the number of correspondences for the “arrest/disposition” category. These 59 correspondences represent interactions with staff and the vendor and do not represent individual arrests or convictions.

⁵ The OIG and *Tell Citizens* Awareness Campaign led to a significant number of correspondences received by OIG which were more appropriately addressed by other Citizens’ business units, therefore they were referred to the appropriate business units for handling.

Report on Impairments to Independence

OIG Budget

The Office of Inspector General is administratively housed within Citizens and its budget is funded through the Corporation's general budget. In addition, the governing statute requires that the OIG remain independent ensuring that no interference or external influence affects the objectivity of the office. Each year the OIG submits a proposed budget to the corporation in accordance with the company's budget process. The proposed budget includes a reasonable estimate of operating expenses. Citizens' Chief Financial Officer and accounting staff provide resources and support throughout the budget process. The final budget for the organization must be approved by Citizens' Board of Governors. While this arrangement could lead to a lack of independence from the corporation, **the OIG is pleased to report that all requests for budget have been approved by Citizens with full funding necessary to achieve the OIG responsibilities.** The OIG remains committed to operating in an independent and fiscally responsible manner.

Independence Impairments

As required by law⁶ and as instituted by best professional practices⁷ for offices of inspectors general, the inspector general, staff, and projects must be protected from any actual or perceived impairments to independence. In all matters, the OIG and each individual staff member should be free both in fact and appearance from personal, external, and organizational impairments to independence. The OIG is committed to reporting any internal or external effort to negatively impact, reduce, or infringe upon OIG independence.

OIG Policy 1.05 requires all OIG staff members to complete an Annual Independence and Objectivity Statement form certifying their independence from any personal, organizational, and/or external impairments. The policy also requires, upon recognition of any impairment or perceived impairment, the staff member immediately notify the Inspector General.

The purpose of this section is to:

- Identify any instances of possible impairments to OIG independence from internal or external sources.
- Report on any events whereby the independence of the OIG was possibly jeopardized.
- List any mitigation efforts by the OIG to resolve any actual or perceived infringement on OIG independence.

The OIG is pleased to report that at no time during the reporting period did the OIG observe any effort which could be perceived to have negatively impacted its independence.

⁶ Section 627.351(6)(gg), Florida Statutes

⁷ Principles and Standards for Offices of Inspector General as published by the Association for Inspectors General; Council of the Inspectors General on Integrity and Efficiency

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