

# Office of the Internal Auditor

## Advisory Memorandum

August 2022

Holistic Inspection  
Program





## Advisory Memorandum

### Background

Property inspections are used in the commercial and personal lines underwriting process to make more informed risk-based decisions. Inspections are used for new business applications, endorsement requests, and policy renewals.

Given the current market environment, Citizens developed a holistic inspection plan for 2022-2025 that will expand the use of inspections to improve underwriting results and support the exposure and reduction strategy. This plan outlines the annual increase in inspection count and associated spending for personal lines policies while maintaining a robust approach to commercial lines policies. Currently, Commercial Lines Underwriting orders inspections on 100% of new business and the plan is to continue with this practice through the year 2025.

In support of the plan to increase inspections, the Board of Governors approved a competitive solicitation through an Invitation to Negotiate (ITN) for Citizens to enter into a four-year \$43,618,492 aggregate contract with five vendors for property inspection services for underwriting.

### Objective and Scope

Internal Audit monitored and provided advisory services to management in support of the property inspection program. The scope of the project included a review of the inspection selection process, vendor invoice reconciliation & payment process, and metrics used to track and monitor inspection results, to ensure the program objectives are met.

### Results

Our review indicated that reasonable property inspection criteria have been established to select policies requiring a property inspection. Adequate controls appear to be in place to ensure payments remitted to the inspection vendors are for completed inspections and are accurate. In addition, a personal lines inspection dashboard has been created with key performance metrics, which enables underwriting management to track and monitor inspection results to ensure program objectives are met. Management is encouraged to consider the following efficiency and effectiveness suggestion:

- Consider automating the monthly vendor invoice reconciliation and payment process using Robotic Process Automation (RPA) technology. This process is a good candidate for using RPA and should reduce the time it takes to perform the current vendor invoice reconciliation process to identify potential exceptions requiring further review. Automating the vendor invoice reconciliation and payment process will increase efficiencies, reduce errors and costs, and eliminate redundancies.

We would like to thank management and staff for their cooperation and professional courtesy throughout this advisory.



## Distribution

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Kelly Booten, Chief Operating Officer  
Mark Kagy, Inspector General

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The External Auditor

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