



Office of the Internal Auditor



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AUDIT REPORT

Business Continuity Plan

August 31, 2016

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Executive Summary

Background

Business continuity planning (BCP) is an organization's preparation process to ensure critical business functions can be performed and available to customers, vendors and other entities in the event of a business interruption, an emergency or incident which damages or prevents access to operational facilities and/or key processing equipment. Some critical business functions at Citizens include customer service, claims adjusting, underwriting, remittance processing and claims check processing. An effective BCP develops a roadmap for maintaining service levels, consistency and recoverability for these operational activities. In addition, BCP involves determining the strategy and methodology by which desired continuity will be achieved. A Business Continuity Framework was developed to provide guidance to management and staff on how to conduct business continuity (BC) activities across the organization and to familiarize staff where necessary. The framework was approved by Citizens' Risk and Audit Committees in September 2015.

In the past, Citizens relied on the availability of multiple office locations in Jacksonville and Tallahassee in the event of a business interruption; therefore, resources and operational activities could be easily relocated to another building. However, that option is no longer available due to the office consolidation to EverBank Center in Jacksonville and the upcoming office consolidation in Tallahassee to Citizens Centre I which is scheduled to begin third quarter of 2016.

In July 2016 the Relocation Resources Requirement Analysis initiative for the EverBank Center began, which consisted of a cross-functional team of individuals from Business Continuity (BC), Information Technology (IT), Human Resources (HR) and Facilities Management (FM). The team met with various business units in Jacksonville to identify critical business functions and to determine what resources are needed in the event the EverBank Center is not available for an extended period of time. The business unit managers are required to document the critical periods, outage times, staffing, equipment, and records in the Relocation Resources Requirement Analysis document which will be used to develop strategy options in support of an interim business process recovery.

In January 2016, Citizens hired a Business Continuity Manager who is responsible for providing leadership in coordinating, assessing, developing and communicating recovery requirements and contingency plans associated with Citizens' business units to protect the organization in the event the facilities or technology resources are unavailable due to a business interruption.

On August 8th, during the course of the audit, Business Continuity was realigned from Enterprise Risk Management to the System and Operations function in order to have a concerted effort around the organization's BCP.

Audit Objectives and Scope

The objective of the audit is to evaluate the completeness and appropriateness of the business continuity planning (BCP) process for the organization as administered by the Business Continuity Office. Our scope included the following areas:

- Policies and procedures around key aspects of business continuity programs have been documented and implemented.

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- Risks and threats to critical services have been identified and assessed.
- Business resumption and continuity strategies have been developed.
- Business continuity plans have been completed and approved by the executive leadership team to ensure mission critical services can continue during an emergency event.
- There is an agreed process in place for activating Citizens business continuity plans when emergencies occur.
- Business continuity plans have been communicated to relevant staff and published where appropriate.
- Business continuity plans are adequately monitored and maintained.
- A formalized business continuity training program exists, and all individuals responsible for developing and implementing BCP have been adequately trained.
- Business continuity plans are tested periodically and the test results and lessons learned are reviewed, documented, and applied.

Audit Opinion

The overall effectiveness of the processes and controls evaluated during this audit is rated **Needs Improvement**. Results from our audit work indicate that there are documented business continuity plans in place for the Tallahassee and Tampa office locations; however these plans are not comprehensive and have not been updated since 2013. Discussions from management indicated that short term contingency plans have been developed which includes a telecommuting strategy where staff would work remotely in the event of a business interruption.

In addition, there has, not been a coordinated effort provided by the Business Continuity function to facilitate and motivate business units to refresh their business continuity plans prior to and in conjunction with the move to EverBank Center. As a result, the organization may not be able to adequately and timely recover from a business interruption. Executive Management is aware of the risk and has recently initiated a program to develop an interim plan to address immediate deficiencies that exist with EverBank BCP.

Following the initiation of the Relocation Resources Requirement Analysis some business units (such as Remittance Processing, Claims, Underwriting, Agency Services, Facilities, and Information Technology) took initiative and unilaterally revised their plans to provide some level of readiness. These plans however do not holistically anticipate all business continuity needs following the move to the new office location. Some of the plans identified critical elements that were addressed with the move to one office building, positive focused actions taken by these units include:

- Remittance Processing contingency plans includes relocating the Burroughs equipment which is used to process premium payments, to the Tampa office location on October 29, 2015. The machine was installed by the vendor on April 8, 2016 and testing was performed by Remittance Processing management with assistance from a Senior System Administrator to provide IT support to ensure the machine is fully operational. The equipment will be tested on a quarterly basis to ensure equipment is operational.
- Claims Check Processing contingency plans include printing the claims checks by the Accounting Department in Tallahassee. The checks will be mailed overnight to the Tampa

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office location where the Check Processing Team from Jacksonville and contingent staff in Tampa will print the claims documentation and manually collate the checks and documentation in envelopes to mail to the policyholders.

- Underwriting and Agency Services contingency plans includes the staff working remotely or reassigning the work to vendors or the Tampa office location until the building is restored.
- Claims has a program for many of their people to work remotely in case of an event and have been executing on equipment replacement (Desktops to Laptops), to facilitate such a scenario.
- The Facilities plan is currently being used as the basis for the EverBank BCP scenario currently being developed.

Following management intervention the Business Continuity function, in conjunction with individuals from Information Technology (IT), Human Resources (HR) and Facilities Management (FM), commenced a relocation resources requirement analysis during July 2016 for EverBank Center. The objective of this analysis is to identify critical business functions and to determine what resources are needed in the event the EverBank Center is not available for an extended period of time. The critical business functions identified during this initiative will be used to develop new recovery strategy options in support of business process recovery for Citizens operations housed at EverBank Center.

Appendix 1

Definitions

Audit Ratings

Satisfactory:

The control environment is considered appropriate and maintaining risks within acceptable parameters. There may be no or very few minor issues, but their number and severity relative to the size and scope of the operation, entity, or process audited indicate minimal concern.

Needs Minor Improvement:

The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some minor areas of weakness in the control environment that need to be addressed. Once the identified weaknesses are addressed, the control environment will be considered satisfactory.

Needs Improvement:

The audit raises questions regarding the appropriateness of the control environment and its ability to maintain risks within acceptable parameters. The control environment will require meaningful enhancement before it can be considered as fully satisfactory. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some noteworthy areas of weakness.

Unsatisfactory:

The control environment is not considered appropriate, or the management of risks reviewed falls outside acceptable parameters, or both. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate pervasive, systemic, or individually serious weaknesses.

Appendix 2

Distribution

Addressee(s) John Rollins, Chief Risk Officer

Copies

Business Leaders:

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