

Executive Summary

Audit Committee Meeting, December 5, 2023
Board of Governors Meeting, December 6, 2023

THE OFFICE OF THE INTERNAL AUDITOR

The Office of Internal Audit focuses on areas where it can contribute the most value by working with the organization to reduce risk, improve the control infrastructure, and increase operational efficiencies. The Chief of Internal Audit oversees Internal Audit, Enterprise Risk, and Internal Control.

Internal Audit

Overview of audit progress - This report focuses on a 12-month audit period between July 1, 2023, to June 30, 2024. Internal Audit follows a risk-based quarterly rolling plan approach in developing engagements and monitoring progress.

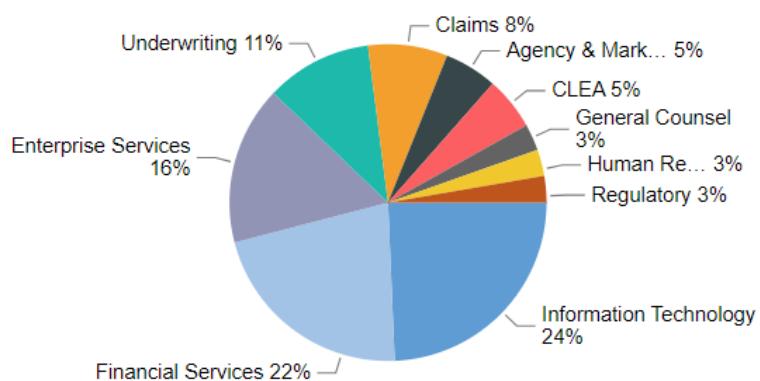
For the period, we have 37 Audit engagements listed. Following the previous Audit Committee meeting, we completed three engagements.

Period Progress

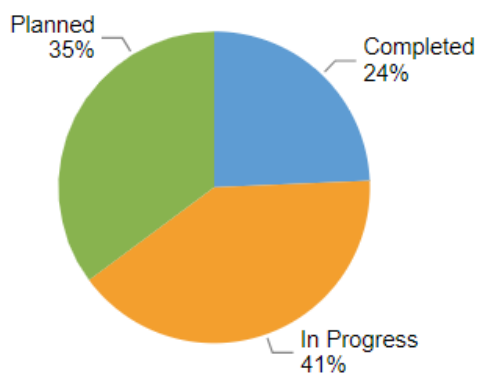
2023-Q3 to 2024-Q2

Status	Count
Completed	9
In Progress	15
Planned	13
Total	37

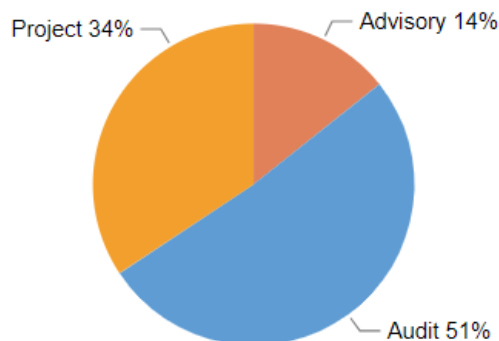
Engagement by Business Area



Engagements by Status



Engagements by Category



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Engagements completed - We completed work on 3 Audit engagements:

- **Flood Insurance Requirements (Advisory)** - Management requested Internal Audit to review and provide advice on the new Flood Requirement created by Senate Bill 2A. Internal Audit reviewed the new underwriting processes and controls for obtaining proper flood requirement documentation to ensure eligibility for personal residential policyholders located in flood hazard areas. Internal Audit has assurance that the SB2A Flood Insurance Requirements processes and controls were adequately designed and implemented timely to meet the new business and renewal requirements.
- **Identity Governance and Administration and Access Management (Project Advisory)** - Management requested Internal Audit to review and advise on the IGA and AM implementation. The scope included a review of critical controls around program and project management, encryption of data in transit and at rest, availability, and capacity management, change and release management, user provisioning, least privilege, segregation of duties, periodical user reviews, and information security to ensure the program objectives were met. Alignment with cloud strategy, communication strategy, and Enterprise Architecture principles were also reviewed. Internal Audit determined that the IGA and AM implementation processes and controls are adequately designed and implemented timely to meet the IGA and AM requirements. This is an interim memo, and Internal Audit will continue the advisory throughout 2024 until the completion of the program.
- **Unified Communications as a Service (Project Advisory)** - Management requested Internal Audit to monitor and to provide advisory services to support the UCaaS implementation. The scope included a review of critical controls around the program and project management, incident and problem management, availability, and capacity management, change and release management, and information security to ensure the program objectives were met. Alignment with cloud strategy, communication strategy, and Enterprise Architecture principles was also reviewed. Internal Audit determined that the UCaaS implementation processes and controls are adequately designed and implemented timely to meet the UCaaS requirements. This is an interim memo, and Internal Audit will continue the advisory throughout 2024 until the completion of the program.

Engagements in progress - We are currently working on 15 engagements:

- **Account Consolidation (Project Advisory)** - Pursuant to §627.351(6), F.S., and its plan of operation, Citizens has historically offered property insurance through three different accounts: the personal lines account, the commercial lines account, and the coastal account. These accounts are financially independent of one another and have separate claims-paying resources and capacities. During the 2022 Special Legislative

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Session, the Florida Legislature passed SB2A authorizing Citizens Property Insurance Corporation to consolidate its three separate accounts into a single Citizens account, subject to specific requirements. If established, the single account would allow Citizens to access its entire surplus to pay claims. It will limit the potential surcharge or assessment on policyholders – from one charge per account to a single surcharge if the corporation runs a deficit. Internal Audit will participate on the project team and provide process, risk, and controls advice for consolidating the accounts.

- **Centerpoint Segregation of Duties (Audit)** - Citizens currently has processes and technologies to manage users' digital and professional identities, allowing access to Citizens' systems and information based on the associated roles, Fusion. Although access to information systems and data is limited to authorized users, certain user roles and system workflows may cause segregation of duties concerns. This occurs when one user has been granted two or more conflicting tasks, creating the opportunity for unauthorized activity to occur. Internal Audit will embark on a project to address the challenges of user access provisioning for Centerpoint and identify automation solutions to monitor the segregation of duties conflicts.
- **Citizens Business Insurance Suite Governance (Audit)** - Citizens sought competitive bids from vendors capable of providing a Citizens Business Insurance Suite (CBIS). After the completion of the procurement process, Citizens awarded the ITN to Guidewire as the primary vendor with a potential implementation date in 2024. This engagement seeks to objectively review the appropriateness of the CBIS project governance design and operation.
- **Citizens Business Insurance Suite Implementation (Project Advisory)** - The Guidewire Insurance Suite® currently provides an essential suite of technologies and services that directly support Citizens' business areas, such as Agency and Market Services, Underwriting, Claims, and Financial Services through policy, billing, claims, agent portal, and customer portal functionality as well as contact management. Citizens released an Invitation to Negotiate (ITN) for an Insurance Suite as the contract expires in two years. Guidewire Insurance Suite was selected and procured and is now moving into the implementation phase. Internal Audit will participate on the project team and provide process, risk, and controls advice for the implementation of the application upgrade.
- **CitRe Implementation (Project Advisory)** - Citizens Eligibility Reimagined is an innovative approach to replace the existing Clearinghouse with a comprehensive multi-platform solution that assists consumers and agents with obtaining and comparing offers of coverage for property insurance from available Florida admitted markets (Private Carriers) outside of Citizens, while enhancing Citizens' ability to validate a property as eligible before issuing a new Citizens policy or renewing a Citizens policy.

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The new system was procured in 2023 for implementation in 2024. Implementing such a project is significant as it will replace the legislatively required Clearinghouse and be used by approximately 10,000 agents in the marketplace. Internal Audit will participate on the project team and provide process, risk, and control advice for the implementation of the Citizens' Policy Eligibility Reimagined solution.

- **Distributed Workforce** (Advisory) - The Distributed Workforce Policy outlines the standards for a distributed workforce model and sets forth the guidelines and responsibilities for employees subject to this model and their leaders. The effective management of this policy is critical for the success of Citizens' operations as it helps to ensure productivity, engagement, and cohesion among both remote and in-person employees regardless of where they are working. The objective of this review is to assess the effectiveness of the organization's Distributed Workforce Policy and the implementation of management oversight to ensure acceptable performance and that a strong culture remains.
- **ELMS Governance** (Audit) Citizens sought competitive bids from vendors capable of providing an Enterprise Litigation Management Solution (ELMS). After the successful completion of the procurement process, Citizens awarded the ITN to Litify as the primary vendor with a potential implementation date in 2024. This engagement seeks to objectively review the appropriateness of the ELMS governance project design and operation.
- **ELMS Implementation** (Project Advisory) - A new Litigation Management System was procured in 2023 for implementation in 2024. Internal Audit will participate on the project team and provide process, risk, and controls advice for the implementation of the Enterprise Litigation Management System. The Litigation Management System will be a web-based system used by internal claims litigation, claims legal services and external stakeholders to manage litigated claims and associated litigation billing effectively. Unlike other systems utilized by Claims, the Litigation Management System will have separate interfaces/permissions for internal stakeholders (Claims and Legal staff) and external stakeholders (contracted outside counsel), which allows a secure environment that both parties can access and collaborate on the handling of litigated claims as well as submission and review of electronic legal invoices. Internal Audit will participate on the project team and provide process, risk, and controls advice for the implementation of the new application.
- **IT Service Management** (Audit) - Citizens relies on adequate, accurate, and approved IT services to support internal customer requests and incidents. In September 2021, Citizens outsourced selected workplace IT services to a third-party managed service provider. These services include Identity Compliance Access Management (ICAM), Technical Service Desktop Support (TSC), and Technical Operation Center (TOC).

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This audit will be an operational review to identify the risks and related controls to monitor supplier performance. The audit will also review service level agreements and other areas to ensure that the IT services provided by the managed service provider align with the business objectives and meet customer expectations.

- **Investment Portfolio Management (Audit)** - Investment portfolio management directs the oversight and monitoring of Citizens' external investment managers, compliance with Citizens' investment policies, and long-term financial planning. Citizens' four (4) investment policies govern the types of assets Citizens can invest in. As Citizens must be able to make immediate payment of claims in large dollar quantities, liquidity, preservation of principal, and earning competitive returns are the core constructs of these investment policies. When considering the multiple portfolio management firms and the volume of purchases and sales made in any given period, the risk of non-compliance increases and may result in insufficient liquidity and/or loss of principal. In addition, in Q4 2021, a new SaaS vendor, Clearwater Analytics, took over the investment portfolio's compliance management, monitoring, and reporting process. The objective of the audit will be to evaluate and assess the adequacy and effectiveness of controls related to investment portfolio management.
- **Mobile and Remote Computing (Audit)** - Internal Audit will provide assurance towards key controls expected to be in place around mobile/remote computing. Following the transition to a distributed workforce model and with the ongoing transition to cloud computing, there is a greater reliance on mobile/remote computing in how users access information systems. Internal Audit will evaluate the effectiveness of mobile/remote computing practices in Citizens.
- **Primary/Non-Primary Requirements (Advisory)** - Recent Florida legislation approved Citizens to charge rates based on the status of the residence as "primary" or "non-primary." "Primary residence" is a property that the policyholder or tenant occupies for more than nine months out of the year. Any homes occupied nine months or less are classified as non-primary. Compliance with eligibility depends on proper documentation for the correct premium to be applied. Internal Audit will provide consultative advice on procedures and controls of impacted business areas and monitor the project management process to ensure effective and timely handling of project issues.
- **Purchasing Card and Other Expense Reimbursements (Audit)** - Citizens has elected to use Purchasing Cards (PCards) as the preferred payment method for employees approved to use a credit card for certain business expenses. The PCard-type credit card allows for increased control over spending and provides Citizens with real-time reporting capability. Restrictions are placed on the cards that limit the types of charges permitted and the amount of credit that may be extended in any monthly

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billing cycle. The objective of this targeted audit will be to ensure adequate processes and controls are in place for approving and monitoring PCard transactions.

- **Regulatory Support** (Auditor General Operational Audit) - Internal Audit, in its liaison role, is responsible for coordinating with the State of Florida Auditor General auditors, who commenced their triennial operational audit. The audit is expected to be completed within 12 months. Most of the coordination efforts constitute meeting planning, information request tracking and delivery, and ensuring the examiners/auditors receive the correct information on time.
- **Vendor Invoicing and Payment** (Audit) - On March 9, 2023, Citizens discovered that a vendor had failed to print and mail more than 400,000 Citizens' documents. In addition, it was determined that payment was made to the vendor for some of the work Citizens provided to them instead of what was printed by the vendor. Citizens Audit Committee requested an audit of other vendors to ensure payments are only made to vendors on work completed.

Engagements planned - The following audit engagements are scheduled to commence during Q3 2023:

- **Cash Management & Treasury Operations** (Audit) The Cash Management & Treasury Department's responsibilities include managing wire transfers, debt service payments, and monitoring Automatic Clearing House (ACH) and positive pay transactions in accordance with Company guidelines. The ACH, wire transfer, and check payment processes are used for transferring significant amounts of money between Citizens and vendors, policyholders, and other organizations and pose a significant risk if the proper controls are not in place and working effectively. The audit will evaluate the adequacy and effectiveness of the processes, procedures, and controls associated with Treasury operation practices.
- **Cloud Migration** (Project Advisory) - Internal Audit will continue to provide project advisory services in support of the migration of on-premises applications to the cloud. This program aims to move Citizens' physical, on-premises infrastructure to a cloud-based Infrastructure-as-a-Service (IaaS) solution that provides an ideal platform to support Citizens' unique business model. Internal Audit will monitor the procurement process and provide advisory services to Management and the Procurement Team in support of the solicitation and evaluation processes, ensuring that the procurement process is followed and that there is timely escalation and handling of project issues.
- **Commercial Underwriting and A-Rate Policies** (Audit) Significant policy growth in commercial lines has required a substantial staffing increase to process and underwrite new business policies. Underwriters are tasked with in-depth reviews evaluating large structures, often many buildings for one property, including the determination of accurate exposure evaluations critical to ensure proper eligibility. Commercial PIF as of August 2023 is 11,022, increasing approximately 400% in the past 24 months. The

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A-rated policies increased from 11 in 2019 to 1,046 in 2023, with increased exposure of \$38B. The audit will evaluate the adequacy and effectiveness of controls, practices, and processes applied in the evaluation of commercial risks.

- **Compliance Program (Audit)** - Citizens has the responsibility to have a compliance program in place to ensure the organization follows applicable state and federal regulatory requirements. Compliance programs are designed to integrate ethical standards into the daily business activities of an organization through communication, education and training, monitoring, investigation, detection, and reporting. An Audit was completed in 2021, where significant enhancements were needed regarding compliance program governance oversight and the need for compliance roles with accountability and authority within the organization. An audit will be performed as a follow-up to validate that the enhancements work effectively.
- **Contract Language Review (Advisory)** Citizens' business model expands and contracts operations in alignment with policy growth and contraction using 400+ contracted vendors. Internal Audit has been requested to perform a process advisory to see if any enhancements are needed to the contract language with a focus on data security and privacy laws. Internal Audit will provide advisory services by performing a review of the contract language specific to data security privacy laws and make recommendations to enhance or support business operations.
- **Depopulation (Audit)** There is an expected heavy wave of depopulation of policies due to increased market interest. SB2A legislation produced updates to the Depopulation program and introduced new eligibility requirements to determine if the policy will be allowed to remain with Citizens when a takeout company's estimated premium offer falls within 20% of the estimated Citizens renewal premium. If the renewal premium is more than 20%, and the policyholder does not respond with their choice to stay with Citizens, then their policy will be assigned to the carrier with the lowest premium. The new way of handling depopulated policies brings additional reputation risk. The audit will evaluate the adequacy and effectiveness of new processes and controls for the Depopulation program implemented for Personal Lines assumptions and requirements of participating takeout companies.
- **GASB 96 (Advisory)** The Governmental Accounting Standards Board Statement 96 (GASB 96) will set a standard for the accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. Changes in accounting policies and presentation impact the financial statements of Citizens. Failure to meet reporting requirements could lead to inaccurate financial statements. The advisory will evaluate the adequacy and effectiveness of controls related to the new financial statement reporting associated with underlying IT SBITA contracts.

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- **Identity Governance & Access Management** (Project Advisory) - Internal Audit will continue to provide project advisory services supporting the Identify and Access Management Program implementation. Citizens has procured new security applications to provide identity governance, administration, and access management. Internal Audit will participate in the program development, implementation, and review of processes and controls related to the new software solution. Internal Audit will also advise on aligning processes and controls with policies, standards, and leading practices.
- **Legislative Update Implementation** - Citizens monitors the State of Florida legislative changes during the session, and once bills are signed impacting Citizens' processes, project teams are assembled to interpret and implement regulatory changes. The advisory will provide consultative advice related to controls of impacted business areas and the project management process to ensure effective and timely implementation of process changes.
- **Office of Foreign Assets Control** (Audit Follow-up) The Office of Foreign Assets Control (OFAC) of the Department of Treasury administers and oversees a series of laws that impose economic and trade sanctions against hostile entities. U.S. insurers are among organizations that must exercise due diligence in checking the specially designated nationals (SDN) list to ensure that the individuals they insure are not specially designated nationals. An audit was performed in 2020, requiring the enhancement of OFAC processes and controls related to expanding screening practices and developing a sanctions compliance program. The audit will evaluate and assess whether process and control enhancements have been implemented and are working effectively.
- **Quality Improvement Sampling** (Advisory) Citizens has two Quality Improvement functions, one for Claims and one for Enterprise Services. As Citizens' policy count has significantly increased over the past few years, operational decisions were made regarding sampling sizes in alignment with resources. QI Management requested Internal Audit to review the sampling methodology and sampling sizes being utilized by the various QI programs for appropriateness.
- **Systems Integration Operations & Security** (Audit) - With the continued implementation of cloud solutions and the increased reliance on integrating these solutions with on-premises solutions, the complexity of operations and security poses significant risks for Citizens from an exposure and impact perspective. Integration of cloud and on-premises solutions relies on legacy and contemporary automated programming interfaces (APIs) plus middleware, file transfer extract, transform and load (ETL) technology. Internal Audit will determine if processes and controls such as those around configuration, hardening, incorporating data-in-transit and data-at-rest,

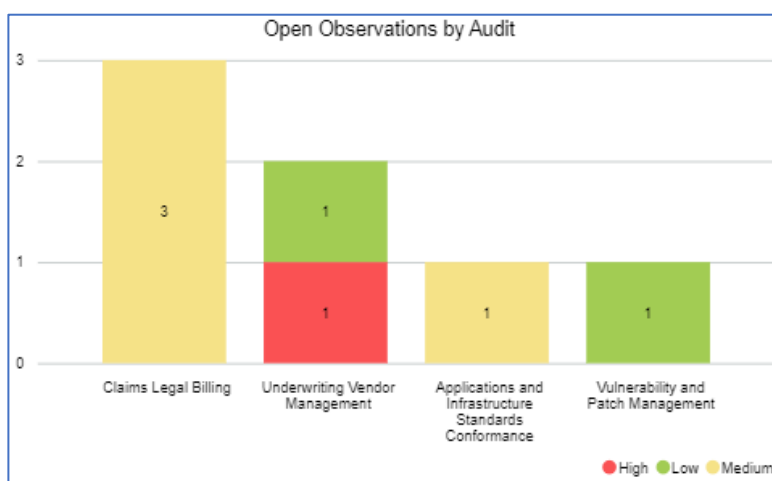
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administrative privileges, monitoring and logging, public key infrastructure certificates, no-repudiation, completeness, and accuracy of data transfers are designed and operating effectively.

- **Unified Communication as a Service** (Project Advisory) - Internal Audit will continue to provide project advisory services in support of the Unified Communications as a Service (UCaaS) and Customer Communication as a Service (CCaaS) initiatives. Citizens is implementing these services to improve and modernize communication and call center systems.

Open Audit Observations - Open items receive priority focus from management and are addressed within an agreed period. We are currently tracking seven open observations, of which one is rated high impact. The chart below provides information on the number of current open observations, including the observation ratings, source, and year reported.



Observations by Rating			
High	Medium	Low	TOTAL
1	4	2	7

Observations by Year Reported		
2022	2023	TOTAL
2	5	7

Observation Source	
Internal Audit	7
External Auditor	0
Market Conduct - OIR	0
Auditor General	0
TOTAL	7

The one high-rated observation refers to:

- **Print Mail Vendor** (Audit) - On March 9, 2023, it was discovered that the print mail vendor had failed to print and mail more than 400,000 Citizens' documents since December 2022. This resulted in a service level agreement (SLA) breach that created a backlog in documents sent for printing. Recommendations for improvement, shared with management, including changing how the file data is submitted to the print-mail vendor, automating the reconciliation process, compelling print-mail vendors to credit Citizens for work not performed and SLA penalties, and enhancing the seed mail process to provide more visibility (graphs/charts) into the monthly reporting of missing documents and meeting SLA standards. Management took the necessary steps to ensure the backlog of documents was printed and mailed to the Policyholders and is in the process of addressing the noted recommendations.

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Enterprise Risk

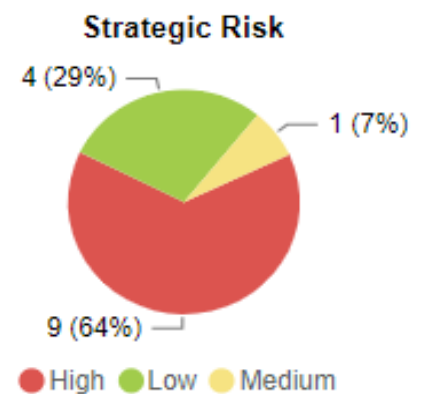
Throughout 2023, market instability remained Citizens' top risk as unstable market conditions adversely impacted private carriers' continued participation in the Florida insurance market or geographic locations. In November, Enterprise Risk and the Strategic Evaluation Group (SEG) will reassess risks related to market conditions to ensure that risks, ratings, and mitigation strategies remain relevant and continue to address the most significant cross-functional risks.

As risks constantly evolve in our rapidly changing and complex business environment, ensuring an adaptable and scalable Enterprise Risk Management (ERM) Framework is more critical than ever. To increase our agility and alignment with the organization and external influences, we are transforming our traditional ERM approach to a dynamic risk governance model designed to improve risk visibility and awareness and reduce risk exposure. Citizens' revised ERM Framework and the 2024 OIA Strategy and Plan provide details regarding this approach which focuses on increased agility, collaboration, innovation, and integration to enable more timely responses to changes in our risk landscape.

Strategic Risk

Enterprise Risk and Risk Owners periodically monitor and adjust strategic risks identified in Q1 to ensure the risk descriptions, ratings, and mitigation plans reflect any changes that may occur throughout the year.

- As of November, the 14 strategic risks identified remain relevant. 64% (9) of strategic risks are rated high, 7% (1) medium, and 29% (4) low.
 - Comprehensive mitigation plans are in place for each of the 14 strategic risks. The mitigation plans are closely monitored, updated, and executed as appropriate.
 - The 2024 strategic risk assessment with the Executive Leadership Team (ELT) is scheduled for February.
 - Enterprise Risk is contributing to the continuous investment planning process through collaboration with Strategy & Planning. This collaboration enables the inclusion and alignment of strategic risks to the strategic imperatives and initiatives, ensuring risks are considered as part of the annual planning process.



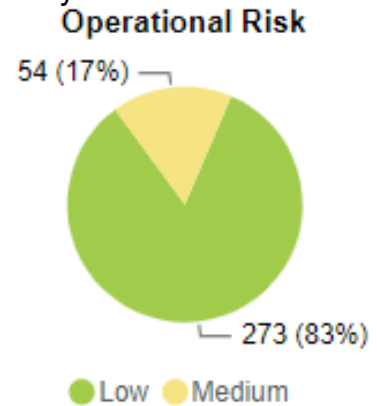
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Operational Risk

Enterprise Risk facilitates and enables Risk Champions and management to identify and assess risks that may impact Citizens’ operations and the ability to achieve business objectives. In addition, self-service capabilities within our governance, risk and control (GRC) software solution drive front-line ownership and engagement and provide a more proactive, efficient, timely and comprehensive risk profile.

- As of November, 327 operational risks have been identified and assessed.
 - 83% (273) of the operational residual risks are rated low, and 17% (54) are rated medium. There are currently no high-rated residual risks.



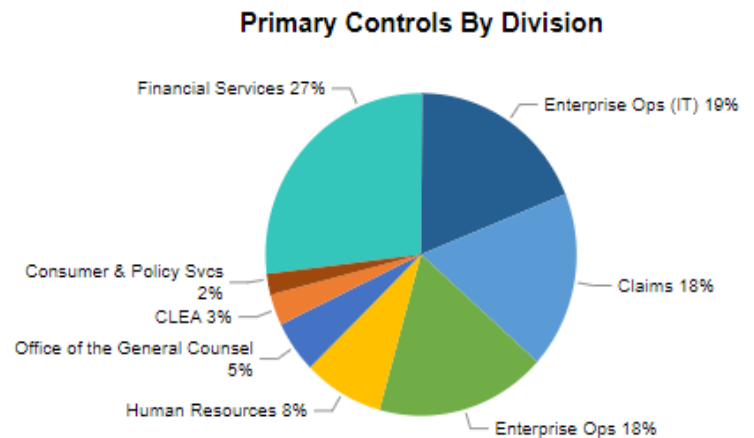
28 operational risk assessments have been completed for processes across all divisions and 18 are currently in progress.

Internal Control

The Internal Control team is responsible for maintaining and monitoring the Citizens’ Internal Control Framework (ICF), designed to strengthen the governance, oversight, and accountability of the Citizens’ internal control environment. The team facilitates, enables, and partners with Control Champions and management to assess the design and effectiveness of Citizens’ primary controls to support the achievement of business objectives and mitigate impactful risks.

2023 Annual Control Self-Assessment

As part of Citizens’ ICF, the Control Champions or management perform annual control self-assessments (CSAs) to ensure that Citizens’ primary controls are appropriately designed and continue to operate effectively. For 2023, Citizens has identified and recorded 96 primary controls. The graphs below depict the current distribution of primary controls by division and the aggregate results to date:

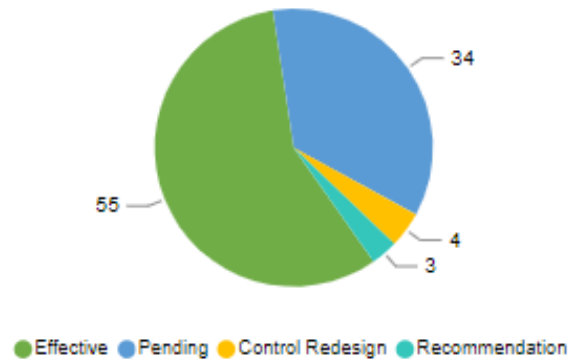


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- As of November, 65% (62) of the annual CSAs have been completed. Results to date indicate the following:
 - 57% (55) are operating effectively.
 - 4% (4) require control redesigns due to the implementation of process changes.
 - 3% (3) identified recommendations to strengthen controls. No material weaknesses have been identified.
 - All remaining CSAs are on track for completion by year-end. Final aggregate results will be reported in Q1.

2023 Control Effectiveness



Control Connections

The Internal Control team partners with the Ethics and Compliance function to connect Citizens' primary controls and control self-assessment to applicable laws, rules, regulations (LRRs), and corporate policies within our GRC software solution.

- As of November, 32% (31) of primary controls are aligned to one or more LRRs and 38% (36) of primary controls are aligned to one or more corporate policies.
- This alignment provides additional support to demonstrate compliance with internal and external compliance requirements.

The Internal Control team collaborates with IT Security and Risk and Vendor Management and Procurement to align primary controls and control self-assessments to Citizens' complementary user entity controls (CUECs) identified in vendors' Service Organization Controls (SOC) reports, where applicable.

- Currently, 36% (35) of primary controls are aligned to one or more vendor CUECs.
- Citizens is responsible for certain CUECs, and this alignment provides support to demonstrate the effectiveness of these controls.

Data-Driven Risk & Control Insights

With support from the OIA Data Analytics team, recurring analytics were designed to detect potential segregation of duties conflicts for high-risk user roles and permissions for one of our complex systems. The insight provided from this data helps strengthen internal controls, streamlines the control self-assessment validation steps to evaluate primary controls related to user access, and reduces risks as conflicting roles or permissions can be easily identified, researched, prevented, removed or monitored in a timely manner by the business areas.

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Action Item - 2024 OIA Strategy & Plan and OIA Budget

The OIA presents, for review and approval, its 2024 Strategy and Plan (Plan). The Plan was developed using a risk-based approach to understand and assess Citizens’ operations and associated risks. The objective of this plan is to provide the most timely and comprehensive scope of the audit, risk, and control coverage by using the resources available.

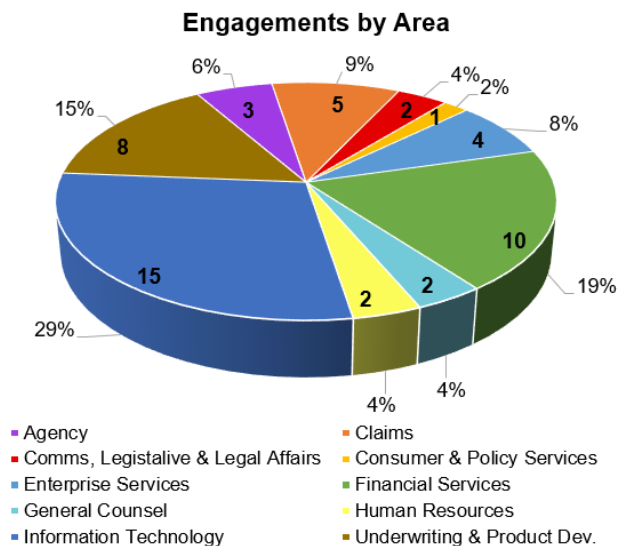
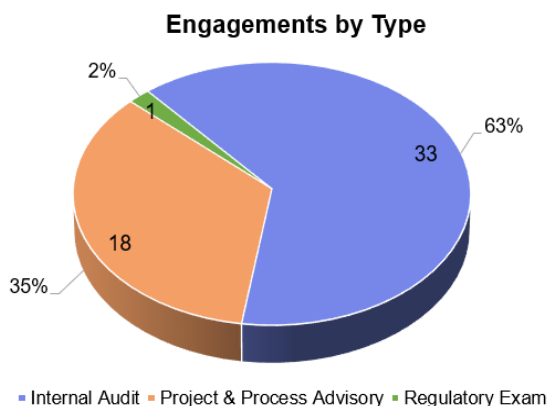
The Plan

Internal Audit

Internal Audit follows a detailed annual planning process and prepares a themes-based audit plan that considers the possibility of dynamic risk fluctuations and process changes throughout the year. To achieve the greatest impact, Internal Audit “rebalances” internal audit activities in a rolling audit plan to ensure adequate focus is given to Citizens’ strategic issues and critical processes.

Internal Audit documented five specific audit themes that consolidate and provide high-level insights into the years’ audit focus areas. As the year progresses Internal Audit will use its quarterly rolling risk assessment process to identify engagements to be selected for every reporting period.

In identifying the types of audit engagements Internal Audit invited management requests for consultative support and ensures that there is a healthy balance between assurance (audit) engagements and consulting (advisory) engagements. This plan includes 63% audit and 37% advisory-type engagements. We also focus on every division within the organization and ensure that there is healthy coverage throughout Citizens as a whole.



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Enterprise Risk

ER will continue to facilitate and enable risk assessments by providing:

- Enterprise risk services which include facilitating strategic, project & scenario, and operational risk assessments, and continuous improvement of the quality of risk descriptions and mitigation plans documented in AuditBoard.
- Promoting risk awareness throughout the organization by expanding self-service capabilities, collaborative efforts to align enterprise risk management with critical initiatives, and introducing new educational and engagement programs for Risk Champions.

Internal Control

IC will continue to ensure consistency and sustainability of the Internal Control Framework by:

- Optimizing ICF by pursuing opportunities to automate or streamline control self-assessment validation steps, expand the quality of the program, and promote self-service capabilities.
- Continuing to ensure a collaborative and engaging control identification and assessment environment that adds value across the organization by providing additional consultative support for IT governance, designing targeted education for Control Champions, and promoting awareness of anti-fraud controls.

The Budget

The 2024 budget for OIA presented is \$3.87 million as compared to the \$3.63 million budgeted for 2023. This reflects a 7% total increase in expenses which is mainly driven by a cost-of-living increase in total employee expenses and the anticipated use of our consulting service vendors.

Office of Internal Audit	2023 Year-End Projection	2023 Budget	2024 Budget	2024 Budget vs. 2023 Budget	
	YearTotal	YearTotal	YearTotal	Favorable / (Unfavorable)	
<i>Total Salaries</i>	2,078,810	2,326,455	2,383,708	57,253	2%
<i>Total Employee Benefits</i>	454,996	448,232	517,570	69,338	15%
<i>Total Payroll Taxes</i>	146,587	173,778	178,110	4,332	2%
Employee Expenses	2,680,393	2,948,465	3,079,388	130,923	4%
<i>Total Contingent Staffing</i>	0	0	8,400	8,400	100%
<i>Total Training</i>	47,205	43,000	46,400	3,400	8%
<i>Total Printing</i>	1,300	1,800	1,600	(200)	(11)%
<i>Total Operating Supplies</i>	1,156	1,200	1,100	(100)	(8)%

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<i>Total Subscriptions and Dues</i>	79,896	84,767	89,548	4,781	6%
<i>Total Postage</i>	30	90	90	0	0%
<i>Total Legal</i>	0	50,000	50,000	0	0%
<i>Total Travel</i>	32,086	29,256	32,406	3,150	11%
<i>Total Professional Services</i>	171,631	180,000	220,000	40,000	22%
<i>Total Software Maintenance and Licensing</i>	258,102	293,020	289,223	(3,797)	(1)%
Total Admin Expenses	3,271,799	3,631,598	3,818,155	186,557	5%
FTE	16	16	16	0	0%

- *Staffing* will remain static for Internal Audit (12), Enterprise Risk (2), and Internal Controls (2).
- *Salaries and benefits* indicate the annual merit increase and expected salaries as we recruit to fill current vacancies.
- *Contingent staffing* makes provision for an intern in Enterprise Risk.
- Training is based on a dollar allocation per staff member to upkeep professional CPE requirements and develop professionally.
- *Operating expenses* increased with a small increase in subscriptions.
- *Legal Services* is traditionally a placeholder should the department need to use external legal services.
- *Travel* reflects an inflationary increase in 2024.
- *Professional Services* reflect an anticipated use of vendor consulting services, including a software Vendor who will provide support on the completion of a CenterPoint Segregation of Duties assessment. The use of these services will be discussed with management before services are procured.
- *Software Maintenance and Licensing* reflect a small decrease as a correction from 2023.

Recommendation

Staff recommends that the Citizens Audit Committee:

1. Approve the 2024 OIA Strategy and Plan, and
2. Approve the 2024 OIA Budget as presented.