

Office of the Internal Auditor

Board of Governors
Quarterly Update
Joe Martins
April 10, 2024



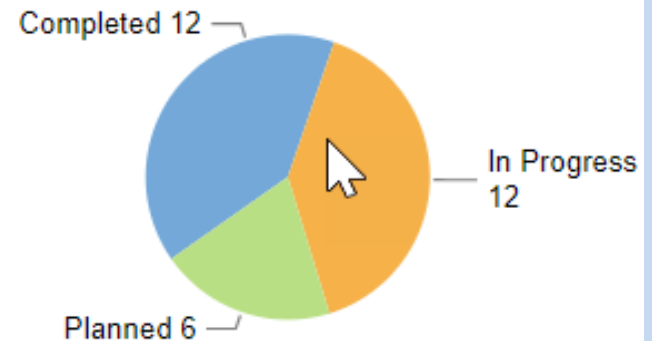
Internal Audit

Completed

Nine engagements were completed following the last Committee meeting:

- Account Consolidation
- Citizens Business Insurance Suite Governance
- Distributed Workforce
- ELMS Governance
- IT Service Management
- Primary/Non-Primary Requirements
- **Purchasing Card, Fuel Card, & Expense Reimbursements**
- Vendor Invoicing and Payment
- **2023 Anti-Fraud Activities**

Period Progress 2023-Q4 to 2024-Q3



Planned

The following engagements are scheduled for completion during Q3:

- Agency Compliance
- Commercial Underwriting
- **Fraudulent Check Targeted Audit**
- FRISS - SIU System
- Legislative Update Implementation
- **Reconciliations**
- Reinsurance Servicing & Accounting

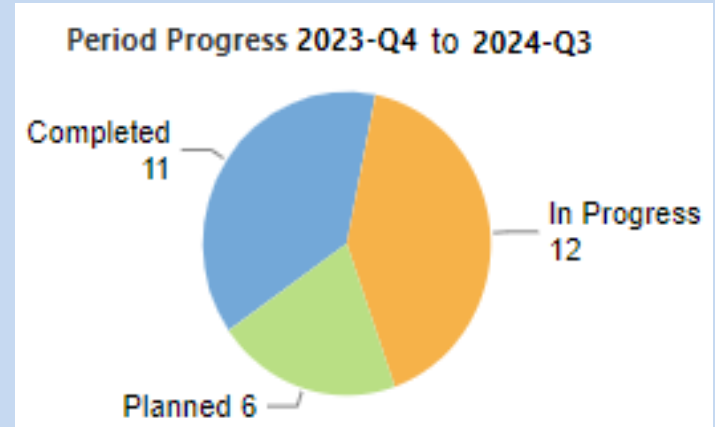
Internal Audit

In Progress – Audit Engagements

There are six engagements in progress:

- **CenterPoint Segregation of Duties**
- **Compliance Program**
- Depopulation Operations
- Investment Portfolio Management & Treasury Operations
- Quality Improvement Sampling
- **Technology Governance**

Regulatory Support (Auditor General)



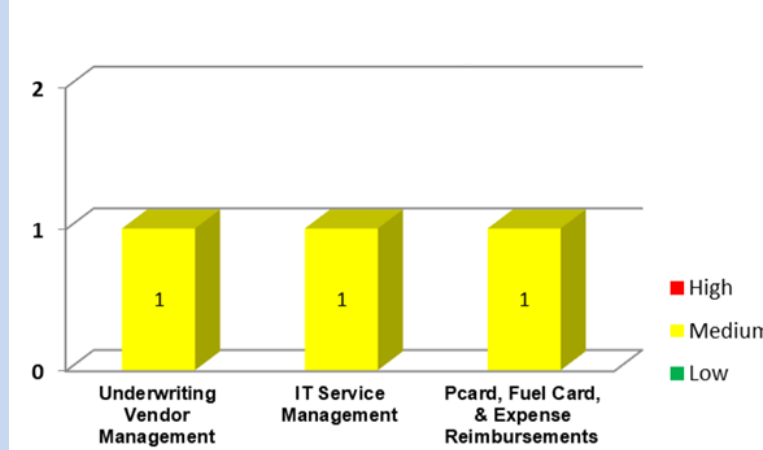
In Progress – Project Engagements

We closely follow the development and implementation of strategic projects:

- Citizens Business Insurance Suite Implementation
- CitRe Implementation
- ELMS Implementation
- Identity Governance & Access Management
- Unified Communication as a Service and Contact Center as a Service

Internal Audit

Open Observations by Audit



P Card, Fuel Card, & Expense Reimbursements

Internal Audit noted that accounting personnel with oversight responsibility have administrative access to the credit card administration system and the ability to process credit card payments. These two duties are incompatible for the same person to perform. **Segregation of duties is a critical internal control designed to minimize the opportunity for errors or unauthorized activities to occur. Separating job functions ensures there is proper oversight, and it acts as a deterrent against fraudulent activities.**

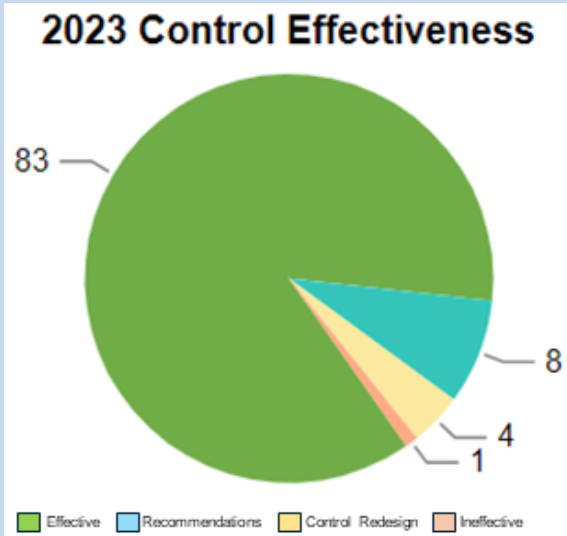
IT Service Management

ITSM focuses on delivering IT computing services that meet the needs of Citizens' employees and contractors. Internal Audit noted that although ITSM practices mostly conform to leading practices, **certain documentation should be formalized and centrally available to ensure continuation of service in the event of crucial staff unavailability or departure. These include an ITSM governing document that describes how activities are managed, procedures and guides that are located and accessible from a central location, an ITSM quality management plan should be created, and action items consolidated and tracked in a reportable format.**

Underwriting Vendor Management

Following a print mail vendor's failure to print and mail, many individual controls needed to be implemented to help prevent and detect future printing failures or backlogs. The resolution of implementing preventive and detective controls is multifaceted, and several control elements have already been put in place to mitigate risk. **The remaining mitigating controls include a seed mail process that is staged to go live in March 2024 to enhance the quality assurance process. In addition, a new process to identify when documents are not printed and mailed is being implemented.**

Internal Control



For 2023, Citizens assessed 96 primary controls:

- **Ineffective: 1 control was rated ineffective**, with multiple opportunities identified to strengthen documentation and oversight of account reconciliations. Although no material issues were detected, the deficiency could impact the organization negatively if not addressed.
- **Redesign: 4 controls require redesign** due to process changes.
- **Minor Improvements: 8 controls present minor documentation or process enhancement.**
- **Effective: 83 controls are effectively designed and operating as intended.**

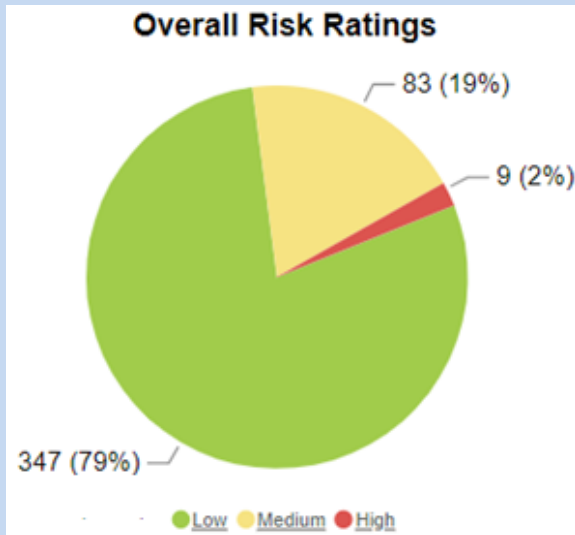
Ineffective Observation

In reviewing our financial reconciliation procedures, the reviewer pinpointed areas for improvement to enhance accuracy and efficiency:

- There is a need to separate the roles of individuals preparing and reviewing reconciliations to avoid conflicts.
- Documentation practices can be refined to ensure that information is complete, accurate, and accessible.
- Introducing more robust monitoring will help resolve discrepancies in key accounts more promptly.

Enhancing these practices, with guidance from the Internal Auditor, will strengthen our financial processes.

Enterprise Risk



Citizens manage nine high-impact risks. These risks relate to actions needed to ensure that Citizens strategic initiatives are achieved:

- Market Instability
- Rate Differential
- Acquisition of Reinsurance
- **Claims Abuse**
- External Influences
- CAT Response
- Data Security & Privacy
- Litigation Management Solution
- Strategic Workforce Planning