Office of the Internal Auditor

ANNUAL REPORT

2023

CITIZENS
PROPERTY INSURANCE CORPORATION

February 12, 2024

To: Mr. Carlos Beruff, Citizens Board of Governors Chair & Audit Committee Member
Mr. Jamie Shelton, Citizens Audit Committee Chair
Mr. Scott Thomas, Citizens Audit Committee Member
Mr. Tim Cerio, President/CEO and Executive Director

CC: The Honorable Ron DeSantis, Governor
The Honorable Jimmy Patronis, Chief Financial Officer
The Honorable Ashley Moody, Attorney General
The Honorable Wilton Simpson, Commissioner of Agriculture
The Honorable Kathleen Passidomo, President of the Senate
The Honorable Paul Renner, Speaker of the House of Representatives
Members of Citizens Property Insurance Corporation Board of Governors

Dear Messrs. Shelton, Beruff, Thomas, and Cerio:

I am pleased to present the Annual Report of the Office of the Internal Auditor (OIA), in compliance with Section 627.351(6)(i).2. of the Florida Statutes. This report provides a comprehensive overview of the department's organizational structure, department staffing, applied audit methodology, and the outcomes of our audit work conducted in 2023.

Your feedback on this report is valued, and I invite any comments or suggestions you may have. I thank the Board of Governors, the Audit Committee, and Senior Management for their continuous support. The OIA is committed to serving the Board of Governors and the State of Florida, contributing to Citizens' endeavors to achieve the corporation's goals and objectives. Thank you for your ongoing support as we continue into 2024.

Respectively submitted,

Joe Martins, CIA, CRMA, CFE
Chief of Internal Audit
Office of the Internal Auditor

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Introduction

The Office of the Internal Auditor (OIA) is pleased to present the 2023 Annual Report for Citizens Property Insurance Corporation (Citizens).

By Florida Statutes, the Chief of Internal Audit must submit an annual report summarizing OIA's activities during the preceding fiscal year by February 15. This report, mandated by the Statute, encompasses an assessment of internal control effectiveness, recommendations for corrective actions (if needed), and summaries of audits, reviews, and investigations conducted by the office.

The intended recipients of this report include the Citizens' Board of Governors, the Executive Director, members of the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives. Its purpose is twofold: to fulfill statutory requirements and to provide insight into how the OIA fulfills its mission.

Duties and Responsibilities

The OIA derives its purpose, authority, and responsibilities from the Citizens' enabling statute, Section 627.351(6)(i), Florida Statutes. The Board of Governors has delegated oversight of the OIA to the Audit Committee, which further defined the OIA's authority and responsibilities in the Internal Audit Charter. This charter aligns with the Citizens' enabling statute, the definition of internal auditing, the code of ethics, and the International Standards for the Professional Practice of Internal Auditing defined by the Institute of Internal Auditors (Standards).

As per Section 627.351(6)(i), Florida Statutes, the Chief of Internal Audit is tasked with the following duties and responsibilities:

a. Provide direction for, supervise, conduct, and coordinate audits, investigations, and management reviews relating to the programs and operations of the corporation.

b. Conduct, supervise, or coordinate other activities carried out or financed by the corporation for the purpose of promoting efficiency in the administration of, or preventing and detecting fraud, abuse, and mismanagement in, its programs and operations.

c. Submit final audit reports, reviews, or investigative reports to the Board of Governors, the executive director, the members of the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives.

d. Keep the Board of Governors informed concerning fraud, abuses, and internal control deficiencies relating to programs and operations administered or financed by the corporation, recommend corrective action, and report on the progress made in implementing corrective action.

e. Cooperate and coordinate activities with the corporation's Inspector General.

At the OIA, we are dedicated to developing a credible, sustainable, and value-added internal audit program that meets statutory requirements and aligns with the expectations of the Board of Governors, Audit Committee, and Management. To maintain focus, we annually prepare a risk-based audit plan that aligns with Citizens' strategic themes for the year.

In support of a collaborative assurance approach, the Chief of Internal Audit oversees Enterprise Risk Management, and the Internal Control Framework functions under the direction of the Audit Committee and the Risk Steering Committee.
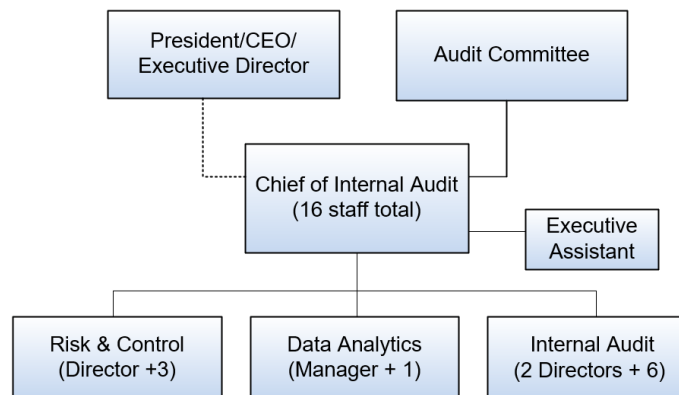
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The results of our work throughout the year indicate that Citizens has a well-established and functioning control environment. The Office of Internal Audit did not identify any significant concerns regarding audit findings and their overall impact on the control environment.

Organization and Administration

The Chief of Internal Audit operates under the direct supervision of the Audit Committee and does not fall under the supervision of any Citizens' employee. Reporting to the Board is channeled through the Audit Committee. In addition to overseeing Internal Audit, the Chief of Internal Audit holds leadership responsibilities for the Enterprise Risk and Internal Control functions.

The Enterprise Risk and Internal Control functions operate autonomously, maintaining their distinct staff, processes, and administrative support systems separate from Internal Audit. This separation ensures independent functioning and objective evaluation. The OIA departmental structure is further outlined in the following chart:

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  President/CEO/              Audit Committee
Executive Director

              Chief of Internal Audit
                 (16 staff total)          Executive
                                            Assistant

  Risk & Control      Data Analytics      Internal Audit
  (Director +3)       (Manager + 1)      (2 Directors + 6)
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Training

In adherence to professional standards, the OIA staff must undergo at least 40 hours of continuing education annually to uphold their professional proficiency. Throughout 2023, our team fulfilled this requirement by actively participating in industry-provided seminars, conferences, workgroups, and webinars.

Certifications and Advanced Degrees

The OIA brings various backgrounds of expertise to Citizens. Some of the relevant certifications and advanced degrees held by OIA staff during 2023 included:

- All Lines Adjuster (620)
- Certificate in Risk Management Assurance
- Certified Fraud Examiner
- Certified Information Systems Auditor
- Certified Information Systems Security Professional
- Certified Internal Auditor
- Certified Litigation Management Professional
- Certified Public Accountant
- Chartered Insurance Professional
- Chartered Property Casualty Underwriter
- Licensed Attorney (JD)
- Master of Accountancy
- Master of Business Administration
- Master of Science in Data Science
- Six Sigma

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Affiliations

OIA staff participates in various affiliations in support of their profession:

- Association of Certified Fraud Examiners (ACFE)
- Association for Intelligent Information Management (AIIM)
- Information Systems Audit and Control Association (ISACA)
- Insurance Internal Auditing Group (IIAG)
- Society of Corporate Compliance and Ethics (SCCE)
- The American Institute of Certified Public Accountants (AICPA) and affiliates
- The Institute of Internal Auditors (IIA) and affiliates
- The Risk Management Society (RIMS)

OIA Annual Plan

Each year, the OIA develops a Strategy and Plan (Plan) document, which is shared with Executive Management and presented to the Audit Committee for consideration and approval. This Plan is designed to ensure the most timely and comprehensive coverage of audit, risk, and control aspects, utilizing the available resources at the disposal of the OIA.

Internal Audit

The Internal Audit function provides independent, objective assurance through audit and advisory services, aiming to add value and enhance the efficiency of Citizens' operations. Throughout 2023, the Internal Audit team conducted its activities in strict adherence to the International Standards for the Professional Practice of Internal Auditing (Standards).

In addition to these Standards, we rely on recognized industry frameworks to guide our work in conducting audits, risk assessments, and control evaluations. These frameworks include The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework for Internal Controls, the COSO Integrated Framework for Enterprise Risk Management, the Control Objectives for the Information and Technology, the Information Technology Governance Institute, the National Institute of Standards and Technology, and the Information Technology Infrastructure Library.

Internal Audit Execution

Internal Audit adeptly managed a flexible audit plan, considering changes in business operations and ensuring a focused approach on areas of utmost importance. The completed audit plan comprised 20 engagements, each aimed at delivering independent assurance and providing tangible value to the organization by enhancing oversight and control.

- Assurance (Audit) Engagements Completed

  With audit engagements, we evaluate the strength of internal controls, corporate governance, and accounting processes. We provide reasonable assurance on compliance with laws and regulations and accurate and timely financial reporting and data collection, as well as helping to maintain operational efficiency by identifying problems and correcting lapses.

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- o Bulk Intake Private Insurer Policies
- o CAT Preparedness
- o Claims Legal Billing
- o Claims Litigation Triage
- o Emergency Procurements

- o Enterprise Operational Readiness
- o Third-Party Technology Risk
- o Underwriting Moratorium
- o Underwriting Vendor Management

- • Consulting (Advisory/Project) Engagements Completed

  Advisory engagements are usually completed at management's request and include an assessment of current business practices. Results provide guidance to improve governance, risk management, and control processes.
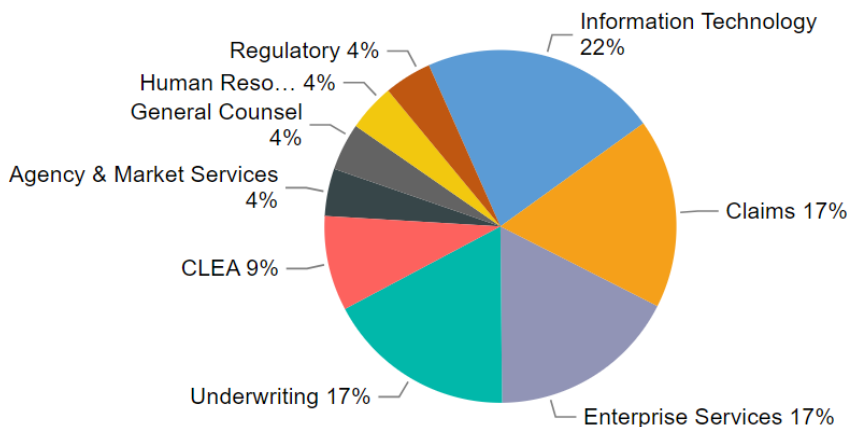
  - o 2023 Legislative Session
  - o Flood Insurance Requirements
  - o Information System Technology Policies Review

  - o Omnibus
  - o Professional Liability Insurance
  - o Special Legislative Session 12 2022

  Project engagements include active participation in new process development, major procurements, or system development projects where we assess project governance, risk management, and the development of control processes and provide guidance and support.
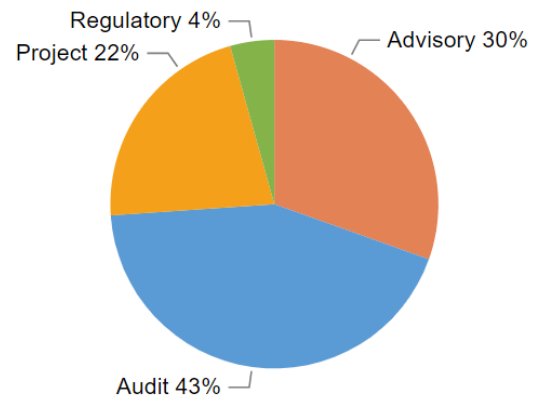
  - o Citizens Reimagined Procurement
  - o Claims Litigation Management System Procurement
  - o Cloud Based Insurance Suite Procurement

  - o Identity Governance & Access Management
  - o Unified Communication as a Service

The following diagram provides an overview of resource deployment:

Engagements by Business Area

- Information Technology 22%
- Regulatory 4%
- Human Reso… 4%
- General Counsel 4%
- Agency & Market Services 4%
- CLEA 9%
- Claims 17%
- Enterprise Services 17%
- Underwriting 17%

Engagements by Category

- Regulatory 4%
- Project 22%
- Advisory 30%
- Audit 43%

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Open Audit Observations

Internal Audit manages open audit observations to ensure timely follow-up, escalation, and resolution of audit observations and recommendations. The process has been established to ensure that management action plans have been effectively implemented or that management has accepted the risk of not acting on audit results. The following graph provides a quick analysis of open observations throughout the year.

Open Observations by Risk Rating
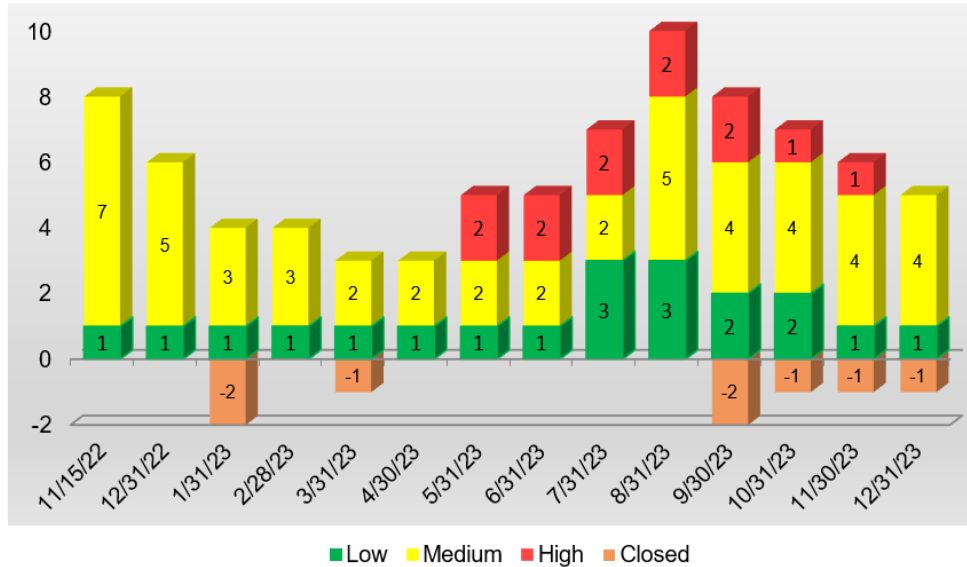
Open audit observations statistics for observations rated *high* or *past due* are provided to the Audit Committee every quarter. Management is taking appropriate action on the reported issues, and the OIA monitors progress on the implementation of corrective action.

Enterprise Risk Management Framework

Enterprise Risk Management (ERM) is an ongoing program at Citizens designed to support the achievement of strategic and operational objectives. Its purpose is to identify, assess, and mitigate risks. The Enterprise Risk team utilizes a well-designed framework to assist management in identifying, assessing, and managing their risks effectively. Therefore, management primarily mitigates and monitors risks within their respective processes.

Given the constant evolution of risks in our changing and complex business environment, an adaptable and scalable ERM framework is crucial. We are transitioning from a traditional ERM model to a dynamic risk governance model to enhance our agility and alignment with internal and external leading practices. This model aims to improve visibility and awareness of risks while reducing overall risk exposure.

The revised ERM framework and the 2024 OIA Strategy and Plan outline the details of this transformative approach. The focus is on fostering increased agility, collaboration, innovation, and integration to enable more timely responses to changes in Citizens' risk landscape.

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Strategic Risks

Enterprise Risk conducts a strategic risk assessment with the Executive Leadership Team (ELT) each year. In 2023, this assessment identified and evaluated fourteen strategic risks, with the following breakdown: 64% (9) rated high, 7% (1) rated medium, and 29% (4) rated low. The risk rating reflects a risk's potential impact or severity level on Citizens, factoring in the probability of occurrence. Mitigation plans are in place for the top risks, regularly updated, and executed as necessary.

4 (29%) ── 1 (7%)
9 (64%) ──
● High ● Low ● Medium
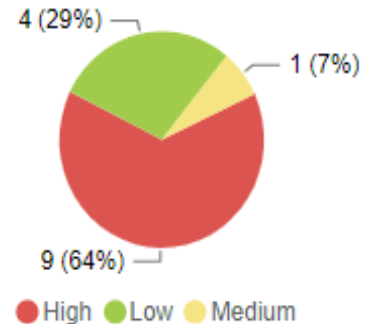
For 2023, Citizens' primary strategic risks included:

a. **Market Instability:**
   - Market instability persisted as the foremost risk for Citizens. Unstable market conditions continued negatively impacting private carriers' sustained participation in the Florida insurance market or specific geographic locations.
   - In the fourth quarter, Enterprise Risk and the Strategic Evaluation Group updated the risk assessment for market conditions. This ensured that mitigation strategies remained relevant and continued to address the most significant cross-functional risks.

b. **CAT Response:**
   - Citizens maintained a robust readiness to respond to policyholders affected by catastrophic events. By monitoring closely, impacts on policyholders and the organization were promptly addressed.

This structured approach ensures that Citizens is well-informed about potential risks, adequately prepared to address them, and continually reassess and update strategies to align with changing circumstances.

Operational Risks

Enterprise Risk is crucial in assisting and empowering management to identify and evaluate operational risks across 68 Citizens' business processes outlined in the OIA process universe. As of December, 329 operational risks have been identified and assessed. Among these, 85% (281) of the residual risks were categorized as low, and 15% (48) were rated as medium. Notably, there are currently no operational residual risks rated as high. This signifies a comprehensive understanding and management of operational risks within the organization.

48 (15%) ──
281 (85%) ──
● Low ● Medium
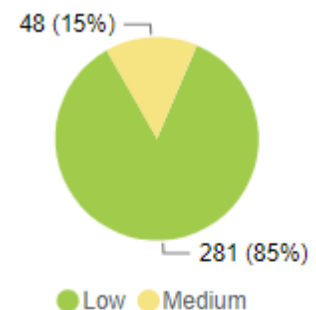
Risk Awareness

In 2023, Enterprise Risk remained dedicated to fostering risk awareness. During Q2, the team collaborated with Human Resources Learning and Organizational Development and business area leaders to conduct a leadership event jointly. The event specifically aimed to enhance competencies in risk management. Furthermore, the team contributed to the dissemination of information by publishing articles on Citizens' internal website and social media accounts. These articles highlighted the practical application of the Enterprise Risk Framework in aiding management in making informed decisions based on risk considerations.

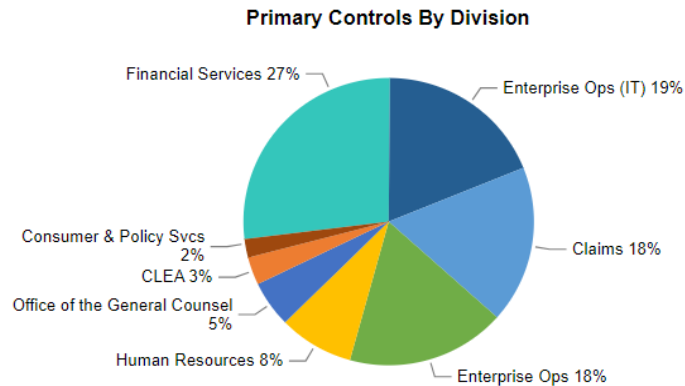**CITIZENS**
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Internal Control Framework

Citizens' Internal Control Framework (ICF) is a robust structure to fortify its internal control environment's governance, oversight, and accountability. Aligned with the principles of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control-Integrated Framework, Citizens' ICF tailors these principles to suit the distinctive nature of our operations, financial and non-financial reporting, and compliance.

Operationalized through the ICF, the Internal Control team actively guides and supports management in enhancing internal control practices. This collaborative effort ensures adherence to established principles and aids Citizens in adapting to the dynamic and intricate insurance landscape.

Primary Controls By Division

- Financial Services 27%
- Enterprise Ops (IT) 19%
- Claims 18%
- Enterprise Ops 18%
- Human Resources 8%
- Office of the General Counsel 5%
- CLEA 3%
- Consumer & Policy Svcs 2%

### Annual Control Self-Assessments

Annually, Citizens conducts management control self-assessments (CSAs) to evaluate the design and effectiveness of the primary controls continually. This proactive approach allows management to address any identified issues and strengthen controls promptly. CSAs are conducted by the Control Owner or their designees within AuditBoard, OIA's self-service Governance, Risk, and Control (GRC) software solution.

The Internal Control team oversees and facilitates this process, ensuring that management CSAs adhere to Citizens' ICF standards and contribute value. The team also offers consultative support, sharing insights on leading internal control practices.

In 2023, Citizens identified, recorded, and assessed 96 primary controls with the following results:

- **Effectiveness:** 86% (83 controls) of primary controls are effectively designed and operating as intended.

- **Minor Improvements:** 8% (8 controls) present opportunities for minor enhancements. Management self-identified recommendations that ensure consistent and robust documentation practices, address segregation of duties concerns and increase the frequency of specific oversight activities.

- **Redesign Needed:** 4% (4 controls) require redesign due to process changes.

2023 Control Effectiveness

- 83
- 8
- 4
- 1

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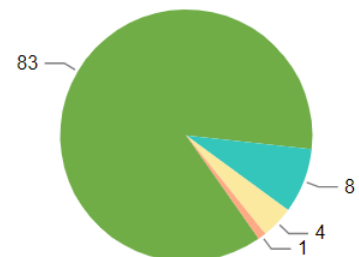
- **Ineffective:** 1% (1 control) is rated ineffective, with multiple opportunities identified to strengthen documentation and oversight of account reconciliations. Although no material issues were detected, the deficiency could impact the organization negatively if not addressed. Management has initiated remediation plans, and in Q2, Internal Audit will provide consultative advice to enhance internal controls for reconciliation processes.

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 OIA's GRC software solution.

- As of December, 33% (32 controls) are aligned to one or more LRRs, and 38% (36 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 & Risk and Vendor Management & 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 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 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 promptly by the business areas.

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Audit Engagement Summaries

During the year, the OIA's risk-based approach covers many elements of the corporation's internal control systems; it is not intended to cover all areas of the corporation nor all risk areas. Instead, we focus our resources on those areas that were evaluated as the highest priority in terms of greatest risks and where our work could be most valuable, either by providing assurances through information or by effecting positive change. Citizens' management establishes and maintains an effective internal control structure. The OIA evaluates and reports on the design and effectiveness of that internal control structure.

Internal Audits

Internal audits are designed to provide reasonable assurance to the Board of Governors and senior management that the controls designed and implemented by management can be relied upon to mitigate the risk within the organization to an acceptable level. There are several types of audits, including operational, financial, forensic, compliance, and information technology.

Advisory/Project Services

Advisory services are less formal than audits, and as a result, an opinion is not being expressed as to the effectiveness of the controls. However, management should consider adopting internal control recommendations to enhance the efficiency and effectiveness of the existing internal control environment under review.

Audit Engagement Summaries

The following Internal Audit summaries reflect reported audit results for areas in scope for 2023. All reports were issued to the Citizens Board of Governors (Audit Committee) and, in accordance with Florida Statutes, to the Financial Services Commission, Speaker of the House, and President of the Senate. Detailed management reports are provided directly to the applicable management group.

- **Bulk Intake Private Insurer Policies (Audit)** – The audit objective was to evaluate the business processes and controls to ensure the BIPIP policies meet eligibility and underwriting requirements because of Citizens' substantial BIPIP growth. Overall, the Underwriting department has adequate controls and processes to monitor and manage BIPIP policy intake.

- **CAT Preparedness (Audit)** - The CAT preparation and assurance plan provides an annual preparation forecast broken down into 18 categories, tracking 155 readiness activities across the organization. Each business unit reviews the CAT plan focusing on roles, responsibilities, process changes, and expectations of its unit/department. Internal Audit validated the assessment of the CAT preparation and assurance testing and the updating of onboarding processes, telephone updates, and system enhancements of lessons learned from the prior year. Results from the audit indicate that effective business processes and controls are in place to ensure adequate management, accuracy, and quality of CAT readiness processes.

- **Citizens Reimagined Procurement (Project Advisory)** - Through ITN 22-0007, Citizens invited vendors to submit their replies to replace the Clearinghouse system. Internal Audit was part of the project team, monitored the procurement process to help ensure the project followed Citizens' procedures, and provided advice as a third-party observer. In addition, Internal Audit confirmed that appropriate stakeholders were included in the project and that the procurement

team focused on selecting a vendor of the best value with a solution that meets the required business and functionality requirements.

- **Claims Legal Billing (Audit)** - Internal Audit reviewed the processes, methodology, and results of the unit's assessment and processing of legal invoices. Internal Audit evaluated the unit's effectiveness in ensuring the accuracy and timeliness of invoice processing. Internal Audit noted three areas requiring review and enhancement: the unit's controls for identifying duplicate payments, monitoring defense counsel timekeeper billing more than reasonable accepted hours, and practices associated with invoice processing. Internal Audit collaborated with the business unit to help develop short and long-term suggested actions, which include recovery of duplicate payments, development of monitoring practices, design mechanisms to identify and address timekeeper excesses timely, expansion of automatic script structure with additional controls, and implementation of quality control practices.

- **Claims Litigation Management System Procurement (Project Advisory)** - Citizens commenced competitive procurement to replace the current Claims Litigation Management System. Internal Audit was part of the project team, monitored the procurement process to help ensure the project followed Citizens' procedures, and provided advice as a third-party observer. In addition, Internal Audit confirmed the integration of lessons learned from past procurements, appropriate stakeholders were included in the project, and the procurement team focused on selecting a vendor of the best value with a solution that meets the required business and functionality requirements. The process included revisions based on lessons learned from previous solicitations, which resulted in a thorough vendor questionnaire and functionality workbook to allow for broad market competition and deeper evaluation of the responses, as well as scheduled demo sessions with the opportunity for reverse demonstrations and follow-up meetings with the vendors to ensure their understanding of Citizens' requirements and needs.

- **Claims Litigation Triage (Audit)** - An assessment of the effectiveness and success of the controls, practices, and processes applied by the Claims Litigation Triage Unit in evaluating and assigning litigated claims was conducted by Internal Audit. This audit focused on the unit's day-to-day responsibilities, from receipt of an assignment to delivery of the evaluation/recommendation and management's process monitoring. Internal Audit noted several good practices that assist triage specialists and management in completing thorough, precise, and timely evaluations. Also, Internal Audit identified and shared improvement opportunities with management regarding the manual data entry process in the unit's system of record (Rampart), updating manuals and guidelines, and reviewing job descriptions. These suggested improvements could potentially develop efficiencies and enhance the overall process.

- **Cloud-Based Insurance Suite Procurement (Project Advisory)** - Vendors were invited to submit bids for a Cloud-based Insurance Suite to replace the current on-premises Policy, Claims, and Billing application. Internal Audit was part of the project team, monitored the procurement process to help ensure the project followed Citizens' procedures, and provided advice as a third-party observer. In addition, Internal Audit confirmed that appropriate stakeholders were included in the project and that the procurement team focused on selecting a vendor of the best value with a solution that meets the required business and functionality requirements. A public meeting was held on May 30, 2023, to announce the award.

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- **Emergency Procurements (Audit)** - With this audit, Internal Audit evaluated the business processes and controls to assess alignment with emergency procurement procedures and reviewed emergency procurement activity. The procurement processes aligned with statute and policy, and the emergency products and services purchased were appropriate for the emergency response. In addition, the internal audit validated that the emergency purchases were monitored and reported to the Board of Governors promptly. Results from the audit work indicate optimal procurement practices and the efficient management of emergency response procurement activity.

- **Enterprise Operational Readiness (Audit)** - Over the past 16 months, the Citizens' policy count increased to over 1.3 million policies in force and is projected to grow at least until the end of the year. The organization has already incorporated successful processes and business practices to manage current and future growth. To get an independent perspective, Internal Audit co-sourced with a third-party consultant, Protiviti, to assist with assessing Citizens' operational readiness. The review was conducted to identify strengths and weaknesses in the organization's systems, processes, infrastructure, and people, focusing on preparing for growth and scaling operations effectively. The engagement noted that Citizens' robust leadership, governance, and processes contribute to its ability to expand and contract accordingly. The consultant team commented that, for its size, Citizens is one of the best growth-prepared companies they have worked with. The work did not identify any failure in the processes assessed and noted that Citizens could further strengthen their maturity level with the improvement opportunities detailed in the report. These results were discussed and shared with management for consideration.

- **Flood Insurance Requirements (Advisory)** - Management requested Internal Audit to review and advise 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 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 the 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.

- **Information System Technology Policies Review (Advisory)** - The Information Technology department has several policies, standards, and guidelines to guide staff toward best practices in handling data and applications across the enterprise. These documents are foundational elements based on industry best practices and help combat cyber security and ransom attacks.

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Upon management's request, Internal Audit reviewed the consistency, completeness, and relevance of current IT governing documents and the processes around IT governing document administration, conformance, implementation, and training. The review indicated that Citizens has IT policy and procedure documents for critical areas, including information security and privacy, acceptable use, software development, and enterprise resiliency. The review also indicated that Citizens' IT governing documents for critical areas align with the content present in leading practices. Additional suggestions have been noted for management's consideration.

- **Legislative Session (Advisory)** - During the 2023 Legislative Session, the Florida Legislature passed several insurance-related bills to increase oversight and accountability of insurance companies and enhance consumer protections. Through this engagement, Internal Audit monitored the implementation of initiatives developed by management to comply with the requirements of HB799, HB1185, SB418, and SB7052, validating management's efforts to identify and timely implement the changes required to comply with these legislative bills. Internal Audit also followed up and monitored the progress of pending initiatives from the 2022 Special Legislative Session (SB2A).

- **Omnibus (Advisory)** - Management requested Internal Audit to review and advise on the enhanced Omnibus approval and monitoring process, including assessing compliance with Florida state laws, rules, and regulations and reviewing specific definitions in the revised process document. Internal Audit found that the Citizens' IT Omnibus, used to request Board approval for technology, infrastructure, software, professional, and staff augmentation purchases, aligns with applicable state laws, rules, and regulations. The memorandum included recommendations concerning the continuation of service definition enhancement, slight modifications to the line-item summary presented to the board, and the presentation of one annual omnibus to the board. Management supports incorporating the adjustments and seeking Board direction on returning to a single Omnibus.

- **Print Mail Vendor (Audit)** - Internal Audit was engaged to review the services billed from the print mail vendor due to the discovery of a substantial number of documents that were not printed, thus creating a backlog. Results from the review indicated that the print mail vendor invoices are based on print files received from Citizens versus work completed. A cost analysis verified that the vendor had overcharged Citizens approximately $515K for the backlogged files between December 2022 and March 2023. Recommendations shared with management for improvement opportunities include 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 service level agreement penalties, and enhancing the seed mail process to provide more visibility (graphs/charts) into the monthly reporting of missing documents and meeting SLA standards.

- **Professional Liability Insurance (Advisory)** - Internal Audit provided advisory services focused on errors and omissions coverage and the design of a process to potentially pursue recovery in instances where Citizens' agents commit errors or omissions by binding uninsurable risks which result in claims and payments that would not have otherwise been incurred. Internal Audit identified several improvement opportunities through this engagement and suggested a multi-business unit approach to identify, evaluate, and manage potential recovery cases. These results were shared with management for consideration.

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- **Special Legislative Session (Advisory)** - The objective of this engagement was to monitor the implementation of initiatives developed by management to comply with the requirements of Senate Bill 2A, which established changes to claims processes, statutes of limitations, reinsurance programs, and insurer regulations, among others. Internal Audit observed and validated conscientious efforts by management to address the changes effected by SB 2A upon its being passed and signed into law. The provisions and requirements of SB 2A applicable to the organization have been effectively integrated into Citizens' processes.

- **Third-Party Technology Risk (Audit)** - Internal Audit assessed the controls, processes, and procedures around third-party technology risk. The audit focused on vendor performance monitoring, vendor dependency resilience assessments, service organization controls, related complementary end-user control consideration reviews, continued vendor suitability reviews, information security assessments and questionnaires, and related training. Results from the audit indicated that adequate processes and controls are in place around third-party technology risk. Internal Audit noted one low-rated observation regarding enhancing SOC report monitoring and review for sub-service vendors.

- **Underwriting Moratorium (Audit)** - Through this targeted audit, Internal Audit reviewed the processes established and followed by the Citizens' Underwriting Department to comply with the Emergency Order (EO) issued by the Florida Office of Insurance Regulation (OIR) because of the state of emergency created by Hurricanes Ian and Nicole. The EO granted an extension of grace periods and temporarily postponed cancellations and non-renewals for property insurance contracts, which required management to address different sections of the EO as applicable to policy cancellations and non-renewals postponed or issued. The engagement noted one instance related to Underwriting's policy administration application (PolicyCenter) and policies renewed for values above the statutory cap of $700K (or $1M for Miami-Dade and Monroe counties). Management should prioritize actionable system or manual solutions to avoid ineligible risks and consider the flexibility for shorter/adjustable policy terms as part of the current solicitation for PolicyCenter's replacement application. These results were discussed and shared with management to develop an action plan.

- **Underwriting Vendor Management (Audit)** - This audit included an evaluation of key business processes and the effectiveness of controls related to the management of outsourced vendor processes, including controls, reconciliation of invoicing, and data accuracy and quality. Results from the audit work indicate adequate controls related to data quality, accuracy, processes, and management of the outsourced vendors. There was one low-rated observation regarding the reconciliation process of vendor invoices.

- **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.