

Executive Summary

Audit Committee Meeting, December 3, 2024

OFFICE OF INTERNAL AUDIT STRATEGY & PLAN 2025 OFFICE OF INTERNAL AUDIT BUDGET

OIA Strategy & Plan

This Action Item seeks Committee approval of the 2025 OIA Strategy & Plan and Budget.

The Plan was developed using a risk-based approach to understand and assess Citizens' operations and associated risks. Additional consideration was given to future work to be conducted by the Auditor General and planned strategic initiatives. Citizens Executive Leadership discussed and agreed upon a copy of the draft plan.

The objective of this plan is to use the resources available to the OIA to provide the most timely and comprehensive scope of audit, risk, and control coverage. Since it is impractical to provide risk and control coverage to the entire corporation annually, we collaborated with business unit leadership to determine the best focus areas for Internal Audit, Enterprise Risk, and Internal Control given the current circumstances.

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. This necessitates a regular re-evaluation of the audit approach and scope so that appropriate audit focus is always given to important strategic and operational issues and risks. Throughout the year, the audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology, and financial risks. To achieve the greatest impact, Internal Audit "rebalances" internal audit activities in a rolling audit plan to ensure adequate focus on 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.

Enterprise Risk

Enterprise Risk will continue to facilitate and enable risk assessments from five different perspectives, namely:

- 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

Internal Control will continue to ensure consistency and sustainability of the Internal Control Framework throughout the organization while expanding consultative services to include advice on anti-fraud controls. The specific focus will be on:

- Optimizing ICF by pursuing opportunities to automate or streamline control self-assessment validation steps, expand the program's quality, 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.

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Audit Committee Meeting, December 3, 2024

Budget

The 2025 budget for OIA presented is \$3.94 million as compared to the \$3.84 million budgeted for 2024. This reflects a 37% 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	2024 Year-End Projection	2024 Budget	2025 Budget	2025 Budget vs. 2024 Budget
	YearTotal	YearTotal	YearTotal	Favorable / (Unfavorable)
Total Salaries	2,311,756	2,390,462	2,470,256	(79,794) (3)%
Total Employee Benefits	491,237	547,197	551,231	(4,033) (1)%
Total Payroll Taxes	165,209	178,599	209,737	(31,138) (17)%
Employee Expenses	2,968,202	3,116,259	3,231,224	(114,965) (4)%
Total Contingent Staffing	0	8,400	0	8,400 100%
Total Training	31,479	46,400	48,800	(2,400) (5)%
Total Printing	1,600	1,600	1,600	0 0%
Total Operating Supplies	918	1,100	1,100	0 0%
Total Subscriptions and Dues	82,108	89,548	95,923	(6,375) (7)%
Total Postage	30	90	90	0 0%
Total Legal	25,000	50,000	50,000	0 0%
Total Travel	22,816	33,751	36,065	(2,314) (7)%
Total Professional Services	188,725	200,000	200,000	0 0%
Total Software Maintenance and Licensing	326,151	289,223	278,223	11,000 4%
Total Admin Expenses	3,647,043	3,836,371	3,943,025	(106,654) (3)%
FTE	16	16	16	0 0%

- Total staffing will remain static for Internal Audit (11), Enterprise Risk (3), and Internal Controls (2).
- Salaries and benefits indicate the annual merit increase and the expected salaries as we recruit to fill current vacancies.
- No contingent staffing is needed in 2025.
- 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 it.
- Travel reflects an inflationary increase in 2025.
- Professional Services reflect an anticipated use of vendor consulting services. The use of this amount will be discussed with management before services are provided.
- Software Maintenance and Licensing reflect a small decrease.

☒ ACTION ITEM

- ☐ New Contract
- ☐ Contract Amendment
- ☒ Other _____

☐ CONSENT ITEM

- ☐ Contract Amendment
- ☐ Existing Contract Extension
- ☐ Existing Contract Additional Spend
- ☐ Previous Board Approval _____
- ☐ Other _____

Action Items: Items **requiring** detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through a committee it may be moved forward to the board on the Consent Index.

- ☐ Move forward as Consent: This Action item is a day-to-day operational item, unanimously passed through a committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items **not requiring** detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	OIA 2025 Strategy & Plan, and Budget
Purpose/Scope	<p>This Action Item seeks Committee approval of the 2025 OIA Strategy & Plan and Budget.</p> <p>The Plan was developed using a risk-based approach to understand and assess Citizens' operations and associated risks. Additional consideration was given for future work to be conducted by the Auditor General, Market Conduct Examinations, and planned strategic initiatives. A copy of the draft plan was discussed and agreed upon with Citizens Executive Leadership.</p> <p>The objective of the plan is to provide the most timely and comprehensive scope of the audit, risk, and control coverage by using resources available to the OIA. Since it is impractical to provide risk and control coverage to the entire corporation on an annual basis, we collaborated with business unit leadership to determine the best focus areas for Internal Audit, Enterprise Risk, and Internal Control given the current circumstances.</p> <p>Internal Audit</p> <p>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. This necessitates a regular re-evaluation of the audit approach and scope so that appropriate audit focus is always given to important strategic and operational issues and risks. Throughout the year, the audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology, and financial risks. To achieve the greatest impact, we "rebalance" internal audit activities in a rolling audit plan to ensure adequate focus is given to Citizens' strategic issues and critical processes.</p>

	<p>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.</p> <p>Enterprise Risk ER will continue to facilitate and enable risk assessments by providing:</p> <ul style="list-style-type: none"> • 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. • Focus on enhancing dynamic risk governance and advancing our commitment to effective risk management. Priorities include implementing a dynamic approach to risk assessments and leveraging data and key risk indicators to provide a more comprehensive view of risks. <p>Internal Control IC will continue to ensure consistency and sustainability of the Internal Control Framework by:</p> <ul style="list-style-type: none"> • Optimizing ICF to enhance business value while ensuring alignment with the organization's broader objectives. • Foster a collaborative and scalable approach to control identification and assessment, provide consultative support, and enhance the quality of control assessments while providing targeted education on leading practices for control design. <p>Budget The 2025 budget for OIA presented is \$3.94 million as compared to the \$3.84 million budgeted for 2024. This reflects a 3% 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.</p>
Contract ID	N/A
Committee Recommendation	<p>Staff recommends that the Citizens Audit Committee:</p> <ol style="list-style-type: none"> 1. Approve the 2025 OIA Strategy and Plan, and 2. Approve the 2025 OIA Budget as presented
CONTACTS	Joe Martins, Chief of Internal Audit.

Office of the Internal Auditor



Strategy & Plan 2025

December 2024



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Strategy & Plan

Introduction

This Internal Audit Strategic Plan outlines the Office of the Internal Auditor (OIA) of Citizens' Property Insurance Corporation's vision, mission, objectives, and key focus areas. It serves as a roadmap for 2025 and beyond and focuses on providing assurance, improving governance, managing risks, and enhancing organizational controls.

Vision and Mission Statements

Vision

To be an innovative driver for positive change and continuous improvement of Citizens' governance and control environment, contributing to the corporation's achievement of its strategic objectives.

Mission

To provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. We bring a systematic, disciplined, aligned approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

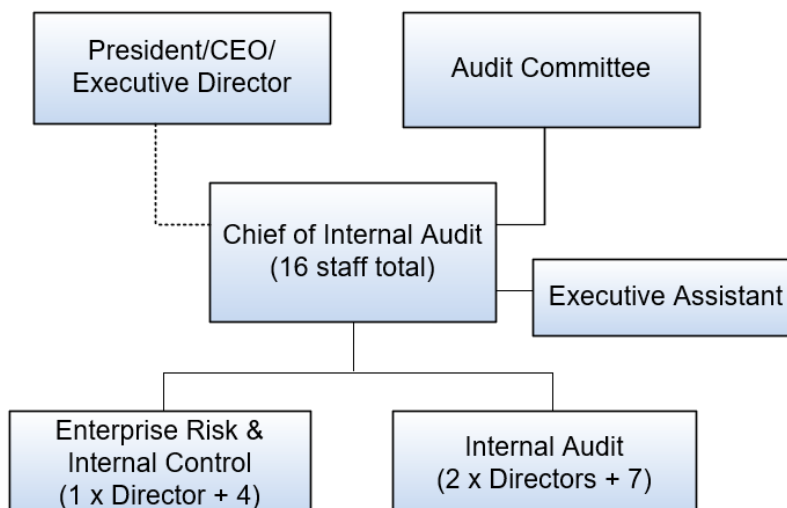
Background

In alignment with our mission, the OIA uses a collaborative approach to deliver independent and objective assurance over the organization's internal control environment to the Audit Committee, Board of Governors, and management. This plan offers a prompt and comprehensive scope of internal audit, enterprise risk, and internal control coverage.

In developing this plan and approach, the OIA consulted with other internal and external assurance providers, including the Inspector General, to ensure that our 2025 Plan supports or complements other operational plans.

Organization

The Chief of Internal Audit reports to the Audit Committee and, with their guidance and the support of Executive Management, sets up a team of audit, risk, and control professionals to provide assurance and consulting services that add value and improve the corporation's operations.





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Core Values

The Internal Audit Department operates based on the following core values:

- Integrity: Upholding the highest levels of honesty and ethical behavior.
- Objectivity: Ensuring unbiased and fact-based assessments.
- Professionalism: Committing to high performance standards, continuous learning, and development.
- Collaboration: Working closely with management, stakeholders, and external partners.
- Innovation: Continuously seeking opportunities to improve audit processes and techniques.

Strategic Objectives

The OIA's strategic objectives align with the corporation's overall strategy and are designed to support the business by providing assurance and advice. The strategic objectives include:

- Enhancing Risk Management: Provide assurance over the corporation's risk management processes, mainly related to underwriting, claims, reinsurance, and catastrophe risks.
- Promoting Strong Governance: Evaluate the effectiveness of governance structures, decision-making processes, and board oversight.
- Driving Operational Efficiency: Perform audits to identify operational inefficiency areas and provide improvement recommendations.
- Enhancing Compliance and Regulatory Assurance: Ensure adherence to insurance regulatory requirements, financial reporting standards, and corporation policies.
- Leveraging Technology and Data Analytics: Incorporate data analytics and automated tools into audit processes to improve efficiency and provide deeper insights.

Strategic Initiatives

The following initiatives will support the achievement of the strategic objectives:

- Risk-Based Auditing Approach: Follow a risk-based audit approach that aligns the audit plan with the corporation's risk profile and strategic priorities.
- Continuous Audit and Monitoring: Implement continuous auditing techniques to provide real-time assurance over key business processes.
- Stakeholder Engagement and Communication: Improve stakeholder communication through regular meetings, reports, and feedback sessions.
- Technology-Driven Audits: Utilize data analytics, automation, and other emerging technologies to enhance audit quality and coverage.
- Talent Development and Capacity Building: Invest in the audit team's skills and capabilities through training, certifications, and cross-functional exposure.

Approach

This Strategic Plan outlines our 2025 approach, priorities, and deliverables across the Office of Internal Audit's (OIA) three key functions: Internal Audit, Enterprise Risk Management, and Internal Control. Through this integrated approach, each function is aligned to support the organization's strategic imperatives, fostering a strong risk culture and enabling sustainable growth and operational resilience.

Over the past 12 months, the corporation has successfully stabilized its internal operations, aligned its enterprise portfolio of initiatives, and effectively reinforced its workforce and priorities



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to serve stakeholders amidst unprecedented growth. This effort has laid a solid foundation for the corporation to execute critical initiatives successfully and adapt to evolving challenges.

As we transition into 2025, the corporation will focus on three Strategic Imperatives to propel sustained growth and operational excellence:

- **Depopulation:** Promote depopulation strategies to reduce risk exposure and optimize access to private-market coverage for applicants and policyholders. This will enhance financial stability and support the corporation's commitment to sustainable market solutions.
- **Customer Experience:** Gain a deeper understanding of customer needs by soliciting feedback and measuring satisfaction. Efforts will be concentrated on enhancing service capabilities and touchpoints to deliver a streamlined and positive customer journey, driving overall satisfaction and loyalty.
- **Emergency Assessments:** Minimize the potential impact of emergency assessments on policyholders by mitigating associated risks. This includes reducing the likelihood, timing, and financial implications of these assessments to protect policyholders and preserve market stability across Florida.

To support these strategic imperatives, the corporation has prioritized three flagship initiatives and two critical initiatives that will be the focus throughout 2024 and 2025.

The flagship initiatives, which are key drivers in modernizing core business systems over the next six months, include:

- **Citizens Eligibility Re-imagined (CitRe):** A restructured eligibility process aimed at enhancing efficiency and customer access.
- **Enterprise Litigation Management Solution (ELMS):** A comprehensive solution for managing litigation effectively to reduce risk and operational costs.
- **Citizens Business Insurance Suite (CBIS):** An integrated platform designed to streamline business processes and improve service delivery.

In addition to these, two critical initiatives will support foundational capabilities:

- **Identity and Access Management: Identity Governance and Administration (IAM: IGA):** Strengthening identity management and governance to enhance security and compliance.
- **Unified Communication as a Service / Contact Center as a Service (UCaaS/CCaaS):** Modernizing communication platforms to improve internal collaboration and customer service.

The OIA is actively involved in these initiatives, providing assurance, advisory, and project services throughout 2024 and 2025. Our engagement will ensure these strategic efforts are effectively managed, risks are addressed, and deliverables are aligned with the corporation's objectives.

1. Internal Audit

Internal Audit follows a detailed annual planning process and prepares a themes-based audit plan, considering the possibility of dynamic risk fluctuations and process changes throughout the year. The audit plan continuously evolves to support our dynamic risk environment, focusing on current and emerging reputational, compliance, operational, information technology, and financial risks. Internal Audit "rebalances" audit activities to achieve the most



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significant impact in a rolling audit plan to ensure adequate focus on strategic issues and critical processes.

Internal Audit's primary objective is to determine whether the internal network of governance processes, risk/opportunity management, and internal control, as designed and represented by management, is adequate and functioning in a manner to ensure that:

- Risks/opportunities are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate and timely.
- Employee actions comply with policies, procedures, and applicable laws and regulations.
- Resources are sourced economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Significant legislative or regulatory issues affecting operations are recognized and addressed appropriately.

Audit Universe and Risk Assessment

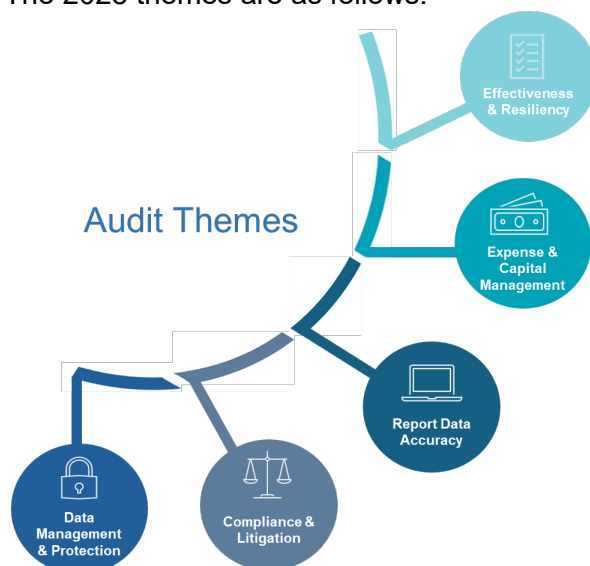
The Internal Audit function maintains an up-to-date audit universe that includes the corporation's important business processes, functions, and systems. A quarterly comprehensive risk assessment is conducted to identify and prioritize audit areas based on risk exposure, materiality, and potential impact on the corporation's objectives.

Audit Plan Development and Execution

The annual audit plan was developed based on our risk assessment results and Citizens' strategic priorities. The planned engagements include assurance, consulting, and special projects. The audit engagements will be executed with agility and adaptability, allowing for changes in the business environment, emerging risks, and regulatory requirements. The planned audit activities are bundled into audit themes to help us determine, consolidate, and provide high-level insights into potential 2025 audit focus areas.

Audit Themes

The 2025 themes are as follows:



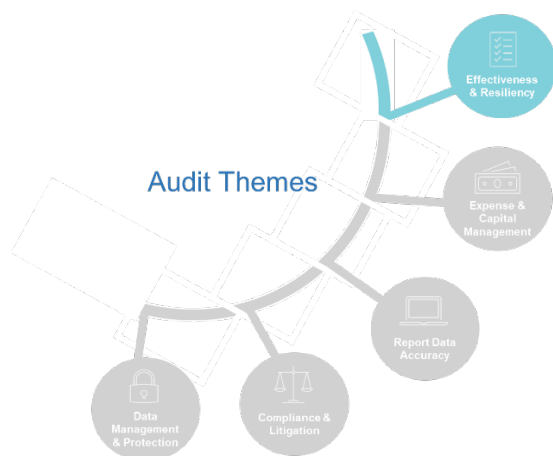
- Effectiveness and Resiliency
- Expense and Capital Management
- Reporting and Data Accuracy
- Compliance and Litigation
- Data Management and Protection



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Theme 1: Effectiveness and Resiliency

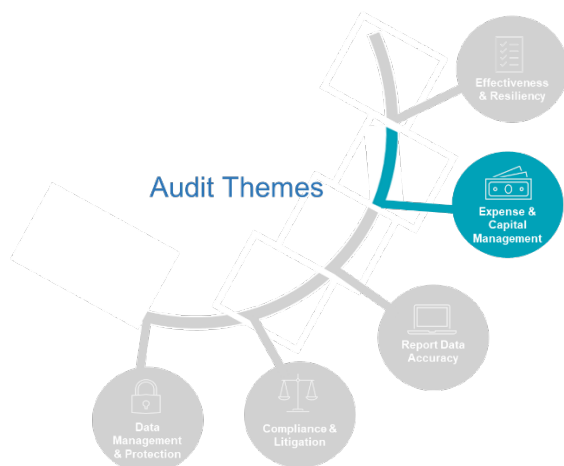
Traditionally, corporate effectiveness measures how successful an organization is in reaching the goals it set out to achieve. The right people, processes, and structure create efficacy and efficiency, meeting the corporation's strategic imperatives and initiatives. Various areas may contribute to corporate effectiveness, such as faster, leaner, and more cost-effective business processes, improved digital adoption, more efficient use of technology, management tools such as policies and procedures, and enhanced customer and employee experiences. Internal Audit will assess several significant business processes contributing to operational effectiveness and organizational resiliency.



- Agency Compliance
- Asset Management
- Automated Underwriting
- Policies with Outstanding Claims
- Print-Mail
- Procurement/Contracting Process
- Remittance Processing
- Risk Management Framework
- Talent Recruitment
- Third-Party Risk Management

Theme 2: Expense and Capital Management

Citizens continues developing and improving existing strategies, programs, and processes to reduce operating expenses and financial exposure. The organization remains focused on achieving a robust financial control environment and maintaining acceptable financial ratios. Internal Audit will assess several important business processes contributing to efficient financial planning, cost management, and reinsurance accounting.



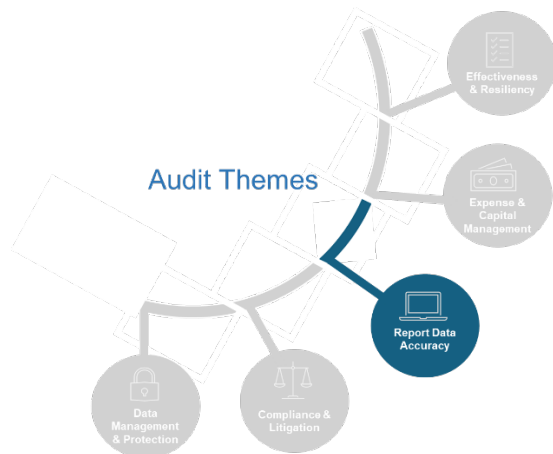
- Financial Planning and Analysis (FP&A)
- Reinsurance Model & System



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Theme 3: Reporting and Data Accuracy

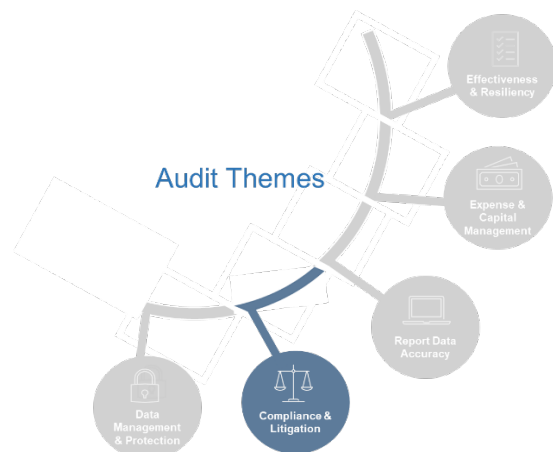
Analytics amass data and create reports for critical business decisions and metrics. As a result, a reliance on data being populated from many systems within the environment exists. Management must be confident of the completeness and accuracy of this data, which relies upon interfaces, batch jobs, and general IT controls to create appropriate and valuable metrics for decision-making. Internal Audit will provide assurance and advisory services to support these processes.



- Fraud Analytics
- On-Demand / Custom Reporting

Theme 4: Compliance and Litigation

The Florida legislative session each year produces several bills that may affect corporation business processes and systems. The corporation responds to these changes by ensuring that internal processes and procedures are adjusted to accommodate compliance with current regulations. 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. Additionally, the corporation has experienced a massive influx of litigated claims. It is focused on reducing claims litigation and enhancing litigation capabilities through developing and implementing innovative litigation and claims management practices. Internal Audit will provide assurance and advisory services to support the implementation of the processes and procedures.



- Division of Administrative Hearings (DOAH)
- Enterprise LRR Review
- Office of General Counsel
- Insurance Ops Legal Counsel (Triggers)

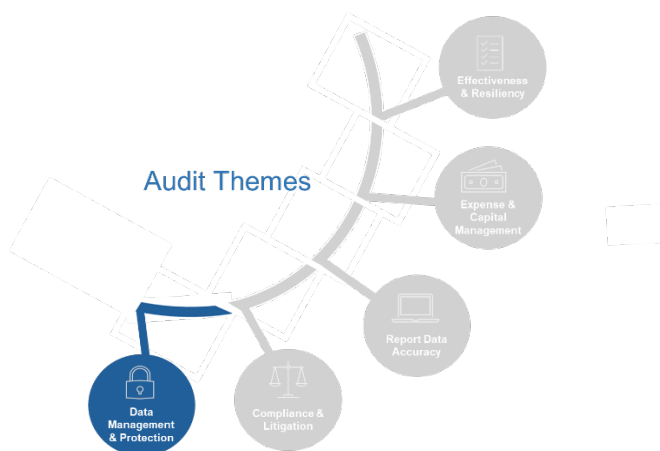


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Theme 5: Data Management and Protection

Citizens is changing how systems and services are delivered to employees and customers to improve productivity, eliminate the need to maintain excess capacity and related costs and meet rapid increases in demand. As the focus on flagship and critical initiatives is changing, applications currently residing on premises are being migrated to Software as a Service (SaaS) solutions, and several new products are being implemented for modernization and improved productivity. Internal Audit will participate in projects or perform audits to validate that appropriate controls remain in place as these changes occur.

Cybersecurity protects organizations' computer equipment and information from unintended or unauthorized access, change, or deletion. Data can be in many forms, including customer lists, customer and financial details in databases, paper documents, etc. A cyber-attack may cause economic losses and damage the corporation's reputation, so sound practices must be applied to protect data. IT Security and the Privacy Office continue to review and improve security and privacy policies, standards, and procedures to correspond with world events. Internal Audit will perform IT security audits due to the critical nature of controls and assess the adequacy of processes and controls. The Internal Audit function will provide assurance and advisory services to support the implementation of the methods and procedures to ensure systems security and data protection. Additionally, we will provide assurance services to opine on the effectiveness of IT General Controls for critical systems/applications.



- Backup & Recovery of Critical Applications
- CIS Segregation of Duties
- Citizens Business Insurance Suite (CBIS) Implementation
- CitRe Implementation
- Claims IA Invoice Solution
- Enterprise Litigation Management Solution (ELMS) Implementation
- Information Technology General Controls (ITGC)
- Software Asset Management
- System Integration

Management and Data Analysis

Occupational fraud is a universally recognized business risk, and Internal Audit has a statutory commitment to prevent, detect, and respond to fraud, abuse, and mismanagement. This commitment is fulfilled through fraud training and awareness, risk assessment, analytics, and targeted audits.

Data analysis supports integrating digital technologies into Internal Audit, Enterprise Risk, and Internal Control activities. In 2025, these integration efforts will be focused on:

- Consolidating our governance, processes, and data retention and reduction approaches.
- Strengthening our systems, infrastructure, and team.
- Expanding analysis and automation for data anomalies, internal control testing, risk monitoring, and audit execution.

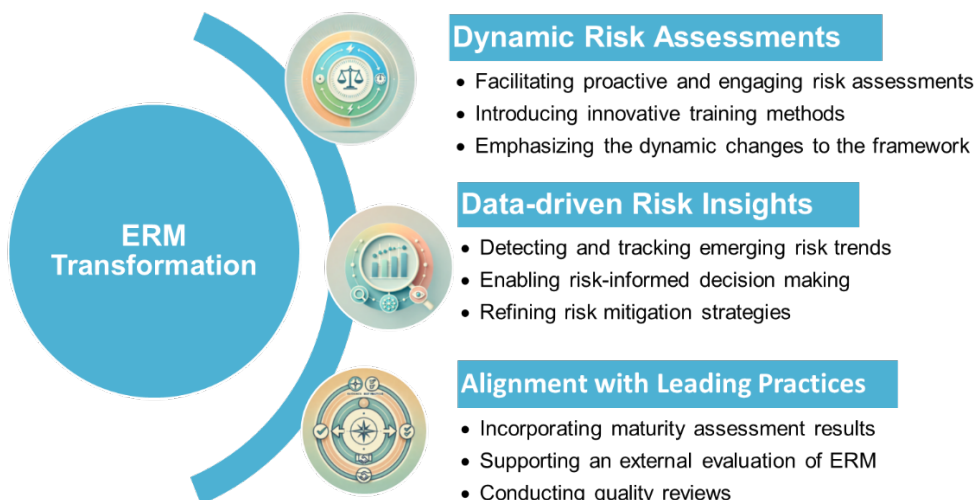


2. Enterprise Risk

The Enterprise Risk Management (ERM) Framework empowers the corporation to proactively identify, assess, manage, and mitigate risks that could hinder achieving strategic and operational goals. By adopting a dynamic and agile approach, the ERM Framework enhances the corporation's capacity to respond swiftly to emerging challenges, fostering resilience and supporting sustainable growth in an ever-changing business environment.

In 2025, the Enterprise Risk team will focus on three strategic priorities to enhance our dynamic risk governance and advance our commitment to effective risk management:

- **Dynamic Risk Assessment:** Implement a flexible and responsive risk identification, mitigation, and monitoring approach. This will enable the timely and proactive management of emerging risks, ensuring the corporation remains prepared for new threats and opportunities.
- **Data-driven Risk Insights:** Explore and expand key risk indicators (KRIs) and data analytics to gain deeper insights into risk trends, enhance real-time risk assessment, and improve decision-making. Integrating these tools will provide a more comprehensive and predictive view of potential risks.
- **Aligning with Leading Practices:** Continuously benchmark and align our ERM practices with the latest industry standards and leading risk management methodologies. By staying informed of evolving best practices, we will ensure that our risk management strategies are innovative and effective in supporting the corporation's objectives.



3. Internal Control

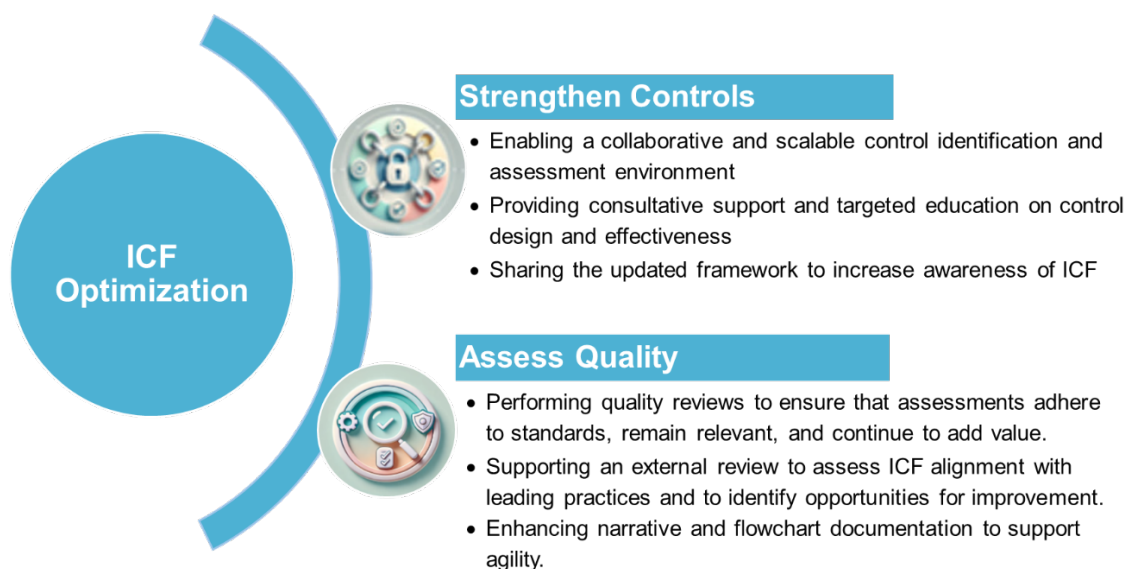
The Internal Control Framework (ICF) provides a dynamic and proactive structure to uphold a resilient internal control environment. This framework is designed to be highly adaptable, responding effectively to evolving processes, emerging risks, and control changes. Through the ICF, the corporation is equipped to enhance operational efficiency, promote financial integrity, and support continuous improvement across all business functions. Central to this approach is a comprehensive management control self-assessment process that ensures regular evaluation and improvement of control activities.



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For 2025, the Internal Control team will focus on two strategic themes to optimize the ICF, enhancing business value while ensuring alignment with the corporation's broader objectives. These priorities will be central to strengthening our control environment and driving continuous improvement:

- **Strengthen Controls:** Foster a collaborative and scalable approach to control identification and assessment. We aim to enhance the design and effectiveness of controls by providing consultative support, targeted training, and practical guidance to stakeholders. Additionally, we will promote awareness of the ICF by sharing updates and best practices across the corporation, ensuring a robust understanding and consistent application of controls.
- **Assess Quality:** Establish a rigorous and transparent process for control evaluation to drive an environment of continuous improvement. We will emphasize collaboration to enhance the quality of control assessments while providing targeted education on best practices for control design. The updated ICF framework will be communicated widely to ensure teams are well-informed and equipped to apply control standards effectively.



Reporting and Follow-Up

The OIA will regularly update the Audit Committee and senior management on the status of the audit plan, significant findings, and recommendations. Follow-up activities will ensure that agreed-upon actions are implemented effectively and promptly.

Performance Metrics and Continuous Improvement

Key performance indicators (KPIs) will be established to measure the OIA's efficiency, effectiveness, and impact. A culture of continuous improvement will be fostered, with regular reviews of audit methodologies, processes, and tools to ensure alignment with best practices and industry standards.



Appendix 1 - Overview of Identified Audit Engagements

The following table provides a detailed overview of Internal Audit's view of risk and the engagement objective.

Title	Audit Engagement Justification and Objective
Agency Compliance	<p>Risk Rationale: Agency Compliance is responsible for monitoring and auditing agent and support staff compliance with underwriting guidelines and standards, providing support to improve performance and documenting reasons for agent suspension or termination. In addition, new legislation requires agents to be appointed with at least three other carriers. The agent population has grown from approximately 7,500 to 10,885.</p> <p>Objective: The audit will assess the agent contract elements and evaluate the effectiveness of controls to ensure agents are abiding by the contract, following underwriting procedures, tracking licenses and appointments, data protection, and effectiveness of reducing agent compliance errors.</p>
Asset Management	<p>Risk Rationale: Citizens has physical assets, including computer hardware, furniture and fixtures, and fleet vehicles. An Asset Management audit is essential for risk management, compliance, cost optimization, accuracy, performance evaluation, data security, strategic planning, and stakeholder trust.</p> <p>Objective: Internal Audit will perform the audit to ensure the corporation's physical assets are effectively managed, protected, and optimized.</p>
Automated Underwriting	<p>Risk Rationale: Significant policy growth has affected the need to increase the number of policies processed through automated underwriting via straight-through processing of new business personal lines policies. Data quality or accuracy on new business submissions could affect the cost benefits of straight-through processing by increasing the need for physical inspections of the risks and manual post-inspection reviews.</p> <p>Objectives: The audit will follow and assess the auto UW process from application submission through AI risk assessment, auto underwriting analysis, premium calculation, policy issuance and review, and QI. In addition, the adequacy of the decision to auto-underwrite, the effectiveness of the auto-underwriting process, and the efficiency of the QI process will be evaluated to ensure that risk is underwritten within guidelines and risk tolerance.</p>
Backup & Recovery of Critical Applications	<p>Risk Rationale: As applications transition to cloud solutions to replace on-prem applications, backup and recovery requirements for business continuity will change and require new consideration. These procedures should be clear, and those charged with them should understand which parties are responsible for data backup and recovery.</p> <p>Objective: This engagement will evaluate backup and recovery procedures and controls to assess design and operating effectiveness. Additionally, it will consider the changing application landscape and what is being done to maintain clear lines of responsibility over data.</p>
Citizens' Business Insurance Suite	<p>Risk Rationale: The current Insurance Suite manages over a million policies and processes thousands of claims annually. Implementation of the</p>



Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
(CBIS) Implementation	<p>Insurance Suite upgrade started in 2024 and will be fully implemented by April 2025. Implementing CBIS requires significant planning and project governance to ensure the application supports future needs.</p> <p>Objective: Internal Audit will participate in the implementation project team and advise on processes, risks, and controls. It will also monitor the project management process to ensure effective and timely escalation and handling of project issues.</p>
CIS Segregation of Duties	<p>Risk Rationale: 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. Although access to information systems and data is limited to authorized users, specific user roles and system workflows may cause concerns about the segregation of duties. This occurs when one user has been granted two or more conflicting tasks, allowing for unauthorized activity.</p> <p>Objective: This engagement will evaluate the segregation of duties within the Citizens Insurance Suite application.</p>
Claims IA Invoice Solution	<p>Risk Rationale: In 2023, Claims implemented the VIP Software, a Software-as-a-Service (SaaS) solution to automate Independent Adjustor invoice processing and payment. Internal Audit monitored the implementation phase of the solution. In the past year, more than 57,000 invoices from over 30 primary and contingent adjusting firms have been processed through the software, making it an important application for Claims Vendor and System Management.</p> <p>Objective: This engagement will assess the IA invoice software solution and process to validate that adequate controls are in place to ensure invoice accuracy, proper approvals are present, and duplicate invoices are not paid.</p>
CitRe Implementation	<p>Risk Rationale: The Citizens Eligibility Reimagined system is an innovative approach to replacing the Clearinghouse with a comprehensive multi-platform solution. It will assist 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 the ability to validate a property as eligible before issuing or renewing a policy.</p> <p>Objective: Internal Audit will perform a post-implementation review of the CitRe software solution processes and controls to ensure that the requirements of the Clearinghouse statute are being fulfilled. This will include validating carrier offers above the 20% premium that prevents the policy from being issued and ensuring that the agents meet the documentation requirements.</p>
Division of Administrative Hearings (DOAH)	<p>Risk Rationale: A new endorsement for personal lines policies, offering an alternative dispute resolution (ADR) option, was incorporated. The endorsement allows the policyholder or the corporation to demand resolution through the Division of Administrative Hearings (DOAH). Claims Litigation has initiated the referral of cases for resolution through DOAH.</p>



Appendix 1 - Overview of Identified Audit Engagements

Title	Audit Engagement Justification and Objective
	<p>Objective: This engagement aims to evaluate the effectiveness, efficiency, and compliance of the process established to manage cases through DOAH to ensure it promotes the resolution of matters while reducing litigation and its associated costs.</p>
Enterprise Litigation Management Solution (ELMS) Implementation	<p>Risk Rationale: The new Litigation Management System will be implemented in Q2 2025. Internal Audit has been part of the project team, providing advice on processes, risks, and controls during the implementation of the Enterprise Litigation Management System (ELMS). The ELMS is a web-based system used by internal claims litigation, claims legal services and external stakeholders to manage litigated claims and associated litigation billing. The successful implementation of this new application is critical to managing defense counsel work and expenses.</p> <p>Objective: Internal Audit will participate on the project team, provide process, risk, and controls advice for implementation, and monitor the project management process to ensure effective and timely escalation and handling of project issues.</p>
Enterprise LRR Review	<p>Risk Rationale: The Compliance team tracks all laws, rules, and regulations (LRRs) the corporation needs to comply with at the state and federal levels. Compliance has developed this tracking process and annual self-attestation by the business units.</p> <p>Objective: The engagement will ensure that effective and efficient controls are in place and working as intended through substantive testing of the highest-risk LRRs.</p>
Financial Planning and Analysis (FP&A)	<p>Risk Rationale: In 2019, the corporation adopted a continuous budgeting model. Continuous budgeting and strategic forecasting are critical for a clear understanding and communication of financial expectations, allowing for strategic decisions and resource allocation adjustments in response to changing conditions.</p> <p>Objective: To evaluate the FP&A process for selected business units. Identify procedures, controls and protocols for developing, setting, and managing annual operating budgets.</p>
Fraud Analytics	<p>Risk Rationale: Individuals and organized crime groups significantly affect claims fraud. FRISS, a fraud analytics software program, is being implemented to enhance fraud-fighting efforts by delivering a higher volume of potentially fraudulent claims cases to increase the speed of detection and investigation. The application uses real-time predictive analytic logic through advanced data modeling techniques and algorithms.</p> <p>Objective: The engagement will evaluate the new FRISS software's effectiveness and the quality of the system-generated referrals to identify fraud rings within the claims environment.</p>
Information Technology General Controls (ITGC)	<p>Risk Rationale: Critical business processes such as period-end financial reporting, vendor management, and policy management rely on applications to function appropriately. Specifically, appropriate IT General</p>



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	<p>Controls must be in place to ensure the continued operating effectiveness of these business processes.</p> <p>Objective: This engagement will evaluate IT General Controls' design and operating effectiveness within Centerpoint (Oracle Cloud) and Guidewire.</p>
Insurance Ops Legal Counsel	<p>Risk Rationale: The Insurance Operations Legal Counsel, part of the Office of the General Counsel, provides legal services and advice related to claims, claims litigation, and underwriting. The unit's attorneys participate in conferences on specific issues set under guidelines or generated through submitting a referral form. They manage and advise on all legal matters in collaboration with examiners and outside counsel and develop strategies for handling them.</p> <p>Objective: This engagement will assess the efficiency of legal services, including the adequacy of the current process for managing assignments, as well as the quality of and satisfaction with advice provided to ensure the risk in legal matters is minimized in a timely and cost-efficient manner.</p>
Office of General Counsel	<p>Risk Rationale: The Office of General Counsel (OGC) is responsible for Corporate Compliance, Ethics, Privacy, IT Security & Risk, Insurance Operations Legal Counsel, In-House Litigation, and Corporate Legal. Given the OGC's role in providing legal advice across many areas of the organization and overseeing legal matters, there is an inherent risk of conflicts of interest, compliance breaches, and legal mismanagement. Internal Audit has been requested to perform and advisory for the Office of General Counsel.</p> <p>Objective: An advisory will help identify gaps in legal practices, ensure adherence to regulations, and maintain the integrity of legal processes. Additionally, the advisory will provide assurance that the OGC is operating efficiently and in alignment with organizational policies and legal standards, ultimately protecting the organization's reputation and minimizing legal risks.</p>
On-Demand / Custom Reporting	<p>Risk Rationale: Analytics amass data and create reports for critical business decisions and metrics. As a result, there is a reliance on data being populated from many systems within the environment. Business management must be comfortable with the completeness and accuracy of this data, which relies upon interfaces, batch jobs, and general IT controls to create appropriate and valuable metrics for decision-making.</p>
Policies with Outstanding Claims	<p>Rationale: Senate Bill 7052 prohibits carriers from canceling or non-renewing policies if an open claim or repairs haven't been made, restricting the ability to take any adverse action. If a claim is reopened, the corporation may keep risks on the book of policies that would generally be ineligible.</p> <p>Objective: The audit will evaluate the adequacy of underwriting controls to ensure compliance with Senate Bill 7052 and prevent policies with an open claim or repairs that have yet to be made from being canceled or non-renewed.</p>



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Title	Audit Engagement Justification and Objective
Print-Mail	<p>Risk Rationale: In 2023, management discovered that a print vendor had improperly invoiced the print jobs in their backlog file. As a result, management contracted with three new print vendors and updated vendor invoicing and monitoring processes based on Internal Audit and consultant recommendations. Internal Audit reviewed the process and documents to close the observation.</p> <p>Objective: The engagement will validate that the implemented invoicing and monitoring controls and processes are working as intended so that we only pay for what has been printed and can monitor print vendors closely to determine if any backlogs exist daily.</p>
Privacy	<p>Risk Rationale: As management navigates an increasingly complex technical and non-technical environment, controls, procedures, and authority within the privacy group have become increasingly critical to successful business operations. Given the complex landscape and the use of new cloud, AI, and other solutions, the company must continuously evaluate and monitor the effectiveness of the privacy function.</p> <p>Objective: The engagement will focus on the privacy program, assess maturity related to NIST CSF, and provide insights into best practices.</p>
Procurement/ Contracting Process	<p>Risk Rationale: Citizens relies on vendors to support daily ongoing operations. Citizens maintain an open, competitive procurement process that provides fair and equitable treatment of all persons seeking to provide commodities or contractual services. The Vendor Management & Purchasing Department manages the solicitation and contracting process.</p> <p>Objective: The engagement will focus on the procurement and contracting processes, assessing practice against required regulations and reviewing opportunities to improve efficiency.</p>
Risk Management Framework	<p>Risk Rationale: Enterprise Risk (ER) plays a crucial role by providing a structured approach to assist management in identifying, assessing, and managing strategic, operational and scenario risks across the corporation. An ineffective risk management framework increases the likelihood of unmitigated risks causing financial, operational, or reputational harm.</p> <p>Objective: To evaluate the adequacy and effectiveness of the risk management framework to ensure a structured approach is used to support risk identification and mitigation management.</p>
Regulatory Support (OIR Market Conduct Exam)	<p>Risk Rationale: Internal Audit, in its liaison role, is responsible for coordinating with the State of Florida Office of Insurance Regulation, which commenced the biennial operational audit. The audit is expected to be completed by February 1, 2025. Most coordination efforts constitute meeting planning, information request tracking and delivery, and ensuring the examiners/auditors receive the correct information on time.</p> <p>Objective: To coordinate the regulatory audit across the corporation.</p>
Reinsurance Model & System	<p>Risk Rationale: Traditional reinsurance is a historically proven financial tool that helps the corporation manage significant and difficult-to-predict</p>



Appendix 1 - Overview of Identified Audit Engagements

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	<p>financial impacts by transferring losses to other corporations, freeing up capital or providing additional stability to manage potential shocks. Hurricane Ian devastated several counties in Florida in September 2022, initiating substantial reinsurance recoveries. A reinsurance application has been purchased and will be implemented in 2025. The application is needed to automate the tracking of progress and payment claims submitted to reinsurance companies, which can last five years before commutation occurs.</p> <p>Objective: Review and assess controls and procedures utilized in the reinsurance process. Additionally, OIA will focus on new system functionality and utilization.</p>
Remittance Processing	<p>Risk Rationale: Remittance processing manages the receipt and processing of premium payments, which are critical to the policyholders' and the corporation's financial well-being. With the significant increase in policy growth over the past few years, payments have increased by 140%, leading to elevated risk.</p> <p>Objective: Internal Audit will evaluate the automated functionality implemented within the remittance processing system to establish controls' design and operating effectiveness and ensure continued appropriate function.</p>
Software Asset Management	<p>Risk Rationale: Accurate management of the many different types of software assets, including disposal, can be challenging due to several factors, such as inaccurate data, changing demand, limited visibility, and licensing agreements.</p> <p>Objective: This engagement will review the management of applications/system assets to assess the controls and processes for procuring, implementing, maintaining, and disposing of information assets. This will include consideration of using high-risk critical systems to their full potential and functionality.</p>
System Integration	<p>Risk Rationale: 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 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.</p>



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Title	Audit Engagement Justification and Objective
Talent Recruitment	<p>Risk Rationale: Increasing retirement-eligible workforce and employment market conditions may negatively impact the corporation's stability, culture, reputation, high levels of employee engagement, and the ability to attract, retain and develop employees</p> <p>Objective: The engagement will assess the corporation's ability to recruit talent for hard-to-fill positions. Additionally, it will evaluate the corporation's relationships with and use of recruitment firms (cost management, effectiveness, filled positions, etc.).</p>
Third-Party Risk Management (TPRM)	<p>Risk Rationale: Many vendors are relied upon to support our flexible business model, so managing third-party risk (TPRM) effectively is imperative. Poor oversight over vendors exposes the corporation to cybersecurity, compliance, and operational failure risks. Conducting thorough and regular audits of TPRM programs is essential for maintaining a robust risk management framework and ensuring the corporation's long-term success and sustainability.</p> <p>Objective: The engagement will validate how critical vendors are managed to mitigate these risks and maintain secure, compliant, resilient operational support.</p>



Appendix 2 – OIA’s View of Citizens’ Process Universe

Administrative Services

Agency & Market Services

- Agency Management
- Clearinghouse Operations
- Depopulation Operations
- FMAP

Facilities Management

Consumer & Policy Services

- Citizens Insurance Services
- Consumer & Policy Services Quality
- Customer Care Center
- Customer Correspondence
- Policy Services
- Workforce Management

Human Resources

- Compensation
- Employee Benefits
- HR Information Management
- Learning & Org. Development
- Payroll
- Talent Experience

Communications, Legislative & External Affairs

Communications

- Corporate Communications
- Digital Communications

Communications

- Insurance Technical Communications

Legislative & Cabinet Affairs

Financial Services

Accounting

- Accounts Payable
- Claims Accounting & Disbursements
- Commissions Payments & Accounting
- Depop. Billing, Settlements & Accounting
- Unclaimed Property Accounting

Actuarial

- Loss Reserve Development IBNR
- Rate Development Actuarial

Corporate Analytics

Financial Services Compliance

- OFAC

Financial Planning & Analysis

- Budgeting
- Forecasting

Investments

- Cash Management & Treasury
- Investment Accounting
- Investments Mgmt. & Compliance
- Pre- & Post-Event Liquidity Bond Financing

Period End Financial Reporting

- Financial Close
- Financial Statements

Premiums

- Premium Accounting
- Premium Invoicing, Refunds & Suspense
- Premium Remittance Processing

Reinsurance

- Reinsurance Servicing & Accounting
- Risk Transfer Strategy & Execution

Vendor Management & Purchasing

- Purchasing
- Software Asset Management
- Vendor Management

Information Technology

App. Access & Security Controls

- Admin. Activity Logging & Monitoring
- Application Access
- User Access Review

Change/Configuration Management

- IT Change & Release Management

Computer Operations

- Batch Job Processing
- Job Scheduler Access

Cybersecurity

- Attack & Penetration Testing
- Backup & Recovery
- Data Governance
- Patching & Vulnerability Mgmt.

Program Development

- IT Application Delivery
- IT Application Development
- IT Application Quality Assurance

Infrastructure & Operations

- Incident & Problem Mgmt.
- Network Infrastructure Mgmt.
- Physical Access to Assets

Entity Level Controls

- Enterprise Business Solutions
- IT Asset Management
- IT Budget & Spend
- IT Governance

Insurance Operations

Claims

- Catastrophe Planning, Testing & Coordination
- Claims Legal Billing
- Claims Litigation
- Claims Operations
- Claims Quality

Claims

- Claims Vendor Management
- Special Investigative Unit
- Underwriting
- Commercial Lines Underwriting
- Personal Lines Underwriting
- Underwriting Quality Improvement

Product Development

- Product Development & Rate Implementation
- Product Development – Applications, Forms & Rules

Office of the General Counsel

Corporate Services

- Corporate Insurance
- Corporate Legal
- Records Management

Insurance Ops Legal Counsel

Ethics & Compliance

- Compliance
- Ethics

Privacy

Entity Level Controls

- IT Security & Risk
- Enterprise Resiliency

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