CITIZENS
PROPERTY INSURANCE CORPORATION

The Office of the Internal Auditor 2017 Audit Strategy and Plan

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1. Introduction

This document serves as the Office of the Internal Auditor's (OIA) 2017 Audit Strategy and Plan (Plan) for Citizens Property Insurance Corporation (Citizens). The contents of this document have been shared with executive management and further address:

- Audit focus areas
- Plan analysis and areas not covered by the audit plan
- Service delivery and assurance
- Staffing and budgets
- Challenges

The 2017 Audit Strategy and Plan are presented to the Audit Committee for consideration and approval.

2. Executive Summary

The mission of the Citizens' OIA is to provide an independent, objective assurance and consulting activity designed to add value and improve Citizens' operations.

2.1. Background on Citizens Property Insurance Corporation

Citizens operates according to statutory requirements created by the Florida Legislature and a Plan of Operation approved by the Florida Financial Services Commission. In essence, Citizens was formed to provide affordable property insurance to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so (i.e. the insurer of last resort). The corporation is subject to operational reviews and examinations by the Florida Office of Insurance Regulation and the Florida Auditor General, and its financial statements are a major component unit of the Florida Comprehensive Annual Financial Report. Citizens has offices in Tallahassee, Jacksonville and Tampa.

2.2. Audit approach

In support of its mission, OIA's strategic focus is to support Citizens in the achievement of its goals and ultimately, to provide independent and objective assurance over the organization's internal control environment to the Audit Committee, Board of Governors and Management. The objective of this Plan is to provide the most timely and comprehensive scope of audit coverage to Citizens by using resources available to the OIA. Since it is impractical to provide audit coverage to the entire corporation on an annual basis, we performed a review of the audit universe and prioritized efforts consistent for risks with the highest likelihood and impact. As part of the analysis, we also determined the best type of service to address each set of risks and circumstances.

Further explanation and additional detail of the process used in developing the Audit Plan is included in the subsequent pages of this document.

2.3. Audit plan & process

OIA follows a detailed annual planning process, which is regularly revisited throughout the year, and adjusted to accommodate for changes in the organization's risk/opportunity profile.

- *Defining the audit universe*
  In determining the corporation's audit universe (or range of all audit activities), we assessed potential auditable entities. These entities included a range of programs, activities, functions, structures and initiatives, which collectively contribute to the achievement of Citizens' strategic objectives. For 2017, Citizens' strategic goals are to:

  - Operate as an efficient residual market
  - Ensure a strong financial operating environment
  - Operate a streamlined, scalable and customer-focused organization
  - Protect the public interest and maintain the integrity of the Corporation
  - Identify, educate and effectively communicate with internal and external stakeholders

    (See Appendix 1 for description of Citizens Strategic Objectives)

- *Prioritizing work to be performed by Internal Audit*
  The primary responsibility of the OIA is to determine whether Citizens' network of risk/opportunity management, internal control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure that:

  - Risks/opportunities are appropriately identified and managed.
  - Interaction with the various governance groups occurs, as needed.
  - Significant financial, managerial, and operating information is accurate, reliable and timely.
  - Employees' actions comply with policies, standards, procedures and applicable laws and regulations.
  - Resources are acquired economically, used efficiently, and protected adequately.
  - Programs, plans and objectives are achieved.
  - Quality and continuous improvement are fostered in Citizens' control process.
  - Significant legislative or regulatory issues affecting Citizens are recognized and addressed appropriately

Prioritizing the units to be reviewed or audited was based on the relative risks/opportunities associated with each of them. Risk factors considered while reviewing the units in the Universe included:

- o Control Environment
- o Business Exposure
- o Compliance Requirements
- o Reputational / Image Factor
- o Organizational Change or Growth
- o Management and Internal Audit Discretion

- *Determining the types of services to be performed*
  Following the completion of a detailed analysis of the Corporation's strategic goals and objectives, management's concerns and OIA's risk assessment, OIA determined and planned audit activities to provide coverage. Engagements carried out by OIA can take many forms. OIA realizes that pure assurance activities are not the only solution to accomplish our goals and offers other services to add value to the company. These alternative activities include, but are not limited to:

  - o Consulting & Advisory Services - advisory services providing risk management, internal control, financial planning, or any other type of consultation
  - o Project Audits/Special Projects - advisory services providing management with bandwidth to accomplish a specific objective while utilizing an independent, objective resource
  - o Compliance Audits - advisory or audit support services to external auditors or regulators
  - o Forensic Audits - assurance activity with a narrower scope, usually expanding the focus of an internal investigation or suspected risk related to fraud, waste and/or abuse
  - o Investigations - research and validation activities support various constituents in the process of determining the legitimacy of a reported suspicion by providing independent, objective financial and process related expertise
  - o Training/Education - detailed training aimed at educating management, employees and associated third parties on risk, control, process and financial related matters, and
  - o Risk Assessments - activities to assess, identify, and highlight current and emerging risks that may affect the Company.

- *Coordination with other Assurance Providers*
  In developing this audit plan and approach, OIA consulted with other internal and external assurance providers to ensure that 2017 operational plans support or complement the audit plan including Citizens' Inspector General. This ensures duplication of work is minimized. The audit schedule has been shared with the external auditors, Dixon Hughes Goodman. We will continue our discussion with the external auditors as the year progresses and adjust the plan, where appropriate, in order to provide them the opportunity to rely on OIAs work product.

3. OIA Mandate

The purpose, authority, and responsibility of the OIA are formally defined in the internal audit charter. This charter is consistent with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing as defined by the Institute of Internal Auditors. The Chief of Internal Audit annually reviews the audit charter and presents it to senior management and the board for approval.

3.1. Duties and Responsibilities

In accordance with Section 627.351(6)(i) Florida Statutes, it is the duty and responsibility of Internal Audit to:

- Provide direction for the OIA including supervising, conducting and coordinating audits, investigations and management reviews relating to Citizens' programs and operations.
- Conduct, supervise or coordinate other activities carried out or financed by Citizens for promoting efficiency in the administration of, or prevention and detection of, fraud, abuse and mismanagement in its programs and operations.
- Submit final audit reports, reviews or investigative reports to the Board, the Executive Director, the members of the Financial Services Commission, the President of the Senate and the Speaker of the House of Representatives.
- Keep the Board informed concerning fraud, abuses and internal control deficiencies relating to programs and operations administered or financed by Citizens; make recommendations for corrective action; and report on the progress made in implementing corrective action.
- Cooperate and coordinate activities with the corporation's inspector general.

In addition, the Audit Committee approved a Charter for OIA, which further clarifies its role and responsibilities.

3.2. Standards of Audit Practice

In addition to the requirements specified by Section 627.351(6)(i) Florida Statutes, OIA elected to follow the International Standards for the Professional Practice of Internal Auditing for all engagements.
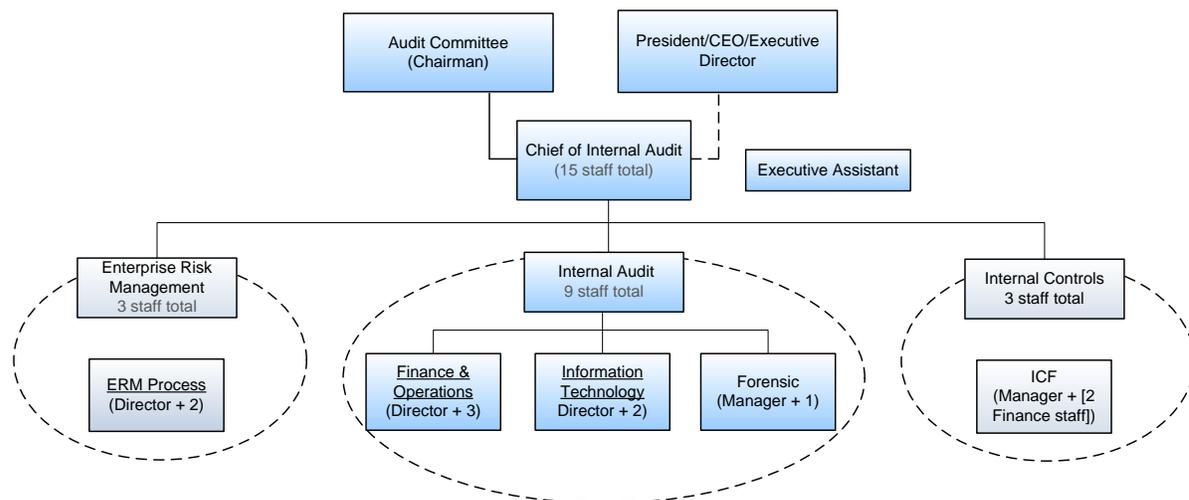
The OIA further uses accepted industry frameworks for guidance when conducting audits. These include the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework for financial/operations/compliance audits; the Control Objectives for Information and related Technology (COBIT), the Information Technology Governance Institute (ITGI), the National Institute of Standards and Technology (NIST) and Information Technology Infrastructure Library (ITIL) when conducting technology audits.

4. Organization and Administration

The Chief of Internal Audit was appointed by the Audit Committee, a committee of the Board of Governors, and reports directly to and is under the general supervision of the Audit Committee. Under the guidance of the Committee and in support of Citizens' management, the Chief of Internal Audit established a team of audit professionals to provide assurance and consulting activity, which is designed to add value and improve the corporation's operations.

The Office of the Internal Auditor Organization Chart

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┌────────────────────┐        ┌────────────────────┐
│  Audit Committee   │        │ President/CEO/      │
│   (Chairman)       │        │ Executive Director  │
└────────┬───────────┘        └─────────┬──────────┘
         │                              ┊
   ┌─────────────────────┐             ┊
   │ Chief of Internal   │┄┄┄┄┄┄┄┄┄┄┄┄┄┄
   │ Audit               │      ┌────────────────────┐
   │ (15 staff total)    │      │ Executive Assistant│
   └─────────────────────┘      └────────────────────┘
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Enterprise Risk Management 3 staff total	Internal Audit 9 staff total	Internal Controls 3 staff total
ERM Process (Director + 2)	Finance & Operations (Director + 3) / Information Technology Director + 2 / Forensic (Manager + 1)	ICF (Manager + [2 Finance staff])

The organogram above depicts the span of responsibilities combined under the Chief of Internal Audit. Apart from the Office of Internal Audit the Chief also has responsibility for the management of Enterprise Risk Management and the roll-out of Citizens Internal Control Framework. Within its mission statement the OIA is to accomplish its objectives by bringing a systemic disciplined approach to improve the effectiveness of governance, risk management, and internal control processes. Benefits from combining these functions include reducing the span of control necessary to manage them individually; improve efficiency and synergies from having all expertise related to assurance, governance, risk, and internal control under one umbrella; a more holistic approach on risk and control activities driven by one shared vision; and the vision and strategy is executed by a group of professionals with a similar mindset as well as complementary competencies.

When combining internal audit and other assurance functions it is important that there is full transparency regarding the considerations involved in formalizing the organization's assurance model. This is important not only to ensure compliance with the international standards for the professional practice of internal auditing, but also to ensure the full support and commitment of senior management and the Audit Committee in order to remain true value-adding business partners.

5. Audit Strategy

OIA aligned the 2017 audit strategy with Citizens' strategic objectives and goals utilizing information derived from OIA's annual enterprise risk assessment and consultation with management. Additionally, OIA assesses risk at operational levels and performs detailed risk assessments on specific risks (i.e., occupational fraud, information technology, finance/operations) to understand their likelihood and impact on the organization. This information is aggregated, allowing OIA to identify the risks that have the highest impact and likelihood of occurrence to affect the company from achieving its' strategic goals and objectives. This "Top Down" approach allows for the proper alignment of audit activities to provide assurance and mitigate risk within the organization at the enterprise and process levels.

5.1. OIA Mission

Our mission is to provide *independent, objective assurance and consulting services* designed to add value and improve Citizens' operations. OIA helps Citizens accomplish its objectives by bringing a systematic, disciplined approach to improve the effectiveness of governance, risk management and internal control processes.

5.2. OIA Vision

We are *innovative drivers for positive change* recognized for delivering excellence while striving to be the most trusted and respected service organization in Citizens.

5.3. OIA Values

In support of OIA's mission and aligned with Citizens values we adopted:

- Forward Thinking: We provide excellence by being insightful, proactive, and future focused.

- Teamwork: We are a solidified team that works together cooperatively and efficiently.

- Trusted and Respected: We embrace the highest level of integrity and treat all people with dignity and respect.

- Professional and Courteous: We respectfully follow the standards for professional practice of IA while being polite and courteous to others.

- Responsive to Risk and Customers: We will understand the changing assurance needs of Citizens and respond by being flexible in our planning and delivery.

- Fair and Balanced: We provide unbiased, balanced, and practical solutions.

6. Audit Approach and Plan for 2017

Following the completion of a detailed analysis of the corporation, including an understanding of the organization's strategic direction and associated strategic objectives, an analysis of the organization's top business risks and its potential impact upon the audit universe, the OIA identified its audit priorities for 2017.

It should be noted that this plan is flexible and changes as the risk profile of the organization changes. This flexibility allows for realignment of audit focus to areas or issues of most importance.

6.1. Finance and Operations

Our audit plan for Finance and Operations is focused on core business areas and support functions with generally higher levels of risk, and include the following:

Underwriting

Since 2014 the Underwriting function went through some major change initiatives. The policy center implementation (completed in December 2014) was followed by system stability and functionality challenges which were methodically addressed through numerous system fixes and updates. In addition, the underwriting function was realigned and split between the Consumer and Agent Services (CAS) and Corporate Risk Management divisions to ensure alignment with the existing and future strategic initiatives. The new teams were embedded within the separate divisions with the expectation that the management team would continue to review the organization and functions to ensure they were aligned strategically and operating in an efficient manner.

After evaluating the realignment over the last year, it was assessed that Underwriting, as a function, could operate more efficiently and effectively as one and the different units were consolidated under Underwriting and Agency Services.

Citizens utilizes an automated underwriting process for policies deemed low risk or noncomplex when assessed for risk and insurability. In 2016, the percentage of policies processed through automated underwriting increased from 18% to 40% (with adjustments to the process criteria) and is forecasted to increase to 80% (with further process adjustments). Much of these changes moves validation of certain criteria to the backend of the process for review where Citizens has the ability to cancel the policy or increase the rate if appropriate documentation has not been submitted.

The call center operation has gone through minor process improvements and is considered by management to be operating efficiently. This function provides an important interface with customers and has not been audited in the recent past.

Claims

The claims function has, over the past year gone through a number of restructuring events and a few process improvement initiatives. These changes resulted in the first instance in a more streamlined and effective operation but has created some challenges in respect of management's span of control.

For the first time in 11 years, Florida was impacted by two hurricanes (Hermine and Matthew). Claims activated the CAT plan and identified opportunities to further enhance the plan. Non-weather water losses continue to be a key driver of both claims volumes and incoming lawsuits. In 2016, lawsuits from the tri-county area increased 30% over the previous year and there was a 200% increase in assignment of benefits. The claims department continue to develop and implement strategies to address these matters.

The Acuity litigation vendor software solution, which is utilized to manage litigated claims, went through a number of system enhancements and was integrated with ClaimCenter. The integration allows key information to be shared between the two systems to improve data quality and increase efficiency for claim matter set up.

In 2016, the Claims Governance team revised and combined the best practices and estimating guidelines and aligned these with claims quality measures. The claims quality assurance program continues to evolve and the administrative system solution (Inpoint, a vendor hosted SaaS product) is now fully operational and is utilized to measure, monitor, and manage the claims quality assurance progress.

The managed repair program, which has been under development during the latter part of the year, is scheduled for implementation during March 2017.

OIA 2017 audit work will focus on the evaluation of control structures created to manage key processes and initiatives related to claims payments, validation of claims adjuster resources in the event of a CAT, Acuity and ClaimCenter integration, and the managed repair program.

Corporate Risk

Corporate Risk is comprised of three areas which include Actuarial Services, Corporate Analytics, and Product Development.

Corporate Analytics focus areas includes Catastrophe Modeling, Forecasting and Research, Geographic Information Systems and Reporting/Analytics. *Catastrophe modeling* is used to estimate Citizens' exposure to hurricane risk, a critical element in ratemaking, reserve review, liquidity and claims paying analyses, risk transfer decisions, legislative inquiries, and projecting live hurricane losses. *Forecasting and research* supports strategic planning, budgeting, and risk transfer programming for

Citizens. *Geographic Information Systems* harnesses geographical and demographic data for a variety of purposes, including hurricane response during and after a storm. Finally, the *Reporting/Analytics* team provides critical data that helps senior executives inform Citizens stakeholders, including the Florida Legislature and Cabinet, as they make critical decisions regarding Citizens' role.

Product Development has primary responsibility for continuous evaluation of products offered in the private market to ensure that Citizens maintains its role as the insurer of last resort and optimizes access to private market coverage for policyholders. This department publishes weekly summaries of insurer rate, rule and form filings and quarterly market reports informing Citizens Management about the health and priorities of the private market. Product Development is also responsible for filing and administering implementation of all Citizens rate, rule, and form changes for over a dozen insurance product lines.

Actuarial Services' primary responsibilities are rate making and loss reserving. Rate making includes the determining of the actuarial sound rate levels for each product, and, where appropriate, file these results with the Florida Office of Insurance Regulation (OIR). Rate making is performed at least annual for all lines of business. Loss reserving involves the evaluation of various segments of business and determining the proper amount of additional funds that need to be put aside to pay for future claims losses on past events, which is performed quarterly.

Finance and Accounting

Finance and accounting is focused on designing and implementing an integrated enterprise resource planning (ERP) system (referred to as Centerpoint), which will strengthen real time general ledger accounting and improve the purchasing process. The Oracle Fusion Cloud Service, an ERP solution, was purchased early in 2016 and is currently being implemented. Specific process areas impacted by this implementation includes human resources, accounting, purchasing, and vendor management. Expected benefits of an integrated solution include a single system of record, automated workflows, consolidated views, improved expense management and replacement of multiple existing applications over time. A phased approach for implementation of multiple Oracle Fusion Cloud Service modules began in August of 2016. Go live dates are planned for April 2017 through January 2018.

Citizens, as the insurance provider of last resort for the state of Florida, is entrusted with public funds through the insurance premiums it collects and the annual financial planning and analysis process and ongoing income and expense management is an important element in the protection of assets and the management of cost. Our work in 2016 focused on Citizens financial and operational planning through an effective financial

planning and analysis process as well as review of the robust reinsurance program. For 2017 we will continue to provide advisory services with focus on the Centerpoint Project thereby ensuring that appropriate controls are in place throughout the ERP implementation. We will also provide guidance in respect of industry use of expense ratios and analysis.

Human Resources

In 2017 Citizens will transition from a fully insured medical and prescription benefits program to a self-funded medical plan. This health care funding arrangement holds certain financial and strategic advantages, such as containing future health care cost increases for both Citizens and our employees as well as the potential to reduce administrative costs. In a self-funded plan, the employer assumes responsibility for reserving and paying claims expenses. OIA audit work will focus on evaluating the adequacy and effectiveness of the controls in place related to managing a self-funded plan including reserving and paying claim expenses and adhering to regulatory requirements.

Recruiting is an integral part of ensuring that Citizens attracts and retains dedicated, qualified staff. OIA will assist management by providing an evaluation of current recruiting practices against industry guidance and best practice and assess the efficiency of employed practices employed which ensures that the most qualified candidates are sourced. We will further support the function by providing guidance and support on designed changes to the program.

Specific engagements included in the plan are:

Resource Allocation (Fin/Ops)	Hours

Audit Engagements
 	
Underwriting and Agency Services:
    (1) Automated Underwriting - 300hrs (Q2)
    (2) Call Center - 350hrs (Q4)
 	
Claims:
    (3) Legal Billing and Litigation Vendor Management - 350hrs (Q1)
    (4) Claims Payment Process - 350hrs (Q4)
    (5) Vendor Management (Managed Repair Program) - 350hrs (Q3)
    (6) Acuity System Functionality - 350hrs (Q3)
 	
Accounting & Finance:
    (7) Centerpoint Project Monitoring - 400hrs (Quarterly Progress)
 	
Legal:
	3450

(8) Procurement - 350hrs (Q1) Human Resources: (9) Self-Funded Benefit Plan - 350hrs (Q2)	

Advisory Engagements
 	
   (10) Claims Adjuster Resource Validation- 300hrs (Q2)
   (11) Recruiting Practices - 300hrs (Q1)
   (12) Water Claims Handling - 130hrs (Q1)
   (13) Expense Ratio Analysis Benchmarking - 120hrs (Q1)
   (14) Self-Service Strategy - 80hrs (Q1)
   (15) IA Authority Limits - 80hrs (Q2)
   (16) Non-automated Personal Lines Underwriting - 80hrs (Q3)
   (17) FMAP - 80hrs (Q4)
   (18) Agency Quality Assurance - 80hrs (Q4)
   (19) VMO Process - 50hrs (Q4)
	1000

TOTAL:	4450

(*See Appendix 4 for an overview of the planned Fin/Ops audits*)

6.2. Information Systems and Technology

The IT audit plan was developed using the standard risk based approach including discussions with all levels of IT management as well as industry research related to executive views of top risks and emerging technologies. Aligned with our collaborative audit approach, the 2017 plan provides for consultative auditing that provides assurance through an assessment of current practices against industry standards and practice.

There are many security challenges that confront the industry as corporations strive to protect their IT assets. The convergence of cyber risks and IT strategic priorities brought forward some opportunities to provide assurance and consulting services in two areas. Managing cyber risks includes vulnerability management and network security. We will review vulnerability management processes and will work with IT to contract a third party to perform a network assessment to validate clean-up efforts since the previous assessment and ensure processes are working as intended. Also, the IT security logging project was started in the fourth quarter of 2016 and will assess system and data level logging to validate compliance with the Citizens information classification and handling policy. OIA will monitor the project and provide a status memorandum prior to project completion.

Advisory services will also be provided for four additional strategic IT initiatives to further enhance the internal controls structure. An end user computing framework and associated procedures has not been implemented within Citizens. OIA will assist IT by researching

leading frameworks and practices and providing information to create and roll out a program to business units who may be managing technology within their areas and where formal guidance may improve version, security, backup and other controls.

IT has also requested support in providing advice with their development of an IT compliance function and to identify and prioritize IT controls needs and enable a compliance record of actions taken. OIA will research leading practices for a structured approach and provide information from which IT management can implement compliance management as part of their maturity continuum.

There are several areas within IT that would benefit from having some additional formality and procedures regarding data retention laws, interpretation of the laws and then practical application as it relates to data, emails, files, etc. OIA will provide an advisory service to gather relevant legal information and leading practices, work with Legal Services and provide guidance that can be formalized into procedures that will assist IT in retaining required information and disposing optional information.

An ongoing challenge within the company has been the management of shared storage drives. Some shared storage has been appropriately secured and managed, while other storage may have opportunities for a review and controls enhancements. OIA will provide advisory services regarding leading practices in management of shared storage space so that a framework and procedures may be applied to those areas not aligned with management's risk tolerance levels. Data retention guidance from the data retention advisory project may be applied in the shared storage procedures.

Specific engagements included in the plan are:

Resource Allocation (IT)	Hours
Audit Engagements (1) Network Assessment - 250hrs (Q4)	250

Advisory Engagements
 	
   (2) Data Retention - 300hrs (Q2)
   (3) End User Computing - 300hrs (Q3)
   (4) IT Compliance Program - 300hrs (Q4)
   (5) IT Security Logging Project - 120hrs (Q1)
   (6) Shared Storage - 300hrs (Q2)
   (7) Third Party Access - 160hrs (Q1)
	1480

TOTAL:	1730

(*See Appendix 4 for an overview of the planned IT audits*)

6.3. Compliance and Forensic Audit

OIA continues to proactively develop and support a company culture that embraces mitigation efforts for fraud, waste and abuse and compliance with Company policy and State & Federal regulation, thus reducing the costs of fraud, waste, abuse and/or non-compliance. OIA has a dedicated team of professionals whose focus is on forensic and compliance audit activities.

For forensic audit, OIA will focus on fraud deterrence by performing activities related to the following categories:

- <u>Deterrence</u> - Assessing policies & procedures, performing risk assessments, and training, as well as other activities geared at improving the Company's anti-fraud culture.
- <u>Detection</u> - Performing data analysis activities in an effort to proactively detect and mitigate fraud. We will continue developing "best practice" fraud analytic tests to be used in the general audit programs for monitoring.
- <u>Investigation</u> - Responding to instances of fraud, waste, and abuse as well as initiating appropriate investigative methods through document & case management and collaboration.

For Compliance audit we will continue providing audit support to the Ethics and Compliance organization and the Inspector General. The team will conduct audits related to high-risk compliance issues to ensure the organization is meeting its statutory and regulatory initiatives. Discussions with business unit management and peer assurance partners highlighted certain areas for consideration in the plan. These include audits of privacy, policyholder disbursements, OFAC and special staff payment plans while we plan to monitor implementation of applicable legislative changes whether State-specific or Federal. Specific engagements included in the plan are:

Resource Allocation (Compliance)	Hours
Audit Engagements (1) Office of Foreign Assets Control - 300hrs (Q3) (2) Policyholder Disbursements - 300hrs (Q2) (3) Privacy - 300hrs (Q1) (4) Special Pay Programs - 300hrs (Q4)	1200
Advisory Engagements (5) Legislative Change Compliance - 120hrs (Q2) (6) Own Risk and Solvency Assessment - 120hrs (Q2)	240
TOTAL:	1440

(*See Appendix 4 for an overview of the planned forensic and compliance engagements*)

6.4. Citizens Internal Control Framework (CICF)

The Citizens Internal Controls Framework Project has been progressing steadily with the completion of 26 process and control reviews to date and another 4 slated to be completed by year end 2016. Given organizational changes and new developments, we re-evaluated the original plan and adjusted the total number of processes required for inclusion in the ICF project. The impact of the reassessment caused a net reduction of 11 process and control reviews, including one previously completed process review merging with another.

Each review involves fully understanding, documenting, and testing identified key controls in line with COSO 2013, the industry standard for internal control frameworks. There are 17 process and control implementations planned for 2017 in the following functional areas:

Vendor Management Office	Strategy, Planning & Continuous Improvement	Ethics & Compliance Policy	Business Continuity
Market Services - Depopulation	Non-Competitive Procurement	Premium Collection, Remittance Processing	Escheatment & Suspense Accounting
Financial Close	Commissions	Job Scheduling	IT Security Administration
Data Back-up & Recovery	Disaster Recovery	Change Management	General Logical Access
System Development Life Cycle			

In addition to the 17 process and control implementations planned for 2017, the CICF team will continue transitioning a larger majority of the ownership of control assessments and documentation updates to the business functions in alignment with control awareness and accountability objectives. This includes the development and administration of training to business unit representatives in the areas of control self-assessment execution, as well as training within the control management system used to administer self-assessments themselves. We will continue to work closely with the Process Improvement business unit to identify cost and time saving opportunities as we progress.

In addition to the process reviews aligned with COSO 2013, fact finding and planning procedures will commence for the governance and management of enterprise IT review

in alignment with COBIT 5 business framework. COBIT 5 helps maximize the value of information by incorporating the latest thinking in enterprise governance and management techniques, and provides globally accepted principles, practices, and analytical tools to help increase the trust in, and value from, information systems.

Resource Allocation (ICF)	Hours
Legal & Compliance: Ethics & Compliance Policy (120hrs) Non-Competitive Procurement (100hrs)	220
Finance & Accounting: Financial Close (80hrs) Escheatment & Suspense Accounting (80hrs) Premiums Collection, Remittance Processing (80hrs)	240
Agency & Consumer Services: Market Services – Depopulation (120hrs) Commissions (120hrs)	240
Systems & Operations: Vendor Management Office (120hrs) Strategy, Planning, & Continuous Improvement (80hrs) Business Continuity (160hrs) Data Back-up & Recovery (160hrs) Change Management (160hrs) Disaster Recovery (160hrs) System Development Life Cycle (160hrs) Job Scheduling (160hrs) General Logical Access (160hrs) IT Security Administration (200hrs)	1520
COBIT 5 Planning (400hrs)	400
Self-Assessment Training Development	150
2017 Self-Assessment Administration	120
TOTAL:	2890

7. 2017 Financial Budget

The 2017 budget for Citizens' OIA presented hereunder is $2.405 million as compared to $2.272 million budgeted for 2016. As we continue to develop our staff and hire more business qualified individuals we improve upon the type and quality of audits we complete but this has a direct impact upon cost. For 2017 we plan to provide guidance support with the roll-out and implementation of the ERP initiative, specifically focused to the development of appropriate governance, control and compliance processes.

The table below provides a detailed comparison between the proposed 2017 budget in relation to projected expenses for previous years.

2017 Budget Analysis				
OIA Expense Categories	**2015 Approved Budget**	**2016 Approved Budget**	**2017 Proposed Budget**	**$ Change**	**% of Total Proposed Budget**
Salaries & Benefits	1,925,491	1,902,767	1,951,788	49,021	3%
Contingent Staffing	0	0	109,200	109,200	100%
Professional Services	120,000	50,000	75,000	25,000	50%
Training	24,200	30,000	29,800	-200	-1%
Operating Expenses	52,545	40,000	84,065	44,065	110%
Legal	72000	55,950	40,000	-15,950	-29%
Technology Chargeback	160422	193,727	96,000	-97,727	-50%
Total	2,354,658	2,272,444	2,405,853	113,409	5%
Number of Audit Staff	14	12	12		

- Salaries & benefits: Salaries & Benefits reflect the annual inflationary merit.
- Professional Services & Contingent staffing: Traditionally this amount is a placeholder should the department need external support. In respect of contingent staff we expect to utilize consulting support on the Centerpoint project and our advisory engagements where we lack leading practice guidelines.
- Training: Training is based on a dollar allocation per staff member to upkeep professional CPE requirements. Every member of staff is required to include at least 80 hours of productive training (combination of external and internal) in their individual development plans.

- Legal: Traditionally this amount is a placeholder should the department need to use external legal services.
- Operating expenses: Year on year operating expenses are stable. The increase reflect annual licensing fees for an application acquired during 2016.

8. Allocation of Audit Hours

In developing the audit plan, we ensure that we allocate sufficient time for the completion of other non-audit related tasks as well as personal time off. At the same time we plan so that approximately 70% of all available hours in a year are directed towards assurance and consulting. The table below provides a breakdown of direct audit hour allocation in 2017.

Audit Plan Component	Allocation	Explanation
Planned Audits	45%	Includes audits selected through the risk assessment and prioritization process.
Planned Advisories	45%	This category includes requests from the Audit Committee, executive/Senior Management, etc. This may be planned requests or contingency for unplanned events (such as investigations). Requests are within the internal audit mandate and include advisory engagements, as long as such engagements have the potential to improve management of risks, add value and improve operations.
Observation follow-up	5%	Represents approximately one day at each month end to follow-up on open findings and validate closure of closed findings.
Contingency	5%	Part of the audit plan set aside for other and unforeseen items such as assistance for external auditors and quality assurance reviews, employee turnover, overruns, etc.
Direct hours	100%	Total hours available for audit (total hours net of vacation, statutory holidays, sick time, administration, training, etc.).

Appendix 1: Citizens Goals and Strategic Objectives

To fulfill its mission, Citizens has identified four strategic goals. These, along with the associated strategic objectives guide the organization's work over the next several years.

1. Operate as an efficient residual market. • Continuously evaluate products offered in the property insurance market to ensure that Citizens maintains its role as Florida's insurer of last resort, while complying with Florida law. • Reduce or eliminate assessment risk for Citizens policyholders and all Floridians by moving toward and maintaining actuarially sound rates within the framework established by Florida law. • Optimize access to private-market coverage for Citizens applicants and policyholders. 2. Ensure a strong financial operating environment. • Minimize the likelihood, timing and amount of assessments to nearly all Florida policyholders by ensuring strong corporate governance and fiscal prudence, including appropriate risk transfer and debt financing. • Continuously improve and implement process and technology advancements that realize cost savings and enhance performance. • Strengthen Citizens' corporate control environment by mitigating the potential for fraud, waste or abuse, and integrating internal control measures into the organizational culture. • Protect premium reserves and sustain financial strength by identifying, evaluating and addressing nonweather-related claim-cost trends and mitigating the potential for litigation. 3. Operate a streamlined, scalable and customer-focused organization. • Align the organization to control costs, maintain and improve customer service, insource core competencies, and ensure Citizens' flexibility to expand and contract operations to meet fluctuating market needs. • Internally and externally promote and enhance a performance-based culture that provides a clear set of expectations and maximizes organizational effectiveness.	• Internally and externally promote and enhance a performance-based culture that provides a clear set of expectations and maximizes organizational effectiveness. • Create an environment where quality employees are hired, developed, retained and engaged. Continually strive to maintain a work environment that supports the well-being of employees. • Develop customer-centric programs that strive to effectively resolve disputed claims and reduce litigation. • Engage and educate business partners, and actively manage those relationships to control costs and maximize organizational performance. 4. Protect the public interest and maintain the integrity of the corporation. • Protect private information in Citizens' custody, as well as its access and use by internal and external parties. • Ensure that valid claims are handled and paid promptly, fairly and appropriately by preparing for and responding to catastrophic events using a scalable resource model. • Ensure public confidence by instilling a culture of ethical behavior and integrity in all that we do. 5. Identify, educate and effectively communicate with internal and external stakeholders. • Continue to lead in communicating and providing education on emerging issues impacting the Florida insurance market and consumer. • Develop and implement a self-service strategy that enhances communications with and servicing capabilities offered to stakeholders. • Foster employee engagement and commitment to achieving business objectives and overall success by providing employees with key messaging and access to information.

Appendix 2: Audit Universe

Operations

Underwriting	Agency Services	Claims
🟡 Commercial Underwriting	🟡 Agency Management	🟡 Claims Operations
🟡 Personal Underwriting	🟩 Agent Out Reach	🔺 Claims Litigation Support
🟩 Underwriting Administration	🟡 Agent Audit & Compliance	🔺 Vendor Relationship Management
🟡 Quality Assurance	🟩 Agent Field Management	🟩 Special Investigations Unit
		🔺 CAT planning, response, execution

Product Risk / Actuarial	Consumer Services
🟩 Actuarial/IBNR & Loss Triangulation	🟩 Clearinghouse
🟡 Pricing/Product Development	🟩 Depopulation
🟡 Corporate Analytics	🟩 FMAP
	🟡 Customer Care Center

Corporate

Finance	Legal/Compliance	Human Resources
🟩 Financial Planning & Analysis	🟡 Ethics & Compliance	🟡 Total Rewards (Payroll, benefits, Compensation)
🟩 Cash Management	🟡 Privacy, Information Classification & Handling	🟩 HR Strategic Services & Communication
🟩 Investment Portfolio Management	🟩 General Counsel	🟩 Learning & Development
	🟩 Public/Business Records	🟡 HR Info Management & Shared services
Accounting	🟡 Claims Litigation Vendor Management	🟩 HR Business Partner Management
🟡 Financial Close	🟡 Privacy Risk Management	🟡 Recruitment & Contingent Staffing
🟡 Accounts Payable	🟡 Procurement/Purchasing	
🟡 Premium Taxes		**Legislative & External Affairs**
🟡 Reinsurance	**General Operations**	🟩 Legislative Affairs
🟩 Premium Collection	🟩 Strategy Planning	🟩 Tech & Educational Communications
🟡 Remittance Processing	🟡 Business Process Improvement	🟩 Media Relations
	🟡 Vendor Management	
Communication	🟩 Facilities, Physical Security and Asset Management	**Governance**
🟩 Corporate Communications		🔺 Enterprise Risk Management
🟩 Social Media		🟡 Internal Control Framework

Information Systems

IT Security & Privacy	IT Organization Effectiveness	IT Infrastructure & Operations
🟡 Network Security	🟩 IT Demand and Portfolio Management	🟩 IT Asset Life Cycle Management
🟡 Operating System Security	🟡 IT Governance	🟩 IT Service and Change Management
🟡 Application Security	🟩 IT Program Management	🟡 IT Operations
🟡 Database Security		
🔺 Risk Management	**Application Delivery & Technology Architecture**	**Business Continuity Management**
	🟩 IT Application Delivery	🔺 Business Process Recovery
	🟡 Enterprise Architecture	🔺 Crisis Management and Communications
	🟩 System Development Life Cycle	🟡 IT Disaster Recovery

Risk Legend
🟩 Low
🟡 Medium
🔺 High

Appendix 3: OIA's Risk Impact Definition

Potential Impact		Potential Probability	
HIGH **> $10M**	*Potential loss of ability to sustain ongoing operations* • Major impact to company's brands/reputation • Increase in costs with major impact on long term profitability/viability • Major inability to maintain current operational performance • Downgrade of credit rating with major impact on costs • Major Federal, State or International legal action	Almost Certain	*Event is expected to occur in most circumstances – almost a certainty.*
		Likely	*Event will probably occur in most circumstances*
MEDIUM **$2.5M to $10M**	*Moderate impact on achievement of business objectives* • Temporary, but recoverable, reduction in company reputation • Increase in costs with a moderate impact to cash flow • Federal, State, International, Local, Civil legal action with moderate implications	Possible	*Event should occur at some time*
LOW **< $2.5M**	*Insignificant impact on the achievement of business objectives* • Notable event with insignificant impact	Unlikely	*Event could occur at some time*
		Remote	*Event may only occur in exceptional circumstances*

Appendix 4: 2017 *Overview of Audits*
Finance & Operations

Title	Type	Hrs	Qtr	Risk Rating	Audit Justification and Objective
Acuity System Functionality	Audit	350	Q3	Med	**Risk Rationale:** Claims legal utilizes a software application, Acuity, to manage litigated claims. In 2016, Acuity was integrated with Claim Center resulting in improvements to data quality and processing efficiency for claim matter set up. The integration allows: Claim Center to send data to populate and create claim related matters in Acuity; electronic billing from Acuity for payment of approved invoices through Claim Center; and electronic notification from Claim Center when check(s) have been generated to update claim status. **Objective**: To ensure the Acuity and Claim Center system integration is working as expected and data quality and reliability is maintained
Automated Underwriting	Audit	300	Q2	Med	**Risk Rationale:** Citizens utilizes an automated underwriting process for policies deemed low risk or noncomplex when assessed for risk and insurability. In 2016, the percentage of policies processed through the automated underwriting process increased from 18% to 40% with adjustments to the process criteria and will be moving to approximately 80% with new adjustments. Much of these changes moves validation of certain criteria to the backend of the process for review which Citizens has the ability to cancel the policy or increase rate if appropriate documentation has not been submitted. Although a sample of these policies are reviewed daily for quality assurance, the design of the process has not been reviewed since implementation. **Objective:** Review the design and structure (timely critical documentation flow from front-end through back-end) of the auto-approval process to ensure that auto-approval objectives (including data and underwriting quality) are being met in the most efficient and effective manner.
Call Center	Audit	350	Q4	Med	**Risk Rationale:** Primary activities include customer service for agents, first notice of loss (FNOL), policyholders and business to business (mortgagors). Additional call volumes are supported through a third party vendors, MGI, IQor. Generally, inherent risk is medium due to high volume of activity, while no individual transactions are significant. However, systemic and on-going error, training or staffing deficiencies, backlog and turnover impact these processes. Risks include failure of timely and accurate customer service including average speed of answer (ASA), abandoned calls, answer rates all impacting the customer experience. **Objective:** Determine whether the Citizens Customer Care Center is deploying leading practices by evaluating its operations, management control function, data reporting analysis and customer support effectiveness.
Claims Payment Process	Audit	350	Q4	Med	**Risk Rationale:** Citizens' goal is to deliver high quality customer service to our policyholders, agents, vendors and the residents of Florida, by handling all of our claims promptly and efficiently from the moment of dispatch through final resolution. An accurate, timely and efficient claims payment process is critical to our success. In 2016, an audit of claims resolution was completed which included assessments of controls over front end claims and compliance with timeliness requirements. For 2017, the claims payment audit will focus on evaluating the effectiveness of controls in place to manage the payment process including prevention of duplicate payments and ensuring that claims payments are in accordance with policy thresholds. **Objective:** To assess the efficiency and effectiveness of processes and controls around the claims payment process.

Appendix 4: (continued…) Finance & Operations

Title	Type	Hrs	Qtr	Risk Rating	Audit Justification and Objective
Procurement	Audit	350	Q1	Med	**Risk Rationale:** There have been significant changes to the procurement processes, (access data base tool, updating Procurement Officer Desk Manual, revision of solicitation template and legal documentation templates). The Contractual Services team is responsible for assisting business units in the development of competitive procurements for goods or services valued at $25,000 and above. The Contractual Services unit administers the ITB/RFP/ITN process by identifying appropriate procurement methods, receiving all responses, assisting with developing scopes of work and business units with annual needs planning. During 2015 Citizens Procurement has 7 - Invitations to Negotiate (ITNs), 3 -Request For Proposals (RFPs) and 1 - Invitation to Bid (ITB) in process and has closed 8 -(RFPs) and 4 -(ITNs). The OIA conducted consulting activities of the procurement process during 2014, which resulted in control and process improvement recommendations. As a Government entity, Citizens has adopted and follows the competitive solicitation process for the procurement of commodities and contractual services in compliance with Section 627.351(6) (e), F.S. and Section 287.057, F.S. **Objective:** Confirm the adequacy and effectiveness of the processes and enhancements used during vendor solicitations.
Self-Funded Benefit Plan	Audit	350	Q2	Med	**Risk Rationale:** Effective January 1, 2017, Citizens will transition from a fully insured medical and prescription benefits program to a self-funded plan. In a self-funded plan, the employer assumes the financial risk for providing health care benefits to employees by paying incurred claims instead of fixed premiums. A third party administrator provides coverage and services while Citizens is responsible for reserving funds to pay incurred claims expenses, acquiring stop-loss gap insurance to provide protection against catastrophic claims exceeding pre-determined levels, adhering to regulatory requirements, and monitoring the third party administrator's performance. **Objective:** Evaluate controls over the self-funded plan including all responsibilities (legislative and other) being undertaken with Citizens as the sponsor of a self-insured medical plan.
Vendor Management (Managed Repair Program)	Audit	350	Q3	Low	**Risk Rationale:** The Contractor Repair Program has undergone a number of strategic and operational changes resulting in implementation delays. **Objective:** Assess the deployment of the Managed Repair Program against the stipulations of the agreement and evaluate the efficiency and effectiveness of internal controls developed and implemented to ensure that the program is operating as expected.
Legal Billing and Litigation Vendor Management	Audit	350	Q1	Med	**Risk Rationale:** There have been improvements made to the legal billing process during 2015 as a result of prior audits, (standardized discovery expense gathering, enhanced protocols for handling 3rd party matters, standardized legal templates and billable rates and Acuity reporting development), which requires audit follow-up to ensure that these controls have been fully implemented and working satisfactorily. **Objective:** To evaluate the adequacy and effectiveness of the processes used to monitor and correct legal firm overbillings and overall legal expense and vendor management.

Appendix 4: (continued…) Finance & Operations

Title	Type	Hrs	Qtr	Risk Rating	Audit Justification and Objective
Claims Adjuster Resource Validation	Audit	300	Q2	Med	**Objective:** Following vendor performance after Hurricane Matthew, the whole IA vendor support program was reevaluated and amended. We will provide a details analysis of assessed potential availability of contracted IA resources in the event of a CAT thereby providing insight in respect of expected vendor performance (including in the event of multiple hurricanes).
Recruiting Practices	Advisory	300	Q1	Med	**Objective:** Provide guidance and support to management through an evaluation of changes being developed and implemented to strengthen the current recruiting processes and assess the effectiveness and efficiency of deployed practices against industry guidance and leading practice.
Agency Quality Assurance	Advisory	80	Q4	Med	**Objective:** Provide consulting to management concerning the design and effectiveness of the agency quality Assurance program.
Centerpoint Project Monitoring	Monitor	400	Q1-Q4	Med	**Objective:** Ensure that proper governance controls are followed throughout implementation and provide key consulting guidance when necessary.
Expense Ratio Analysis Benchmarking	Advisory	120	Q1	Low	**Objective:** Complete an assessment and provide insight and guidance whether expense and benchmarking ratios utilized by Citizens align with industry practice.
FMAP	Advisory	80	Q4	Med	**Objective:** Review and evaluate the FMAP process as it relates to privacy.
IA Authority Limits	Advisory	80	Q2	Low	**Objective:** Consultative guidance for the design and implementation of processes to increase Independent Adjuster authority limits when a large number of independent adjusters are deployed during a CAT.
Self-Service Strategy	Advisory	80	Q1	Low	**Objective:** Provide advice and support to management during the feasibility study phase of the self-service capabilities development.
VMO Process	Advisory	50	Q2	Low	**Objective:** Certain process changes are being considered by VMO management and OIA will provide guidance and insight in respect of process and control strength.
Water Claim Handling	Advisory	130	Q1	Med	**Objective:** Non-weather water losses continue to be a key driver of both claim volumes and incoming lawsuits. The claims departments continue to develop and implement strategies to address these matters. To provide consultative advice regarding the design and implementation of strategies to address non-weather water claims.
Non-Automated Personal Lines Underwriting	Advisory	80	Q3	Med	**Objective:** To provide consultative advice regarding the design and implementation of Non-Automated Personal Lines Underwriting strategies and efficiency and effectiveness of the process.

Appendix 4: (continued…) Information Systems & Technology

Title	Type	Hrs	Qtr	Risk Rating	Audit Justification and Objective
Network Assessment	Audit	250	Q4	Med	**Risk Rationale:** Cyber crime requires that companies remain vigilant, constantly review system vulnerabilities and evolve protection mechanisms to adjust to the current risk landscape. It is prudent to test network security and associated vulnerability management processes to validate processes are working as intended. This engagement aligns to Citizens' Strategic objective to "protect private information in Citizens' custody, as well as its access and use by internal and external parties". **Objective:** Evaluate the adequacy and effectiveness of vulnerability management processes implemented to safeguard Citizens' computer network and ensure that network security and availability adequately support the objectives of the business. Engage a third party firm to perform a network assessment as a proactive approach to assess potential cyber risks associated with the Citizens network environment.
Data Retention	Advisory	300	Q2	Med	**Risk Rationale:** Data Retention policies and procedures are required to ensure that documents are retained in accordance with laws and regulations as well as ongoing business needs. Absent formal guidance by Management, data may not be able to be retrieved when required and costs may outweigh benefits in retaining obsolete data. **Objective:** Assist management in developing formal procedures and guidance for management and employees that provides an interpretation of the legal requirements so that practical application may be applied as it relates to data, emails, files and other documents. Review leading practices and provide a gap analysis to current state.
End User Computing	Advisory	300	Q3	Med	**Risk Rationale:** End User Computing presents business challenges whereby reliance may be placed on computing or applications that are not adequately supported, secured or backed up. This engagement aligns to Citizens' strategic objective to "continuously improve and implement process and technology advancements that realize cost savings and enhance performance". **Objective:** Assist IT Management in developing a governance framework and relevant components for EUC based upon industry standards and benchmarks. Determine risks associated with End User Computing within the Citizens environment. Review industry frameworks and standards such as Cobit 5 and determine appropriate governance practices potentially required to enhance the controls structure. Provide a gap analysis that also includes external benchmark metrics in order to compare and contrast Citizens' existing components with additional components that may add value and successfully support the business.
IT Security Logging Project	Monitor	120	Q1	Med	**Risk Rationale:** The Corporate Information Classification and Handling Policy requires certain audit and logging configurations to be implemented for systems which are handling sensitive and restricted data. Absent logging practices being implemented, there is a risk for lack of accountability and potentially an inability to surface information to detect or reconstruct system events when required. This engagement aligns to Citizens' Strategic objective to "protect private information in Citizens' custody, as well as its access and use by internal and external parties". **Objective:** Monitor progress of the System/Database Logging Implementation project and provide advice related to controls practices to the project team as needed. Issue a project status memorandum prior to project completion.

Appendix 4: (continued…) Information Systems & Technology

Title	Type	Hrs	Qtr	Risk Rating	Audit Justification and Objective
IT Compliance Program	Advisory	300	Q4	Med	**Risk Rationale:** Compliance challenges can affect many areas within an IT organization. Regulatory changes, fraud, security issues and other challenges add a heightened focus on corporate governance and compliance oversight within organizations. This engagement aligns to Citizens' strategic objective to "continuously improve and implement process and technology advancements that realize cost savings and enhance performance". **Objective:** Support management with developing a governance framework and relevant components for an IT Compliance program based upon industry standards and benchmarks. Review industry frameworks and standards such as Cobit 5 and determine appropriate governance practices within the Citizens environment required to develop the structure and elements of an appropriate compliance program. Provide a framework, high level project plan, and sample templates aligned with external benchmark for use in implementing an IT compliance program.
Shared Storage	Advisory	300	Q2	Med	**Risk Rationale:** Appropriate oversight and continued controls enhancements are required for Public drive space shared by employees. Risks associated with the availability of these drives include security of private data potentially stored within the space along with data retention. This engagement aligns to Citizens' Strategic objective to "protect private information in Citizens' custody, as well as its access and use by internal and external parties". **Objective:** Assist management in developing a governance framework and relevant processes to improve security of the corporate file shares and data retention methods based upon industry standards and benchmarks. Determine risks associated with corporate file share systems and within the Citizens environment. Review industry frameworks and standards such as Cobit 5 and determine appropriate governance practices potentially required to enhance the controls structure. Provide a gap analysis that also includes external benchmark metrics in order to compare and contrast Citizens' existing components with additional components that may add value and successfully support the business.
Third Party Access	Advisory	160	Q1	Med	**Risk Rationale:** Third party security entails external connections and user activities associated with any third parties requiring access to applications or devices residing in the Citizens network. Security access and monitoring controls are key to safeguarding the network and data from nefarious/malicious users. This audit was started in 2016 and will be completed in early 2017. This engagement aligns to Citizens' Strategic objective to "protect private information in Citizens' custody, as well as its access and use by internal and external parties". **Objective:** Focus areas includes third party access policies, inventories, access types, user account management, monitoring and safeguards.

Appendix 4: (continued…) Forensic & Compliance

Title	Type	Hrs	Qtr	Risk Rating	Audit Justification and Objective
Office of Foreign Assets Control (OFAC)	Audit	300	Q3	High	**Risk Rationale:** OFAC administers and enforces economic sanctions programs primarily against countries and groups of individuals, such as terrorists and narcotics traffickers. Citizens' responsibilities include identifying blocking and reporting any accounts and financial activity related to the parties included on the list. These accounts/transactions could be generated through underwriting, claims, accounts payable, vendor management human resources, and wire transfers. Failure to comply with OFAC obligations could result in civil penalties under various laws ranging from $65k to $1,075k. **Objective:** Recent system changes created new document flows and this audit will confirm that OFAC is considered and applied throughout the organization where relevant.
(2) Policyholder Disbursements	Audit	300	Q2	Med	**Risk Rationale:** Regulation defines that disbursements to policyholders (for example premium refunds) should be disbursed within a maximum time limit. **Objective:** Recent system changes created new document flows andwith this audit we will identify all types of distursements, related regulation and complete a walkthrough of defined control structures that ensures these disbursements are processed timely.
Privacy	Audit	350	Q1	High	**Risk Rationale**: Privacy refers to the laws that deal with the regulation of personal information about individuals (including customers, vendors, and employees), which can be collected, stored, used and disposed of as part of our business process. Data privacy protection requirements are mandated by various federal laws (GLBA, HIPPA, FCRA, Electronic Communications Privacy Act, etc.) and Florida Statutes. At Citizens, privacy considerations are found in underwriting/policy files, claims, employee payroll and benefits, vendor and agent records, accounts payable and record retention. **Objective:** Evaluate Citizens' practices for identifying and handling employee, customer, and vendor information to ensure appropriate measures are in place to protect privacy where appropriate.
Special Pay Programs	Audit	300	Q4	Med	**Risk Rational:** The "Catastrophe Pay"; "Severance Pay"; "Vacation Sell Back" policies and the "Employee Referral Program" each represent potential payments to employees outside of normal payroll. These policies all identify the criteria for the payment, who is eligible for the payment, required approvals or authorizations, and calculation methods and amounts. Exposure in these areas include unauthorized or inappropriate payments or incorrect payment amounts. Total special payments for 2015 and 2016 YTD (10.31.16) equal: Severance Pay $408 thousand, Catastrophe Pay $208 thousand, Vacation Sell-back $2.2 million and Referral Bonuses $87 thousand. **Objective:** Perform an audit of practices surrounding these policies/programs and review transactions to ensure they are in compliance with their respective policy or program including eligibility, appropriate documentation, proper authorization, accurate calculation and correct payment.
Legislative Change Compliance	Advisory	120	Q2	Med	**Risk Rationale:** Annually the Florida Legislature meets and constructs new laws and regulations that have various degrees of impact on Citizens, its' customers and stakeholders, and the processes the company uses to serve as the insurer of last resort. **Objective:** Because of the possibility of impactful changes generated by the 2017 legislature, monitor the identification, evaluation, tracking and the integration of the necessary changes to our processes and systems.
ORSA (Own Risk and Solvency Assessment)	Advisory	120	Q2	Low	**Risk Rationale**: Own Risk and Solvency Assessment (ORSA) is a confidential internal assessment of the material and relevant risks identified by the insurer associated with its current business plan and the sufficiency of capital resources to support those risks. Any insurer failing to timely file the ORSA Summary Report as required in this Act shall be subject to a daily penalty. Guidelines for completing the required report are established by the NAIC. There is a state statute (628.8015(1)(c)) that implies that Citizens is not subject to ORSA. **Objective:** Obtain an opinion in respect of Citizens' need to comply with ORSA and also to assess which of the ORSA regulatory requirements are deemed leading practice and would strengthen Citizens' internal control environment if applied.

Appendix 5: OIA *SWOT Analysis*

STRENGTHS	WEAKNESSES
1. Defined internal audit vision, mission, values, and charter 2. Respect and credibility of CAE with senior management 3. Defined and validated audit universe 4. Formal risk-based planning process with management validation 5. Flexible audit plan focus upon trends and changes in the risk landscape 6. Individual staff training/certification plans 7. Independent and objective organization-wide perspective 8. Diverse skills, backgrounds, and business knowledge of staff 9. Collaborative approach to auditing 10. Increased partnering with the business 11. Formalized follow-up process 12. Fully aligned with IIA Standards	1. Limited identification of emerging risks 2. Limited use and technical acumen of data analytics and data mining 3. Absence of a staff rotation model (Limited staff career opportunities) 4. Long audit cycle time
OPPORTUNITIES	THREATS
1. Improve perception of staff skill, knowledge, and capabilities 2. Confirm and clarify stakeholders' evolving expectations 3. Educate stakeholders on internal audit's role and capabilities 4. Become involved in new initiatives early to incorporate controls 5. Educate management on recurring/common issues 6. Strengthen technical insurance and accounting knowledge 7. Collaborate with other assurance/risk management functions throughout the year and during risk assessment	1. Predisposition of board to focus on financial and compliance exposures without balanced attention to operational risks 2. Implementation of audit findings constrained by budgets, staffing, and governance 3. Reduction in management cooperation 4. Emphasis on findings (Senior management over protective of their business units) 5. Emerging and changing risks increase skill gaps 6. Lack of awareness of business initiatives