

# Office of the Internal Auditor



Confidentiality  
Integrity  
Ethics  
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## AUDIT REPORT

# Legislative and Regulatory Changes

October 17, 2016

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# Executive Summary

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## Background

As a state entity and an insurance provider in the State of Florida, Citizens' operations are primarily governed by state statutes and related rules created by state agencies. During their annual session, the Legislature may initiate numerous bills designed to create new statutes or modify existing ones which could affect Citizens' operations. Communications, Legislative and External Affairs has implemented procedures to track and report weekly on the progress of bills as they proceed through the legislature. During this process, the impact to Citizens is evaluated with the appropriate stakeholders even before the bills are passed. Once bills are passed and signed into law by the Governor, the Project Management Office is engaged to track and report on the incorporation of the legislative changes into Citizens' processes and systems.

As with most businesses, Citizens is also required to comply with various federal laws and regulations such as Gramm-Leach-Bliley, Fair Credit Reporting, Fair Labor Standards, Office of Foreign Assets Control, etc. as well as accounting and reporting standards. Processes for identifying any changes to these or other federal laws and regulations are less formalized. The responsibility for identifying these changes generally lies with the individual business units and their respective Legal Services representatives. This monitoring is accomplished by participation in professional groups, review of industry and professional newsletters and websites and through various notification services.

## Audit Objectives and Scope

The purpose of this audit was to evaluate the current processes and controls surrounding the identification, evaluation, tracking and monitoring the implementation of regulatory changes which impact Citizens' operations. This included changes to state statutes, state rules, federal laws and regulations. The fact finding process for this audit included interviews with management of Communications, Legislative and External Affairs, the Privacy Officer, and representatives from Accounting Claims, Underwriting, and Purchasing as well as review of documentation supporting their process. Reliance was also placed on information gathered as part of the recent Compliance Governance audit.

## Audit Opinion

The overall effectiveness of the processes and controls related for identifying, evaluating, tracking and monitoring the implementation of Legislative and Regulatory Changes is rated as **Satisfactory**.

We found the processes and controls related to tracking and implementing changes to Florida State Statutes to be well organized. These processes have been in place for several years and are fully matured. Processes for the identifying and implementing changes to state rules and federal laws and regulations are less formal and vary throughout the various business units. Development of more consistent processes and guidelines for identifying, tracking and monitoring implementation of these changes are being developed in conjunction with the Compliance Champion program which is part of the Citizens Compliance Framework. This work is scheduled to be in place by September 30, 2017.

We would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.

# Appendix 1

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## Definitions

### Audit Ratings

#### Satisfactory:

The control environment is considered appropriate and maintaining risks within acceptable parameters. There may be no or very few minor issues, but their number and severity relative to the size and scope of the operation, entity, or process audited indicate minimal concern.

#### Needs Minor Improvement:

The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some minor areas of weakness in the control environment that need to be addressed. Once the identified weaknesses are addressed, the control environment will be considered satisfactory.

#### Needs Improvement:

The audit raises questions regarding the appropriateness of the control environment and its ability to maintain risks within acceptable parameters. The control environment will require meaningful enhancement before it can be considered as fully satisfactory. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some noteworthy areas of weakness.

#### Unsatisfactory:

The control environment is not considered appropriate, or the management of risks reviewed falls outside acceptable parameters, or both. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate pervasive, systemic, or individually serious weaknesses.

## Appendix 2

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### Distribution

Addressee(s) Dan Sumner, Chief Legal Officer and General Counsel

Copies **Business Leaders:**  
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The External Auditor

### Audit Performed By

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Auditor in Charge Bill Atwood

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*Under the Direction of* Joe Martins  
*Chief of Internal Audit*

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