# Executive Summary

Board & Committee Meetings, September 24, 2025

THE OFFICE OF THE INTERNAL AUDITOR

This report provides an update on the Office of Internal Audit's activities, highlighting key audit findings, risk trends, and emerging issues that may impact the organization. Our focus remains on providing assurance, advisory support, and risk-based recommendations. The Chief of Internal Audit oversees Internal Audit, Enterprise Risk, and Internal Control.
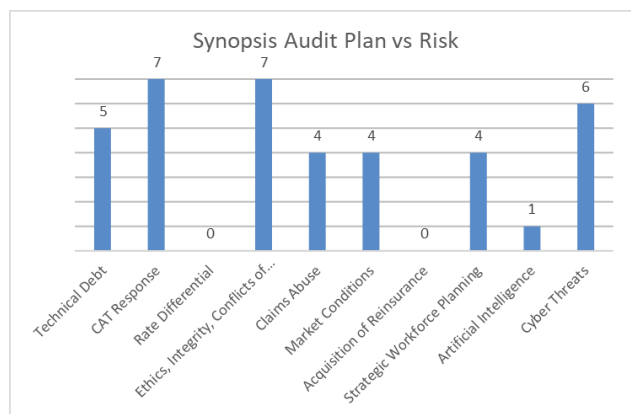
Internal Audit Overview

Engagements by Status

Planned - 6 (26%)
Completed - 9 (39%)
In Progress - 8 (35%)
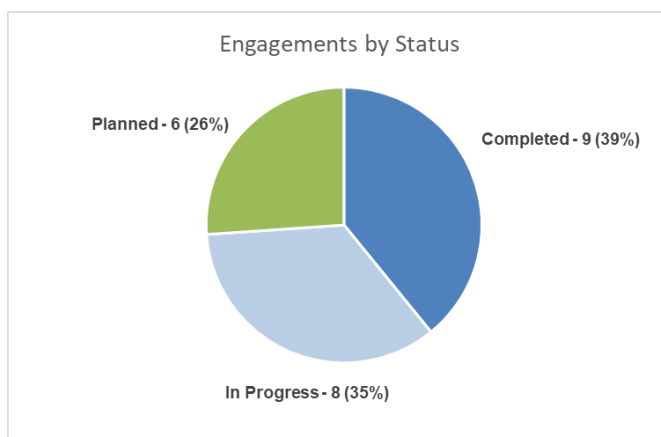
Audit Plan Status: For the 12-month reporting period from Q2 2025 to Q1 2026, Internal Audit has completed [9] engagements out of the approved audit plan. Below is a summary of progress:

- 23 Audit engagements on the plan are categorized as follows:
  o 9 Completed
  o 8 In Progress
  o 6 Scheduled for Q1 2026

- The 2025 audit plan follows a risk-based rolling approach, ensuring alignment with Citizens' evolving risk landscape.

- The 2025 audit plan aligns with the organization's top risks, focusing strategically on key practices and processes that enhance risk mitigation.

Synopsis Audit Plan vs Risk

Technical Debt	5
CAT Response	7
Rate Differential	0
Ethics, Integrity, Conflicts of...	7
Claims Abuse	4
Market Conditions	4
Acquisition of Reinsurance	0
Strategic Workforce Planning	4
Artificial Intelligence	1
Cyber Threats	6

Completed Engagements

- **Claims Independent Adjuster (IA) Invoice Processing**: Audited the Claims IA invoice processing functionality to assess operational efficiency and validate its alignment with Citizens' business needs. Two observations were noted and agreed upon with management.

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- **Third Party Risk Management - SOC Review:** Reviewed Citizens' vendor risk management process, focusing on SOC report evaluations and control effectiveness. One observation was noted and agreed upon with management.
- **Purchasing Card Advisory:** Evaluated non-travel expenses, the number of issued Purchasing cards, and the policy for handling expenses.
- **Print Mail:** Validated the effectiveness of new invoicing and monitoring controls to prevent billing discrepancies.
- **Enterprise Risk:** Evaluated the design and effectiveness of Citizens' Enterprise Risk Management framework to determine if it adequately supports risk-informed decision-making and regulatory compliance.

In-progress Engagements

- **2025 Data Analytics and Continuous Auditing**: Leveraging data analytics to improve risk management, internal controls, and governance. Key focus areas include fraud detection, operational efficiency, predictive risk assessment, and customer behavior analysis. By incorporating data analytics, internal audits can provide strategic insights to enhance decision-making and organizational resilience.
- **Escheatment**: Evaluating controls and processes within the Escheatment/Unclaimed funds account.
- **CBIS Segregation of Duties:** A post-implementation review of the Guidewire Cloud Solution (CBIS) to evaluate implemented access and segregation of duties for appropriateness.
- **Software Asset Management:** Reviewing management of applications/system assets to assess the controls and processes for procuring, implementing, maintaining, and disposing of information assets.
- **Corporate Insurance Coverage:** Completing a strategic review focused on the corporate insurance program alignment with the corporation's needs, leading practices, and relevant regulatory requirements.
- **Personal Lines Underwriting:** Evaluating underwriting practices within the personal lines portfolio to assess conformance to policies and regulations.
- **Agency Compliance:** The audit will assess the adequacy and effectiveness of the Agent Compliance Program, with a focus on the program's governance and oversight processes, and regulatory adherence. This includes evaluating the program's procedures, the enforcement of contractual obligations, the monitoring of agent licensing and appointments, compliance with data protection requirements, and controls to identify and reduce agent compliance errors.
- **Backup & Recovery of Critical Applications:** This engagement will evaluate backup and recovery procedures and controls to assess design and operating effectiveness.

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Additionally, it will consider the changing application landscape and what is being done to maintain clear lines of responsibility over data.

- **AI Advisory:** Research how organizations have defined a process of evaluating workability/success of models for their intended use. This will focus on criteria, workflows, and the evaluation of efficiency and accuracy, and the appropriate application of the solution. Determine the strategies used to govern external tools via policy, training, and understanding within its organization. Identify methods to ensure AI use cases all follow an appropriate governance workflow.

Planned Engagements

- **Premium Invoicing, Refunds & Suspense Account**: Reviewing control effectiveness for the Premium Invoicing, Refunds, and Suspense Account processes to ensure that premium payments are correctly recorded, applied, reconciled, and refunded, as appropriate, in compliance with company policies, regulatory requirements, and industry best practices.

- **IT General Controls:** Confirm Citizens' IT general controls, such as access control to physical facilities, change management, software implementation, user administration, data management, job scheduling, and incident management, are operating effectively.

- **Ethics:** Focus on assessing the design and effectiveness of the company's ethics program, including the processes and controls that support it. This review will evaluate how the program promotes ethical behavior across the organization, ensures compliance with applicable laws and regulations, and aligns with the company's core values and code of conduct. Key areas of focus will include ethics training and communication, reporting mechanisms (such as hotlines or whistleblower channels), investigation procedures, and the governance structure overseeing ethical compliance. The audit will also consider how ethical risks are identified, managed, and monitored to foster a culture of integrity and accountability.

- **Customer Experience & Advocacy:** Assess the processes and controls within the company's Customer Experience & Advocacy area. The review will evaluate how effectively the organization captures, responds to, and leverages customer feedback to improve service quality and satisfaction. It will also assess the governance, accountability, and reporting mechanisms in place to ensure customer concerns are addressed in a timely, consistent, and compliant manner. Key areas of focus will include complaint management, root cause analysis, issue resolution, and how insights from customer experience are integrated into continuous improvement efforts and strategic decision-making.

- **Underwriting Vendors:** Evaluate the processes and controls related to managing underwriting vendors. This will include a comprehensive review of how vendors are selected, contracted, monitored, and evaluated to ensure compliance with internal policies, regulatory requirements, and industry best practices. The audit will also assess the effectiveness of risk management practices, performance tracking mechanisms, and the overall governance framework supporting third-party underwriting relationships.

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- **Claims Vendor Management:** Assess how vendors supporting the claims function are selected, onboarded, monitored, and evaluated to ensure they meet performance expectations, contractual obligations, and regulatory requirements. The audit will also examine the governance structure, risk management practices, and oversight mechanisms in place to manage third-party relationships effectively. Particular attention will be given to vendor due diligence, performance metrics, issue resolution processes, and adherence to company policies and service standards.

Audit Observations: During this reporting period, we identified key risks and opportunities for improvement across several areas.

No high-impact findings: All observations are actively monitored, with corrective actions in progress.

- **Key issues identified**:
  o **SOC Process Review:** One medium finding was communicated and agreed upon with management.
  o **Claims IA Invoice Processing:** Two medium findings were reported and are being addressed.
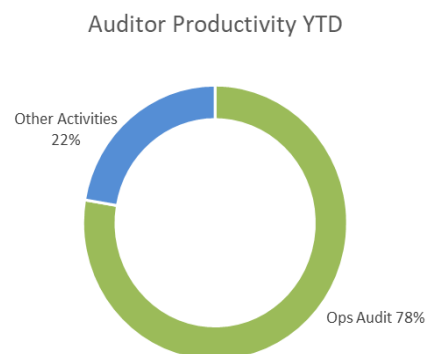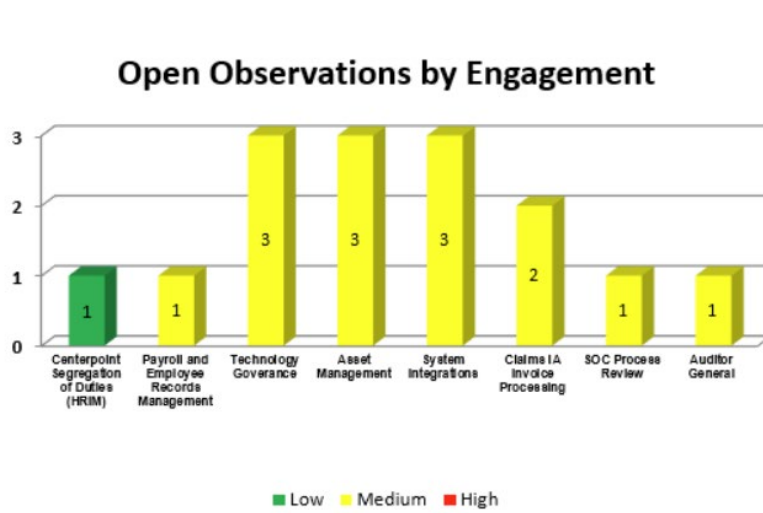
Internal Audit Performance Metrics: To measure the effectiveness of Internal Audit, we track key performance indicators (KPIs):

- **Audit Plan Completion Rate**: 100% of audit engagements for the quarter.
- **Issue Closure Rate**: 100% of observations addressed within the agreed time; the open observations are expected to be addressed within the agreed time.
- **Auditor Productivity**: 80% We monitor productivity and expect auditors to focus a minimum of 80% of their time on the projects they work on.

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