# Office of the Internal Auditor

Committee Presentation
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December 10, 2025

CITIZENS
PROPERTY INSURANCE CORPORATION

# Internal Audit

## Progress: 2025 Q3 to 2026 Q2

### Engagement Status



In Progress 9
Completed 11
Planned 5

### Engagements - In Progress

- AI Governance
- CBIS Segregation of Duties
- Claims Checks Processing
- Commissions
- Expense Review
- IT General Controls
- Secondary Employment
- 2025 Data Analytics and Continuous Assurance
- QAIP

### Q4 Completed Engagements

- Agency Compliance
- Backup & Recovery of Critical Applications
- Corporate Insurance Coverage
- Escheatment
- Personal Lines Underwriting
- Software Asset Management

### Q2 26 Planned Engagements

- CAT Preparedness
- Ethics
- Patching & Vulnerability Management
- Premium Invoicing, Refunds & Suspense Account
- Underwriting

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# Internal Audit

## Performance Metrics

To measure the effectiveness of Internal Audit, we track some 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 annually.

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# Internal Audit

## Audit Observations

During this reporting period, we identified key risks and opportunities for improvement across several areas. Two high-impact observations, both related to the Agency Compliance review, were noted. All observations are actively monitored, with corrective actions in progress.
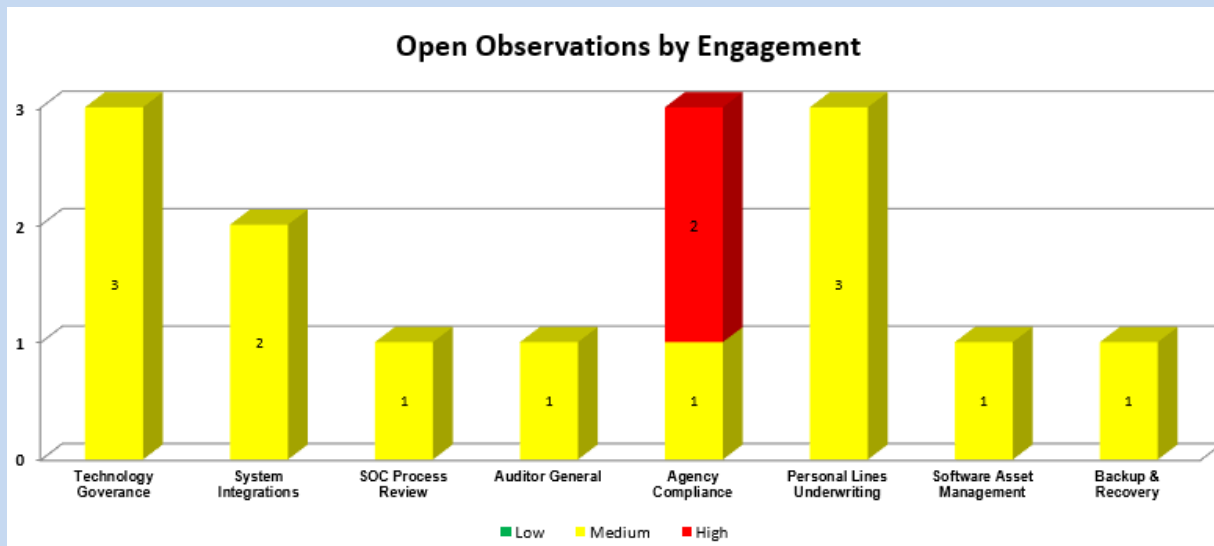


**Key issues identified:**

- **Agency Compliance:** Three issues were noted, of which two were rated as high-impact. The high-impact related issues referred to data access management. These issues are being addressed immediately and will be corrected by year-end.
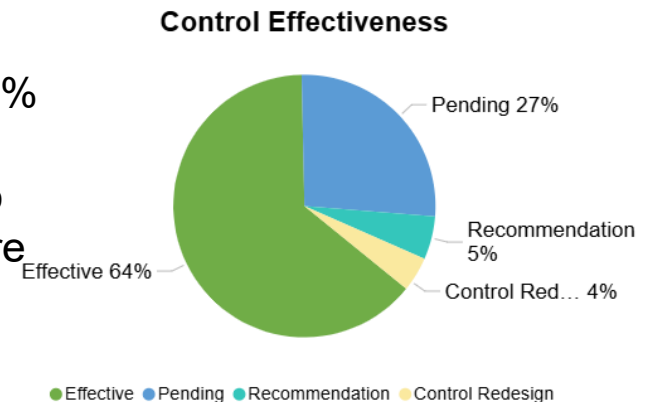
# Enterprise Risk & Internal Control

**Enterprise Risk**

As of November, Enterprise Risk has delivered 96% of the annual plan and materially improved the organization's risk posture, with 81% of residual risks now rated low. Only one high residual risk remains, related to the ELMS implementation; mitigation is in progress and is being closely managed. Current monitoring indicates that 87% of risks are operating within tolerance, with the remainder under heightened observation for potential strategic or emerging characteristics; no material concerns were noted.

**Internal Control**

So far, this year's control self-assessments indicate that 64% of primary controls are operating effectively, while 9% have been identified for enhancement or redesign in response to evolving processes. The remaining 27% of assessments are on track to be completed by year-end. The Internal Control team has further strengthened compliance assurance through joint integrity reviews with Compliance, confirming adherence to high-risk laws, rules, and regulations.

### Operational Risk

- 58 (19%)
- 1 (0%)
- 245 (81%)

● Low ● Medium ● High

### Control Effectiveness

- Pending 27%
- Recommendation 5%
- Control Red… 4%
- Effective 64%

● Effective ● Pending ● Recommendation ● Control Redesign

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# Action Item - 2026 OIA Strategy & Plan and OIA Budget

**OIA Strategy & Plan:** The OIA presents its 2026 Strategy and Plan for review and approval. The Plan was developed using a risk-based approach to understand and assess Citizens' operations and associated risks. This plan aims to utilize available resources to provide the most timely and comprehensive scope of audit, risk, and control coverage.

**Purpose & Conformance:** Independent assurance activity; conforms to Global Internal Audit Standards.

**Dual-Role Safeguards (ER & IC under CAE admin)**
- Structural: Distinct ER/IC leaders, documented mandates, separate budgets & objectives.
- Governance: Audit Committee oversight of IA/ER/IC plans & KPIs.

**2026 Priorities**
- IA: Risk-based audit engagements, full GIAS mapping and External Quality Assessment (EQA) readiness.
- ER: Dynamic ER program; formal risk appetite; KRI library; scenario analysis.
- IC framework maturity; CSA & testing standards expanded with compliance focus.
- Expand analytics & automation for continuous assurance across IA, ER, and IC.

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# Action Item - 2026 OIA Strategy & Plan and OIA Budget

**Audit Themes (2026)**

- Effectiveness & Resiliency (e.g., CAT Preparedness, ITGC, Automated Underwriting)
- Expense & Capital Management (e.g., Commissions, Claims Vendor Mgmt.)
- Reporting & Data Accuracy (e.g., Fraud Analytics/CM, Data Governance)
- Compliance & Litigation (e.g., Ethics, Privacy, DOAH, Period-End Reporting)
- Data Management & Protection (e.g., Tech Governance, Patching & Vuln. Mgmt.)

**Plan at a Glance**

- Engagements: 22-26 (assurance, advisory) with rolling re-balancing.
- Contingency: 10-15% of hours for investigations & emerging risks.
- Follow-up: High/Medium issues closed within 60/180 days.

**Audit KPIs (Targets)**

- Plan Delivery ≥85%; Cycle Time ≤12 weeks; On-time Remediation ≥90%.
- Audit Productivity ≥80%; Stakeholder Satisfaction ≥4.0; Analytics Adoption ≥80%.

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# Action Item - 2026 OIA Strategy & Plan and OIA Budget

**OIA 2025 Budget:** OIA's 2026 budget is $4.07 million, compared to the $3.89 million budgeted for 2025

| Office of Internal Audit | 2026 Budget | 2026 Budget vs. 2025 Budget | |
|---|---|---|---|
| Total Salaries | 2,607,649 | 149,634 | 6% |
| Total Employee Benefits | 576,750 | (23,169) | (4)% |
| Total Payroll Taxes | 221,608 | 12,926 | 6% |
| **Employee Expenses** | **3,406,008** | **179,007** | **6%** |
| Total Contingent Staffing | 0 | 0 | 0% |
| Total Training | 32,000 | (16,800) | (34)% |
| Total Operating expenses | 103,992 | 5,279 | 5% |
| Total Legal | 50,000 | 0 | 0% |
| Total Travel | 21,000 | (15,065) | (42)% |
| Total Professional Services | 200,000 | 0 | 0% |
| Total Software Maintenance and Licensing | 258,112 | 19,889 | 8% |
| **Total Admin & Other Expenses** | **4,071,112** | **172,310** | **4%** |
| FTE | 16 | 0 | 0% |

- Total staffing will remain static.
- Salaries and benefits indicate the annual merit increase.
- Training is based on a dollar allocation per staff member.
- Operating expenses increased with a marginal increase in license fees and subscriptions.
- Legal Services is traditionally a placeholder should the department need to use it.
- Professional Services reflect an anticipated use of vendor consulting services.
- Software Maintenance and Licensing reflect an increase due to contract renewal.

## Recommendation

Staff recommends that the Citizens Audit Committee:

1. Approve the 2026 OIA Strategy and Plan, and
2. Approve the 2026 OIA Budget as presented

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# Action Item – Charters

Annually, the Audit Committee reviews the adequacy of the Charters.

**Audit Committee Charter** - This Charter sets forth the authority delegated to the Audit Committee by the Board of Governors and defines the Committee's purpose. The Committee assists the Board in fulfilling its oversight responsibilities regarding: (1) the integrity of Citizens' financial statements; (2) compliance with applicable laws and regulations; (3) the qualifications and independence of the independent auditors; and (4) the performance of the Office of the Internal Auditor (OIA) and the independent auditors

**Office of the Internal Auditor Charter** - This Charter defines the purpose, authority, and responsibilities of the Internal Audit function. Pursuant to § 627.351(6)(i), Florida Statutes, it (i) establishes Internal Audit's position within the organization, including the Chief of Internal Audit's functional reporting relationship to the Board of Governors; (ii) authorizes access to relevant records, personnel, and physical assets necessary to conduct audit engagements; and (iii) delineates the scope of Internal Audit activities.

**Review**: Our review revealed minor updates to both charters, further aligning the content with the IIA GIAS.

**Recommendation:** Staff recommends that the Citizens Audit Committee:

1. Approve the Citizens Audit Committee Charter for presentation to the Board of Governors at their next meeting on December 10, 2025.
2. Approve the Office of the Internal Auditor Charter as presented.

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# Action Item – Internal Audit Policies

**Policy Reviews**

Two policies govern some Internal Audit operations: the Internal Audit Corporate Policy, and the Open Audit Observation Management Policy. Both policies have been periodically reviewed, and changes were last approved by the Committee at the July 2022 meeting.

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**Internal Audit Policy #801**

The Policy informs the organization on the purpose and authority of the Office of the Internal Auditor and clarifies expectations throughout the organization.

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**Open Audit Observation Management Policy #802**

The Policy informs the organization on the need for an audit observation management process that ensures that management action plans have been effectively implemented and clarifies audit and business expectations and responsibilities.

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**Review:** Our review of both policies indicated that minor changes were necessary this year.

**Recommendation:** Staff recommends that the Citizens Audit Committee:

1.  Approve changes to the Internal Audit Policies 801 and 802 as presented.

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