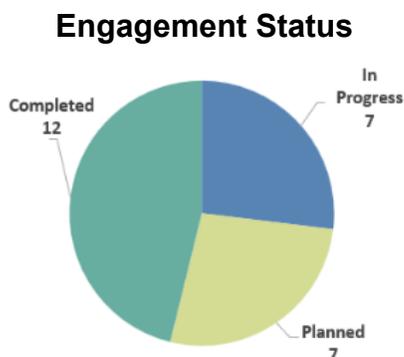


Executive Summary

Board & Committee Meetings, March 4, 2026

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



Audit Plan Status: For the 12-month reporting period from Q4 2025 to Q3 2026, Internal Audit has completed twelve out of the approved audit plan engagements. 26 Audit engagements on the plan are categorized as follows:

- 12 Completed
- 7 in Progress
- 7 Scheduled

Completed Engagements

- **AI Governance:** Internal Audit evaluated and provided advisory guidance on how Citizens defines, governs, and measures the effectiveness of AI models used for decision support. The engagement assessed governance frameworks, workflow design, model evaluation criteria, and practices supporting consistent oversight, training, and responsible AI use across the organization.
- **CBIS Segregation of Duties (SOD):** A post-implementation review of the Guidewire Cloud (CBIS) solution evaluated access assignments, segregation of duties, and monitoring controls for alignment with least-privilege principles. Internal Audit noted continued improvement in user access management following the CBIS SaaS transition, supported by the implementation of MyIdentity. Opportunities remain to further strengthen segregation of duties and least-privilege governance, and management has agreed to evaluate these items and define appropriate remediation or risk acceptance actions.
- **Claims Check Processing:** Internal Audit reviewed controls over claims check disbursements and approval workflows to ensure payments are authorized, accurate, and secure. The process is operating as intended, with no exceptions identified. Minor improvement opportunities were noted and shared with management.
- **Commissions:** This engagement evaluated controls and system logic supporting commission calculations to ensure payments are accurate, timely, and consistent with Board-approved rules. The review included rate table accuracy, override approval, and the reliability of interfaces between the policy and commission systems. Overall, controls were found to be effective, and management has initiated actions to further strengthen security and access controls over commission payment files.
- **Employee Expense Review:** Internal Audit assessed the employee expense process to identify opportunities to streamline approvals and reduce processing time while maintaining appropriate oversight. The process is operating effectively; however, it is

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resource-intensive for lower-risk and policy-compliant expenses. Efficiency gains could be achieved by increasing the use of thresholds, implementing system-based controls, and enhancing manager accountability, allowing staff to focus on higher-risk or unusual expenses.

- **2025 Quality Assurance and Improvement Program (QAIP):** Internal Audit completed its annual internal quality assurance program in conformance with the Institute of Internal Auditors' Global Internal Audit Standards. The program included ongoing monitoring, periodic self-assessments, performance metrics, and stakeholder feedback. Results confirm readiness for the next external quality assessment, with outcomes and improvement actions reported to executive management and the Audit Committee.

In-progress Engagements

- **CAT Readiness:** Internal Audit is evaluating the adequacy and effectiveness of the organization's catastrophe readiness program, including governance, planning, and execution capabilities. The review also covers operational readiness, including claims surge capacity, vendor agreements, and workforce contingency planning, as well as how management tests and improves preparedness through scenario analysis, stress testing, and after-action reviews.
- **Ethics:** This engagement assesses the organization's ethics and compliance framework to ensure alignment with internal standards and external regulatory requirements. The review includes program implementation, employee adherence to ethical guidelines, and the adequacy of compliance training to support a culture of integrity.
- **IT General Controls:** Internal Audit is evaluating core IT general controls, including access management, change management, user administration, data management, and incident handling, to confirm they are appropriately designed and operating effectively to support system reliability and security.
- **Premium Invoicing, Refunds, and Suspense Accounts:** The audit team is evaluating the design and operating effectiveness of controls over premium invoicing, refunds, and suspense account activity to ensure transactions are accurately recorded, reconciled, applied, and refunded in compliance with policy and regulation.
- **Secondary Employment:** Internal Audit is reviewing disclosure, approval, and monitoring processes for secondary employment to confirm potential conflicts of interest are appropriately identified, approved, and managed.
- **Underwriting:** This engagement focuses on underwriting quality, compliance, profitability, fraud detection, and operational efficiency. The objective is to provide targeted assurance through data analytics by identifying and testing transactional anomalies, enhancing risk detection, audit efficiency, and insight generation.
- **2026 Data Analytics and Continuous Auditing:** Internal Audit is advancing its continuous auditing capabilities by leveraging data analytics for fraud detection, operational efficiency, predictive risk assessment, and governance insights to support a proactive, data-driven assurance model.

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Planned Engagements

- **Automated Underwriting:** Evaluate whether automated underwriting systems make accurate, policy-compliant decisions, supported by sound rule governance, quality data, and controlled overrides that protect pricing integrity and regulatory compliance.
- **Claims Vendor Management:** This audit will assess the effectiveness of processes for managing third-party claims vendors, including service level agreements, performance monitoring, security controls, and billing practices, to ensure reliable service delivery and controlled claim costs.
- **E-Payments Platform:** This engagement will review controls over commission payments and vendor invoice processing to ensure timeliness, accurate accounting, operational integrity, and compliance with payment policies.
- **EZLynx (Clearinghouse):** This audit will evaluate the effectiveness of the EZLynx implementation, including data integrity, system controls, and alignment with regulatory and business objectives.
- **Patching and Vulnerability Management:** The review will assess patching and vulnerability management processes to confirm timely identification and remediation of security risks and alignment with cybersecurity best practices.
- **Predictive Model Governance:** Internal Audit will assess governance, development controls, and operational oversight of predictive models within actuarial functions, focusing on validation, documentation, regulatory compliance, and alignment with enterprise risk management practices.
- **Technology Governance, Remediation Follow-Up:** This engagement will assess management's remediation efforts related to opportunities identified in the 2025 Technology Governance engagement

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:** The target is 100% of observations addressed within the agreed time; the open observations are expected to be addressed within the agreed time.
- **Auditor Productivity:** At 80%, we monitor productivity and expect auditors to focus a minimum of 80% of their time on the projects they work on.
- **Ops Audit Budget to Actual Hours:** Of 1000 budgeted hours for Q1 engagements, OIA utilized 877, leaving a 123-hour positive variance.
- **Engagement Cycle Time:** Average engagement cycle time for Q1 deliverables was 110 days or 14 weeks, accounting for non-working periods.

Audit Observations

During this reporting period, we identified key risks and opportunities for improvement across several areas. Two high-impact observations, related to CBIS Segregation of Duties and

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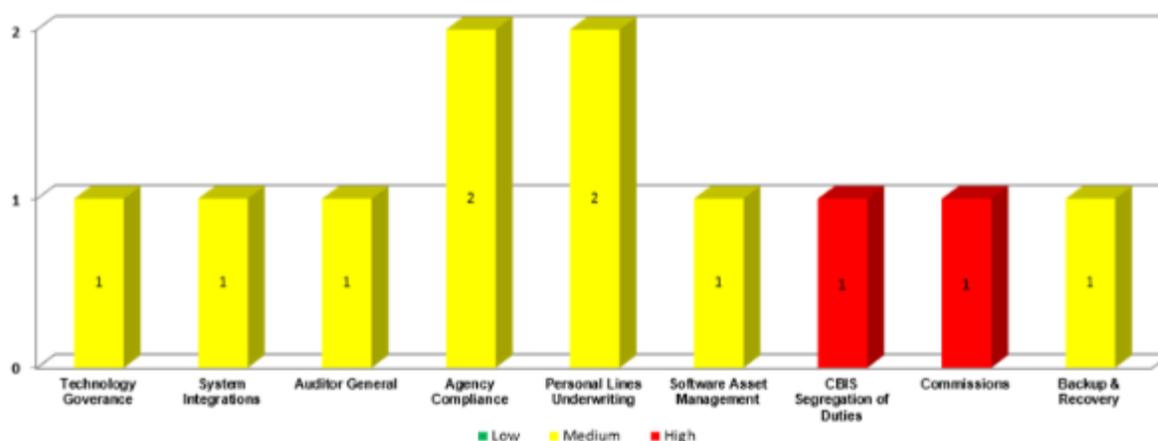
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Commissions, were identified. All observations are actively monitored, with corrective actions in progress.

- **Key issues identified:**

- **Commissions:** Access to confidential payment files was insufficiently restricted.
- **CBIS Segregation of Duties:** Segregation of duties is not holistically embedded within the cloud environment.

Open Observations by Engagement



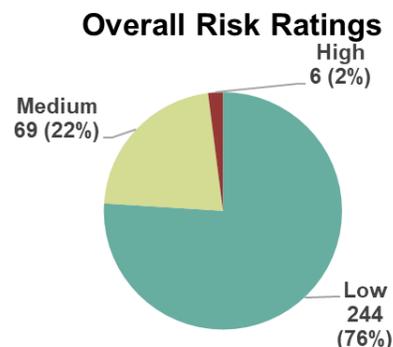
Enterprise Risk

The Enterprise Risk (ER) team partners with management to proactively identify, assess, and mitigate risks that may impact strategic and operational objectives, strengthening the organization's ability to respond to evolving conditions and emerging challenges.

2025 Risk Assessment Results

In Q4, the 2025 plan was completed with the following results:

- **Plan Completion:** 78 risk assessments completed across strategic, operational, and project risks. Participant feedback confirmed the value of the assessment process.
- **Improved Risk Posture:** Results indicate that overall risk exposure remains well managed with 76% of residual risks rated low and 89% within tolerance levels. Mitigation plans are in place for higher-rated exposures, and ongoing monitoring indicates no material concerns.



For Q1, ER plans to complete 20 operational risk assessments, implement self-service risk assessment capabilities to improve efficiency and scalability, and partner with business areas to integrate risk appetite and establish key risk indicators (KRIs) that provide quantifiable insight into changes in exposure.

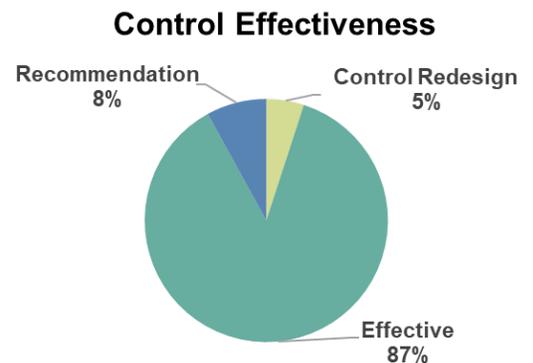
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Internal Control

Throughout 2025, the Internal Control (IC) team facilitated the completion of the annual management control self-assessment (CSA) program, which validates control effectiveness, identifies opportunities for improvement, and confirms alignment with internal standards and regulatory requirements. As of December, all CSAs were completed, and the results indicate a strong internal control environment with minor opportunities for improvement. No material concerns were identified.

- **Control Effectiveness:** 87% of primary controls were confirmed to be effectively designed and operated as intended.
- **Minor Improvements:** 8% of controls were identified as opportunities for minor improvements, with recommendations centered on escalation processes, periodic review cycles, reporting enhancements, separation of duties reinforcement, documentation consistency, and expanded oversight.
- **Redesign Needed:** 5% of controls require redesign due to process changes.
- **Compliance Assurance:** IC and Compliance conducted integrity reviews of higher-risk laws, rules, and regulations to confirm regulatory adherence and control effectiveness.



For Q1, IC will collaborate with Compliance to expand the integrity reviews and CSA coverage across higher-rated laws, rules, and regulations. IC will also partner with business areas and the OIA data analytics team to design and implement continuous monitoring programs that provide broader coverage, improve efficiency, and enhance risk detection capabilities.