

Office of the Internal Auditor

ANNUAL REPORT 2025





February 1, 2026

To: Mr. Carlos Beruff, Citizens Board of Governors Chair & Audit Committee Member
Mr. Jamie Shelton, Citizens Audit Committee Chair
Mr. Robert Spottswood, Citizens Audit Committee Member
Mr. Tim Cerio, President/CEO and Executive Director

CC: The Honorable Ron DeSantis, Governor
The Honorable Blaise Ingoglia, Chief Financial Officer
The Honorable James Uthmeier, Attorney General
The Honorable Wilton Simpson, Commissioner of Agriculture
The Honorable Ben Albritton, President of the Senate
The Honorable Daniel Perez, Speaker of the House of Representatives
Members of Citizens Property Insurance Corporation Board of Governors

Dear Messrs. Shelton, Beruff, Spottswood, and Cerio:

I am pleased to present the 2025 Annual Report of the Office of the Internal Auditor (OIA), in compliance with Section 627.351(6)(i).2. of the Florida Statutes. This report provides an in-depth overview of our departmental activities, including organizational structure, audit methodology, and key outcomes of our work in 2025.

The Office of the Internal Auditor remains committed to transparency, efficiency, and value-added services. We thank the Board of Governors, the Audit Committee, and Senior Management for their ongoing support. Your feedback on this report is valued, and we welcome any suggestions to enhance its relevance and utility.

Respectively submitted,

A handwritten signature in blue ink, appearing to read "Joe Martins", with a long horizontal flourish extending to the right.

Joe Martins, CIA, CRMA, CFE
Chief of Internal Audit
Office of the Internal Auditor



Detailed Report

Executive Summary

This report highlights the activities, accomplishments, and strategic objectives of the Office of Internal Auditor (OIA) at Citizens Property Insurance Corporation for the fiscal year 2025. The OIA played a critical role in evaluating internal controls, risk management, and governance processes, ensuring operational efficiency and statutory compliance. Key areas of focus included audit engagements, enterprise risk management, and enhancing internal control frameworks.

Introduction

By Florida Statutes, the Chief of Internal Audit must submit an annual report summarizing OIA's activities during the preceding fiscal year by February 15. This report provides an assessment of internal control effectiveness, offers recommendations for corrective actions (if necessary), and summarizes audits, reviews, and investigations conducted by the office.

The intended recipients of this report include the Citizens' Board of Governors, the Executive Director, members of the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives. Its purpose is twofold: to fulfill statutory requirements and to provide insight into how the OIA fulfills its mission.

Responsibilities

The OIA operates under the direct oversight of the Audit Committee and is responsible for providing assurance, insight, and advice to enhance governance, risk management, and control processes. At the OIA, we are dedicated to developing a credible, sustainable, and value-added internal audit program that meets statutory requirements and aligns with the expectations of the Board of Governors, Audit Committee, and Management. To maintain focus, we annually prepare a risk-based audit plan that aligns with Citizens' strategic themes for the year.

Each year, the OIA develops a Strategy and Plan (Plan) document, which is shared with Executive Management and presented to the Audit Committee for consideration and approval. This Plan is designed to ensure the most timely and comprehensive coverage of audit, risk, and control aspects, utilizing the available resources at the disposal of the OIA.

The results of our work throughout 2025 indicate that Citizens has a well-established and functioning control environment. The Office of the Internal Auditor did not identify any significant concerns regarding audit findings and their overall impact on the control environment.

Organization and Staffing

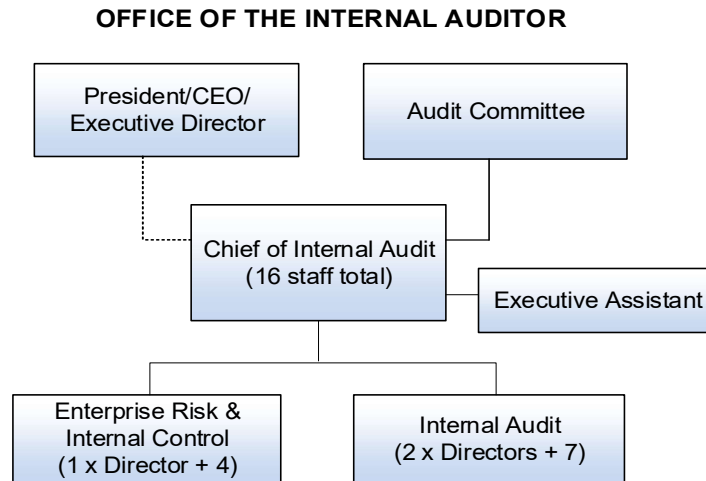
In addition to overseeing Internal Audit, the Chief of Internal Audit holds leadership responsibilities for the Enterprise Risk and Internal Control functions. Staff qualifications include advanced degrees and certifications, ensuring professional excellence in all areas of expertise.



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The Enterprise Risk and Internal Control functions operate autonomously, maintaining their distinct staff, processes, and administrative support systems separate from Internal Audit. This separation ensures independent functioning and objective evaluation.

The OIA departmental structure is further outlined in the following chart:



Internal Audit

The Internal Audit function provides independent, objective assurance through audit and advisory services, aiming to add value and enhance the efficiency of Citizens’ operations. Throughout 2025, the Internal Audit team conducted its activities in strict adherence to the Institute of Internal Auditors Global Internal Auditing Standards.

In addition to these Standards, we rely on recognized industry frameworks to guide our work in conducting audits, risk assessments, and control evaluations. These frameworks include the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework for Internal Controls, the COSO Integrated Framework for Enterprise Risk Management, the Control Objectives for Information and Technology, the Information Technology Governance Institute, the National Institute of Standards and Technology, and the Information Technology Infrastructure Library.

Accomplishments

The Internal Audit team adeptly managed a flexible audit plan, considering changes in business operations and ensuring a focused approach on areas of utmost importance. The completed audit plan comprised 23 engagements, each aimed at delivering independent assurance and providing tangible value to the organization by enhancing oversight and control.

- Assurance (Audit) Engagements Completed
 In audit engagements, we assess the effectiveness of internal controls, corporate governance, and accounting processes. We provide reasonable assurance on compliance



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with laws and regulations, accurate and timely financial reporting and data collection, as well as helping to maintain operational efficiency by identifying problems and correcting lapses.

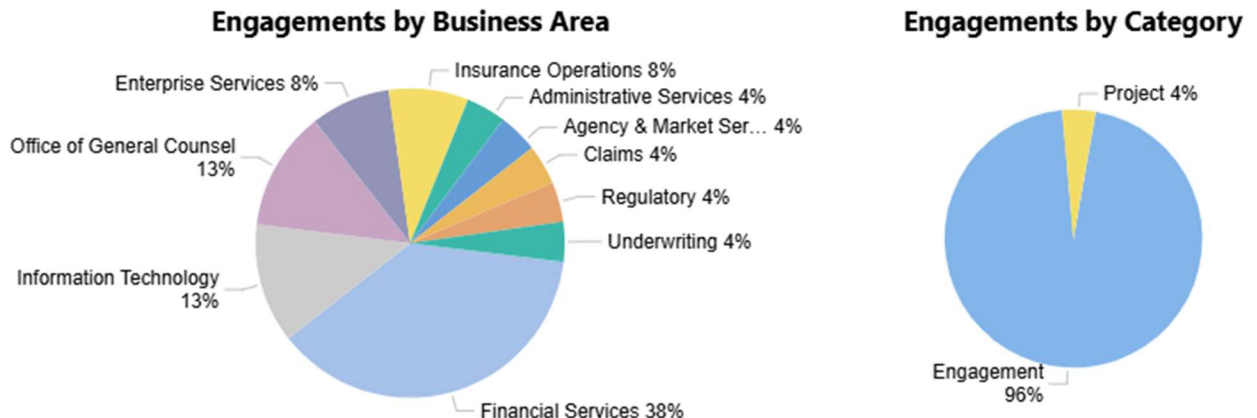
- System Integrations
 - Procurement/Contracting Process
 - Asset Management
 - Enterprise Risk
 - Print Mail
 - Claims Independent Adjuster (IA) Invoice Processing
 - Software Asset Management
 - Regulatory Support
 - Centerpoint Segregation of Duties
 - Claims Closed Without Payment
 - OFAC
 - Anti-Fraud Analysis
 - Personal Lines Underwriting
 - Escheatment Engagement
 - Corporate Insurance Coverage
 - Backup & Recovery of Critical Applications
 - Agency Compliance
 - Technology Governance
- Consulting (Advisory/Project) Engagements Completed
- Advisory engagements are typically completed at management's request and include an assessment of the company's current business practices. Results provide guidance to improve governance, risk management, and control processes.

- Third Party Risk Management – SOC Process
- Purchasing Card Advisory
- Office of General Counsel Advisory
- Privacy
- Financial Planning & Analysis

Project engagements include active participation in new process development, major procurements, and system development projects, where we assess project governance, risk management, and the development of control processes, and provide guidance and support.

- IIA Standards Review and Update Project

The following diagram provides an overview of resource deployment:

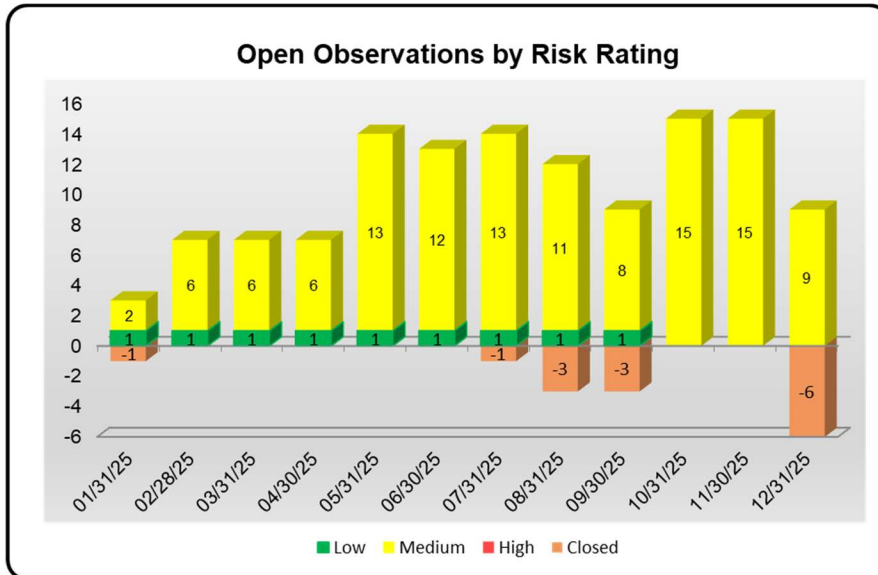




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Open Audit Observations

Internal Audit manages open audit observations to ensure timely follow-up, escalation, and resolution of audit observations and recommendations. The process has been established to ensure that management action plans have been effectively implemented or that management has accepted the risk of not acting on audit results. The following graph provides a quick analysis of open observations throughout the year.



Open audit observation statistics for observations rated high or Medium Impact are provided to the Audit Committee quarterly. Management takes appropriate action on the reported issues, and the OIA monitors progress on implementing corrective action.

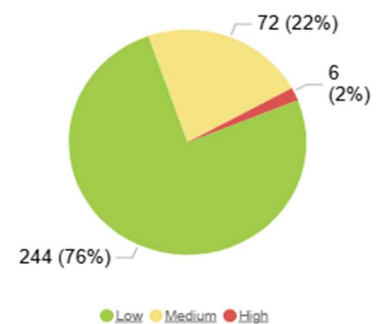
Enterprise Risk

Enterprise Risk partnered with management to embed risk-informed decision-making and strengthen organizational resilience. Through the ERM Framework, risks were identified, assessed, and mitigated to safeguard strategic and operational objectives, enhance adaptability, and proactively address emerging challenges.

Risk Assessment Results

- **Annual Plan Completion:** 78 risk assessments completed across strategic, operational, and project risks.
- **Improved Risk Posture:** 76% of residual risk rated low, 87% within tolerance. Mitigation plans are in place for higher-rated exposures, and monitoring indicates no material concerns.
- **Independent Validation:** External audit and risk assessment participant feedback affirmed the ERM framework’s effectiveness and value.

Overall Risk Ratings





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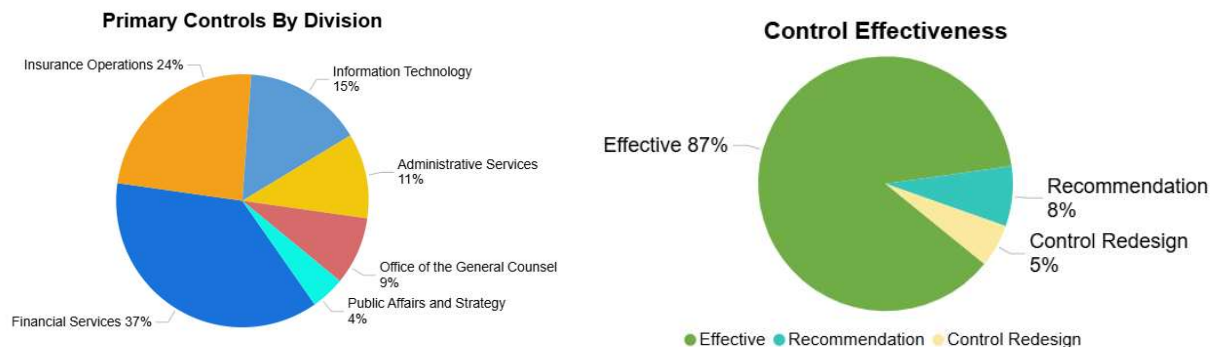
Internal Control

Citizens' Internal Control Framework promotes a collaborative and proactive approach to sustaining a strong control environment. Partnering with management, the Internal Control team oversees a comprehensive management control self-assessment process that drives operational excellence and financial integrity across the organization. Through continuous monitoring and improvement, controls remain effective and aligned with evolving industry standards and regulatory requirements.

Control Self-Assessment Results

In 2025, 80 primary controls were identified, recorded, and assessed. The control self-assessments confirm that 87% of primary controls are operating effectively, with 13% identified for enhancement or redesign due to evolving processes. No material concerns were identified.

The graphs below depict the distribution of primary controls by division and the results of the assessments:



- **Effectiveness:** 87% of primary controls are effectively designed and operating as intended.
- **Minor Improvements:** 8% of controls present opportunities for enhancements, with recommendations focused on strengthening escalation procedures, implementing periodic reviews, improving reporting practices, reinforcing separation of duties, ensuring consistent and comprehensive documentation, and expanding oversight activities.
- **Redesign Needed:** 5% of controls require redesign due to process changes.
- **Compliance Assurance:** Joint integrity reviews, conducted in partnership with the Compliance team, confirm adherence to high-risk laws, rules, and regulations.



Audit Engagement Summaries

OIA's risk-based approach covers many elements of the corporation's internal control environment. However, it is not intended to cover all areas of the corporation or all risk areas. Instead, we focus our resources on those areas that were evaluated as the highest priority in terms of most significant risks and where our work could be most valuable, either by providing assurances through information or by affecting positive changes.

The OIA completed 23 engagements, focusing on operational efficiency, risk management, and compliance. Highlights include evaluations of Centerpoint segregation of duties, compliance program, depopulation activities, and technology governance. Detailed summaries of each engagement are provided below:

- **Agency Compliance** – Internal Audit reviewed the Agency Compliance Program's governance, oversight, and regulatory compliance. Agent management practices were effective, with strong governance, timely appointments, and accurate remittances. Opportunities include stronger safeguards for confidential data, tighter system access, and improved segregation of duties in fee processing. Management agreed and began corrective actions.
- **Anti-Fraud Analysis** – No confirmed fraud cases were found. However, data accuracy and reporting improvements were identified, requiring further analysis and incorporation into the audit plan.
- **Asset Management** – Reviewed that CPIC's organizational assets are effectively managed, protected, and optimized. This included computer hardware, furniture/fixtures and vehicles as they are acquired, managed and disposed of.
- **Backup & Recovery of Critical Applications** – This engagement evaluated backup and recovery controls for design and operating effectiveness, considering the evolving application landscape and data ownership. One finding was identified and agreed upon by management.
- **Claims Closed Without Payment** – A review of 630 claims and 79 complaints related to Hurricanes Debby, Helene, and Milton found no exceptions. All closures were appropriately supported, and the complaint resolution was well-documented. Improvement opportunities were discussed and will be incorporated into adjuster training.
- **Claims Independent Adjuster (IA) Invoice Processing** – Audited the Claims Independent Adjuster invoice processing functionality to assess operational efficiency and validate its alignment with Citizens' business needs. Two observations were noted and agreed upon with management.
- **Corporate Insurance Coverage** – The engagement concluded during planning after confirming strong governance, oversight, and effective program practices. No material gaps were noted, though two improvement opportunities were discussed and will be incorporated by management.



Appendix

- **Centerpoint Segregation of Duties** – Reviewed user access and permissions, confirming improvements in segregation of duties and recommending continued monitoring.
- **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.
- **Escheatment Engagement** – The audit reviewed the accuracy of escheated fund liabilities, the timeliness of remittances, and controls over reversals. Oversight and operational controls were found to be strong.
- **Financial Planning & Analysis** – Assessed the budgeting model’s effectiveness, emphasizing the need for continuous budgeting and strategic forecasting for financial decision-making. Several improvement opportunities were discussed and agreed upon with management.
- **OFAC** – Follow-up on prior recommendations confirmed strong compliance with OFAC regulations. One concern related to data call failures will be addressed through interim and permanent controls during Citizens’ transition to a cloud-based system.
- **Office of General Counsel Advisory** – At the request of Citizens’ Chief Legal Officer & General Counsel, Internal Audit assessed the effectiveness, responsiveness, timeliness, and overall satisfaction of key stakeholders with the support and services provided by the Office of the General Counsel (OGC). Overall, the results of the interviews and surveys conducted as part of this engagement indicate that the division’s core objectives are being met with a high level of satisfaction and confidence among stakeholders.
- **Personal Lines Underwriting** – Key underwriting controls are adequate and support compliance and quality objectives. Strong QA design, vendor coordination, capacity planning, and data reliability were noted. Opportunities include expanding QA coverage, automating vendor exception workflows, and defining error rate tolerances. Management agreed and is implementing improvements.
- **Print Mail** – Validated the effectiveness of new invoicing and monitoring controls to prevent billing discrepancies.
- **Privacy** – Reviewed privacy policies and procedures to ensure regulatory compliance and data protection, identifying opportunities for strengthening privacy controls. Opportunities for improvement were identified and agreed upon with management. Additionally, a draft Privacy Program Framework was developed.
- **Procurement/Contracting Process** – Reviewed the procurement process, including responsible vendor review, statutory requirements, and other business practices throughout the procurement process. No deficiencies were noted.
- **Purchasing Card Advisory** – Evaluated non-travel expenses, the number of issued Purchasing cards, and the policy for handling personal costs.



Appendix

- **Software Asset Management** – The engagement focused on the lifecycle management of system assets and related governance. Results indicated a need for consolidated oversight and formal governance, which management has agreed to strengthen.
- **System Integrations** – Reviewed the use of the Jitterbit platform as the primary middleware application to determine that appropriate controls and processes were in place. Three observations were noted and agreed upon with management.
- **Regulatory Support** – The Florida OIR completed its exam of Citizens' operations, including claims handling and depopulation programs, with no significant deficiencies noted.
- **Technology Governance** – An ongoing evaluation of technology governance against industry standards to ensure alignment with business objectives and risk management. Improvement opportunities were identified and agreed upon with management, which will be tracked by internal audit for resolution.
- **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.