

Office of the
Internal Auditor

Engagement Report

March 2026

Secondary Employment



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Executive Summary

Background

Citizens Property Insurance Corporation operates in a highly regulated industry in which integrity, confidentiality, and effective risk management are essential. As a property and casualty insurer, the company is entrusted with sensitive customer data and is subject to significant legal, regulatory, and ethical obligations.

Although employees may engage in secondary or outside employment, such activities can pose risks when not properly disclosed and reviewed. Undisclosed or unapproved outside work may give rise to conflicts of interest, compromise the confidentiality of company or client information, lead to misuse of corporate resources, or result in reduced productivity.

To mitigate these risks, Citizens has established clear requirements for the disclosure and approval of secondary employment through the Code of Ethics policy, the Employee Handbook, and the annual Code of Conduct Attestation. These controls are intended to help ensure that outside activities do not interfere with an employee's duties, create competitive or ethical conflicts, or expose the organization to reputational, legal, or regulatory risk.

Effective implementation of these requirements, supported by employee awareness and periodic training, is important to ensure that secondary employment does not undermine internal controls, regulatory compliance, or organizational values.

Objectives and Scope

The objective of the Secondary Employment Audit is to determine whether Citizens Property Insurance Corporation employees' outside employment and business activities are properly disclosed, reviewed, approved, and monitored, and whether such activities comply with applicable laws, regulations, internal policies, and ethical standards. The audit also seeks to assess whether secondary employment creates actual or perceived conflicts of interest, interferes with employees' official duties, or exposes Citizens to legal, financial, operational, or reputational risk.

The scope of the Secondary Employment Audit includes a review of policies, procedures, controls, and practices governing outside employment and business activities for Citizens employees during the audit period. The audit will evaluate compliance with relevant provisions of the Florida Statutes, including state ethics and conflict-of-interest requirements applicable to Citizens as a government entity, as well as Citizens' internal policies, codes of conduct, and disclosure requirements. The scope included the following activities:

- Reviewing secondary employment disclosures and related approval documentation to assess completeness, accuracy, and timeliness.
- Evaluating management's review and approval processes to determine whether conflicts of interest, time and resource impacts, and reputational risks are adequately evaluated.
- Tested a sample of employees with approved or disclosed secondary employment to verify adherence to established conditions and restrictions.
- Assessing monitoring, reporting, and enforcement mechanisms related to changes in secondary employment status.
- Identifying potential instances of noncompliance, including undisclosed secondary employment.



Executive Summary

Results

Internal Audit identified opportunities to strengthen governance, oversight, and control of the Secondary Employment (SE) process. The review noted that the current SE workflow and supporting system functionality are not fully aligned with the requirements outlined in the Code of Ethics policy. Specifically, changes in organizational roles and operational practices have not been reflected in the policy or fully supported within the ServiceNow workflow, resulting in approval activities occurring outside the policy-defined process, inconsistent escalation of potential conflicts of interest, and incomplete documentation of management decisions.

In addition, while 117 employees had approved secondary employment agreements on file, the review identified 45 employees registered with the Florida Division of Corporations (Sunbiz) as officers, agents, or principals of external business entities who did not have secondary employment or outside business activity disclosures on file. In 7 instances, the nature of external business activity appeared similar to the employees' roles at Citizens and may present potential conflicts of interest that had not been formally disclosed or reviewed.

Conclusion

These conditions increase the risk that secondary employment activities may not be consistently disclosed, reviewed, or documented in accordance with the organization's ethics and compliance expectations. Aligning policy language with current roles, strengthening workflow controls, reinforcing employee and leadership training, and improving oversight mechanisms would enhance transparency, support compliance with disclosure requirements, and improve timely identification and management of potential conflicts of interest.

Internal Audit provided the Office of the Inspector General with the results of the review for further assessment and consideration, including the potential viability of periodically reconciling employee information to publicly available business registration records.

We appreciate the cooperation and professional courtesy extended by management and staff throughout the audit.



Detailed Findings

1. Secondary Employment Request Routing

Classification	Medium	Control Evaluation	Control is not appropriately designed
Observation	<p>The current workflow supporting the Secondary Employment (SE) application process is not fully aligned with the requirements established in the Code of Ethics policy. Specifically, the review and approval process defined in policy is not consistently followed or fully supported within the ServiceNow application. In addition, the policy contains outdated role references, as the Chief of Human Resources position no longer exists, creating ambiguity regarding approval authority.</p> <p>Internal Audit noted the following conditions:</p> <ul style="list-style-type: none"> • Approval Authority Not Aligned with Policy: Business unit management is currently approving or declining secondary employment applications, whereas the Code of Ethics policy states that <i>“management will assess the impact of the requested secondary employment and recommend approval or denial to the Chief of Human Resources.”</i> As a result, management recommendations are not being formally submitted to the current role responsible for HR leadership (Vice President of Human Resources) for final approval or denial, as intended by policy. • Inconsistent Routing of Denials and Potential Conflicts of Interest: Applications that are denied or may present potential conflicts of interest are not routed to HR or the Ethics and Compliance Officer for review, as required by the Code of Ethics policy, which states that <i>“secondary employment involving a possible conflict of interest must also receive approval from the Ethics and Compliance Officer.”</i> • Incomplete Documentation of Management Decisions: The rationale supporting management decisions to deny secondary employment applications is not consistently documented within ServiceNow. The absence of documented justification reduces transparency and may limit management’s ability to support or defend decisions if questioned. <p>Collectively, these conditions indicate that the SE process workflow and supporting systems are not fully aligned with the established policy framework, potentially increasing the risk of inconsistent application of policy requirements and incomplete documentation of key decisions.</p>		
Cause	<p>The condition resulted from process changes that were implemented without corresponding updates to the Code of Ethics policy and supporting system workflows. In addition, ServiceNow’s system is not configured for policy-defined denial and approval, routing requirements.</p>		



Detailed Findings

Consequence	<ul style="list-style-type: none"> • Increased risk of discriminatory, retaliatory, or otherwise inappropriate denials. • Potential employee relations issues. • Lack of transparency and accountability. • Reputational and regulatory risk if inconsistent application of SE denials leads to broader culture or compliance concerns. 		
Recommendation	<ul style="list-style-type: none"> • Evaluate the current Code of Ethics Secondary Employment Policy section and the current process, and update the procedure and policy to ensure alignment and include leading documentation practices. <p>Depending on the results of the above evaluation:</p> <ul style="list-style-type: none"> • Update the system or manually route SE applications for HR review and approval or denial. • HR should provide written acknowledgement and support of management's denial or approval, document support for management's decision, and confirm whether a conflict of interest exists that may require escalation to the Ethics Officer for further review. • Provide refresher training to all Leaders and HR reviewers on Secondary Employment process and conflict-of-interest indicators and escalation expectations. • Enhance follow-up on renewal SE applications, including requiring employees to respond if they are no longer involved in secondary employment. As the Policy notes, <i>"Employees are responsible for reporting any material changes in secondary employment status to their direct supervisor or manager, including but not limited to any change in the number of hours, type of duties or demands, or if secondary employment ceases."</i> 		
Agreed Management Response	<p>The Office of General Counsel and Human Resources agree to review the current process for potential enhancements, as deemed necessary, and to seek Board of Governors approval for any required updates to the Code of Ethics.</p>		
Responsible Individual	<p>Ken Tinkham, VP Deputy General Counsel Corporate Legal</p> <p>Denise Bass, VP – Human Resources</p>	Completion Date	<p>12/31/2026</p>



Detailed Findings

2. Undisclosed Employee Business Activities

Classification	Medium	Control Evaluation	Control is not appropriately designed
Observation	<p>Internal Audit identified 45 employees registered with the Florida Division of Corporations (Sunbiz) as Title Managers, Registered Agents, and/or Presidents of external business entities; however, no secondary employment or outside business activity applications were on file for these individuals, as required by company policy.</p> <p>In addition, based on a review of employee job titles and the nature of the registered businesses, Internal Audit identified 7 instances of the 45 employees whose external business affiliations may present a potential conflict of interest due to similarities between the business activities and their roles within the organization.</p> <p>The absence of documented disclosures and approvals for outside business activities increases the risk that potential conflicts of interest may not be appropriately identified, reviewed, or mitigated in accordance with the organization's ethics and compliance requirements. Establishing and enforcing processes to ensure employees disclose and obtain approval for secondary employment or business interests would strengthen oversight and help ensure potential conflicts are appropriately evaluated and managed.</p>		
Cause	<p>The condition resulted from insufficient employee awareness of secondary employment disclosure requirements and the absence of formalized control procedures to support ongoing compliance. Specifically, there is no established process to ensure comprehensive follow-up on annual renewal requirements for secondary employment applications.</p>		
Consequence	<p>Failure to disclose and review outside business interests increases the risk that conflicts of interest may exist or go undetected. This may result in impaired objectivity in business decisions, potential misuse of company resources or information, and reputational or compliance risks to the organization.</p>		
Recommendation	<p>Management should consider:</p> <ul style="list-style-type: none"> Enhancing employee awareness by sending quarterly reminders via the internal portal or email to all staff, reinforcing the Code of Conduct requirement to apply for any secondary employment. 		
Agreed Management Response	<p>The Office of General Counsel and Human Resources agree to assist, if deemed necessary, the Office of Inspector General in reviewing the employees identified in this audit. We further agree to, in addition to the annual attestation, publish an article each fall to educate and remind employees of their obligations regarding secondary employment.</p>		



Detailed Findings

Responsible Individual	Ken Tinkham , VP Deputy General Counsel Corporate Legal Denise Bass , VP – Human Resources	Completion Date	11/30/2026
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Distribution

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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

The External Auditor

Completed by Kay Weldon, Internal Audit Manager and John Fox, Director, Internal Audit, under the Direction of Joe Martins, Chief of Internal Audit.