



Assurance Dashboard *June 19, 2017*

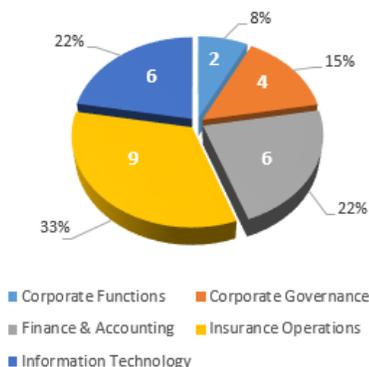
Office of the Internal Auditor

Overview of Audit Plan and Plan Changes

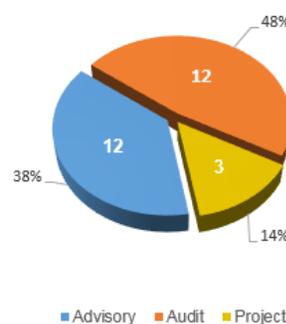
The OIA follows a risk-based approach in developing and monitoring progress for delivery of the audit plan. As we reassess our understanding of risk within the organization and consider operational challenges, we re-examine our plan, thereby confirming that it continues to provide the expected assurance and that audit resources remain appropriately focused. We plan for a broad coverage and appropriate balance between assurance and advisory engagements which will add value.

2017 Audit Plan	
2016 Carry Over	5
Planned	32
Added	2
Completed	9
Draft Issued	0
In Progress	9
Deferred/Canceled /Combined	12
Total Remaining	9

2017 Audit Plan by Area



Audit Plan by Engagement Type



Since the previous meeting, we assessed the overall plan coverage for 2017 to remain adequate and opted to defer two engagements, cancel five engagements and combine two engagements. In addition, we added two engagements. Changes to the plan were necessary to accommodate audit support provided on the COBIT ICF project as well as a process workflow assessment in support of the Loss Adjustment Expense (LAE) project.

Changes to Audit Plan			
Engagement	Type	Status	Comments
Water Claim Handling	Advisory	Combined	Water Claim Handling processes will be included in the LAE Process Analysis project.
Claims Payment Process	Audit	Combined	Claims Payment process will be reviewed as part of the LAE Process Analysis project.
2017 Vendor Management (Managed Repair Program)	Audit	Deferred	The Managed Repair Program roll-out has been delayed. Audit will be considered for 2018.



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Changes to Audit Plan			
Engagement	Type	Status	Comments
Recruiting Practices	Advisory	Deferred	Recruiting processes are going through a redefinition and the CenterPoint processes are currently being rolled out.
LAE Process Analysis	Project	Added	<p>Cross Functional Project</p> <ul style="list-style-type: none"> Obtain more granular data and insights that will provide a detailed understanding of the drivers causing a dramatic increase in loss adjusting expense. Based upon the granular data and information collected, formulate recommendations to decrease loss adjusting expense. OIA will be performing an End-to-end (E2E) claim process & procedure review including key metrics, decisions and resource usage by role associated with each step.
Remote Password Reset Process	Audit	Added	OIA assessed the policies, standards and processes related to a risk associated with email password resets.
VMO Process Advisory	Advisory	Cancelled	The project has been cancelled for 2017 and it has not yet been determined if it will occur in 2018.
ORSA	Advisory	Cancelled	Florida State Statute 628.8015 "Own-risk and Solvency Assessment; corporate governance annual disclosure" section (c) excludes Citizens from the required reporting. Low risk.
IA Authority Limits	Advisory	Cancelled	IA Authority Limits project has been cancelled for 2017.
IT Security Logging Project	Advisory	Cancelled	This advisory is being cancelled for the current audit year due to IT audit resources being re-deployed to the ICF project. The engagement will be discussed with IT Management during the 2018 audit planning cycle.
IT Compliance Program	Advisory	Cancelled	This advisory is being cancelled for the current audit year due to IT audit resources being re-deployed to the ICF project. The engagement will be discussed with IT Management during the 2018 audit planning cycle.



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Progress Against Plan

The following graph represents progress to date on the audit plan and represents 26 engagements scheduled for completion in 2017, of which 9 engagements were completed, 9 are in progress, and 9 are not yet started.

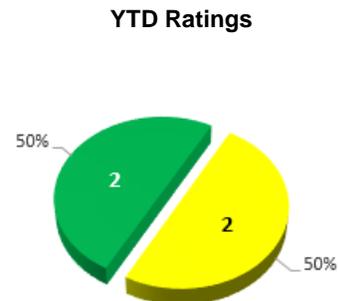
Plan Progress	
Cancelled	12
Completed	9
Draft Report	0
In Progress	9
To Do	9
Total	27



Pending Engagements	
In Progress	
• Automated Underwriting	Audit
• Acuity System Functionality	Audit
• Special Payment Programs	Audit
• LAE Process Analysis	Project
• End User Computing	Advisory
• Centerpoint Project Monitoring	Project
• Self-Service Strategy	Advisory
• Legislative Change Compliance	Project
• Non-Automated Personal Lines Underwriting	Advisory
Draft	
None	

Since the last meeting, we completed three audit (assurance) engagements. In addition, an interim memo was issued for one advisory (consulting) engagement.

Audit Engagement	Rating	Key Observations
Procurement		Procurement processes are well managed with effective internal controls.
Legal Billing & Litigation Expense Vendor Mgmt.		Improved operational controls, process oversight and coordinated communication with firms.
Remote Password Reset Process	Not Rated	Recommended that IT Management review the process for further enhancement.



Project Progress
CenterPoint Project Monitoring (Interim Memo)

Legend

- Satisfactory
- Needs Minor Improvement
- Needs Improvement
- Unsatisfactory



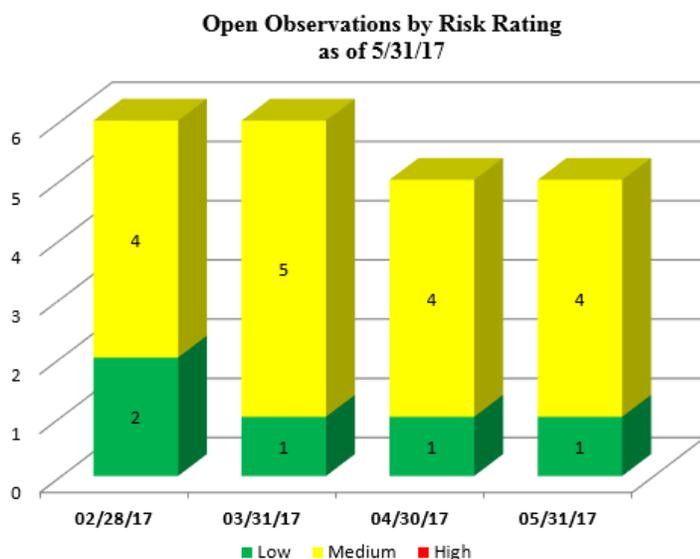
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Control Deficiency Resolution

As of June 1, we are tracking five open observations. Since the last Committee, no new observations were added while one observation was resolved and closed. Overall, open items receive adequate business focus and implementation of agreed corrective action is well managed. There are currently no high rated observations outstanding. The action plans for four observations are scheduled for completion in June while the action plan for the remaining observation is scheduled to be completed by September. The following table provides an analysis of Open Audit Observations recorded as of May 31, 2017 compared to the prior month and the previous four quarters.

2016-2017 Open Observations Metrics					
	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017 to Date
Open	15	18	14	4	6
Closed	10	12	12	3	1
Risk Acceptance	0	0	0	0	0
New	13	8	2	5	0
Remaining	18	14	4	6	5

The following charts provide additional information related to the number of open observations generated from the corresponding audit reports including observation ratings, source of observation and year reported.



Observations by Rating @ 5/31/17			
High	Medium	Low	TOTAL
0	4	1	5

Observations by Audit Year @ 5/31/17			
2015	2016	2017	TOTAL
0	4	1	5

Observation Source @ 5/31/17	
OIA	5
External Auditor	0
Market Conduct - OIR	0
Auditor General	0
TOTAL	5



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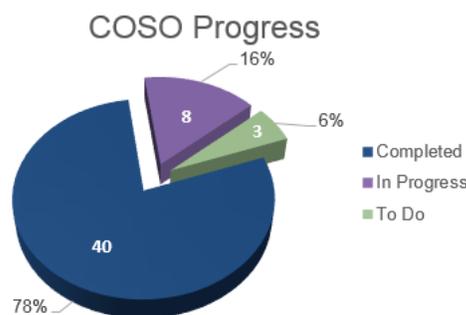
Internal Controls Office

The Citizens Internal Control Framework has been divided into two separate projects. The first project is focused upon formalizing and monitoring the effective design and operational effectiveness of financial and operational controls based upon the COSO 2013 framework. The second project focuses exclusively on strengthening practices and internal controls within the Information Technology function and is based on the COBIT 5 framework.

COSO

The COSO initiative is progressing well with the completion of 41 process and control reviews, and 8 reviews in progress. This represents 94% of the total number of process reviews either completed or in progress. To date we documented 84 primary controls and, together with respective process owners, completed the relevant control scripts. In addition to documenting control scripts, testing procedures were created and light testing was performed as part of each process review.

COSO Progress	
Completed	40
In Progress	8
To Do	3
Total Engagements	51



This following table represents the COSO ICF plan by functional area:

# Processes	Human Resources	Financial Services	Operations	Claims	Legal	Underwriting & Agency Services	Legislative & External Affairs	Corporate Governance
18								
17								
16								
15								
14								
13								
12								
11								
10								
9								
8								
7								
6								
5								
4								
3								
2								
1								



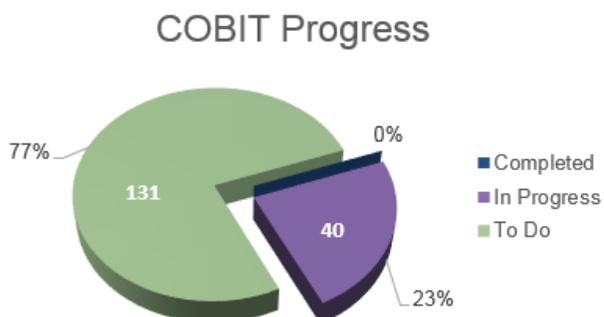
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Internal Controls Office

COBIT

The COBIT 5 initiative is progressing well with development of an overall project plan (presented below) as well as standard review procedures and control documentation templates. As our pilot we commenced with a review of the IT Security and Risk functional area. As part of standard review procedures, we started off by confirming process objectives with the business. As step two the Enterprise Risk Office facilitated inherent risk assessments, for each defined objective, to identify key (primary) risks. In step three we completed process walkthroughs, in which we identify controls which mitigate the impact of inherent risks identified (primary controls). We are currently in the process of completing a controls gap assessment for IT Security and Risk and anticipate completing the pilot during June 2017. Additionally, we commenced a review of IT Governance and are performing inherent risk assessments as part of the initial review stage.

COBIT Progress	
Completed	0
In Progress	40
To Do	131
Total Engagements	171



This following table represents the COBIT ICF plan by functional area:

Cobit 5 Plan Details		Legend:						
		Process Completed		Process in Progress		Process completed		
		2017			2018			
Function	# Sub-Processes	Q2	Q3	Q4	Q1	Q2	Q3	Q4
IT Security and Risk	11							
Governance	29							
IT Change Management	4							
Enterprise Resilience (BCP/DRP)	8							
Business Unit Communications	5							
Technical Operations Center	5							
Enterprise Architecture	5							
IT Finance Management	5							
Application Delivery	4							
Application Quality Assurance	2							
Strategy and Planning	18							
Application Development	37							
Infrastructure	11							
Knowledge Management	5							
Operations	5							
Configuration Management	5							
Incident and Problem Management	12							
Total	171							



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Enterprise Risk Office

Resources Update

The ERO team was completed with the addition of a second Enterprise Risk Manager on June 12th. The two managers will work closely together with one focusing on strategic risks and the other on operational risks. In addition, ERO seeks to add a software tool in 2017 to facilitate their risk monitoring and reporting responsibilities.

ERO Activity Update

The Enterprise Risk Office has established a revised framework and implementation plan to better meet the needs and provide value to Citizens' management. Under this revised approach, ERO will facilitate the implementation, development, maintenance and consistent application of the corporate ERM framework, monitor the organization's risk exposures, report on significant risks affecting Citizens and how such risks are being managed, and champion enhancements to the overall risk management culture.

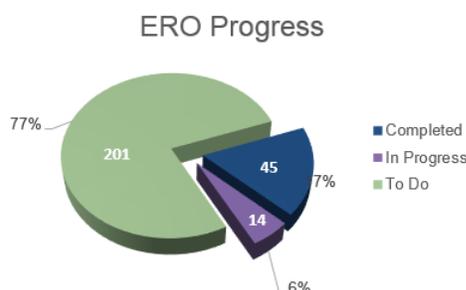
Operational Risk Assessments

Under the current plan, ERO will take both a "top-down" (strategic risks) and "bottom-up" (operational risks) approach in assessing risk. The operational risk assessment initiative is well underway, with the following accomplishments achieved during the second quarter of 2017:

- An inventory identified 260 separate processes operating within Citizens.
- An operational risk assessment plan and schedule was approved by executive leadership.
- Orientation meetings were conducted for process owners.
- Risk assessment meetings scheduled for Q2-2017 are being facilitated.

Our work schedule is aligned with the ICO COSO and COBIT delivery plans and both these teams are included in the operational risk identification and assessment meetings as the key (primary) risks identified impact the focus on key (primary) controls.

ERO Progress	
Completed	45
In Progress	14
To Do	201
Total Engagements	260



Strategic Risk Assessments

The strategic risk assessment portion of the plan will take shape in conjunction with the onboarding of Mike Tush, the second Enterprise Risk Manager, and will align with Citizens' strategy review.



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Value & Staffing

Client Satisfaction

Client Satisfaction is a 360 measure of how the audit department is engaging its clients and the quality of the services provided. Year to date, the average score on post audit client surveys is 4.5 on a scale of 5.0.

External Quality Assurance Review

In line with the International Professional Practices Framework (IPPF), promulgated by The Institute of Internal Auditors, we contract within a five year cycle period with an external consultant to perform an independent Quality Assurance Review (QAR). In 2014 an external QAR was completed that rated our compliance with the IPPF as "Generally Conforms" which is the highest possible rating available. All recommendations from this review were considered and implemented.

Staffing Update

Since the last meeting we were able to fill the open Enterprise Risk Manager position. Michael (Mike) Tush joined Citizens on June 12 and will be responsible for facilitating Strategic Risk assessments. Mike is an experienced Enterprise Risk Management professional with experience in risk transformation and governance, compliance, business and practice development, and project management. Mike joins Citizens from GuideWell / Florida Blue where he was responsible for reengineering the Enterprise Risk Management strategy and processes and developing and implementing board and senior management reports with key risk indicators (KRIs) for critical risks across the organization. Among other roles Mike held in his career he was responsible for the development and global implementation of Wal-Mart's Enterprise Risk Management strategy and processes as their Director of Enterprise Risk Management. Mike has a Bachelor of Science, Computer Science and Bachelor of Science, Mathematics from Kansas State University.

We are currently recruiting to fill the Forensic Audit Manager position. Instead of filling the vacancies in the Internal Controls Office we have seconded an IT Audit Manager and a Senior IT Internal Auditor to commence with the COBIT assessments.

We are dedicated to the professional development of staff to ensure continuous growth of knowledge, skills and other competencies throughout the year. This is evidenced by 92% of the staff holding at least one professional certification.