Office of the Internal Auditor

Annual Report 2013
February 13, 2014

To:  Mr. Chris Gardner, Citizens Chairman of the Board of Governors  
     Mr. Tom Lynch, Citizens Audit Committee Chairman  
     Mr. Juan Cocuy, Citizens Audit Committee Member  
     Mr. Freddie Schinz, Citizens Audit Committee Member  
     Mr. Barry Gilway, President/CEO and Executive Director  

CC:  The Honorable Rick Scott, Governor  
     The Honorable Jeff Atwater, Chief Financial Officer  
     The Honorable Pamela Bondi, Attorney General  
     The Honorable Adam Putnam, Commissioner of Agriculture  
     The Honorable Don Gaetz, President of the Senate  
     The Honorable Will Weatherford, Speaker of the House of Representatives  
     Members of Citizens Property Insurance Corporation Board of Governors

Dear Messrs. Gardner, Lynch, Cocuy, Schinz and Gilway,

I am pleased to submit our 2013 Office of the Internal Auditor (OIA) Annual Report as required by Section 627.351(6)(j).2., Florida Statutes. The report summarizes the audits, reviews and investigations conducted by the OIA during 2013. The report also describes the information related to the OIA department and the accomplishments made in 2013 toward the continued development of a credible and sustainable internal audit department for Citizens.

I welcome your comments and suggestions regarding this report, and appreciate your support, and that provided by the Board of Governors, the Audit Committee and Senior Management. The OIA looks forward to serving the Board of Governors, the State of Florida and contributing to Citizens efforts to achieve the corporation’s goals and objectives. Thank you for your continued support as we move into 2014.

Respectfully submitted,

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

Chris Gardner, Chairman, Orange County  •  Gary Aubuchon, Lee County  
Juan Cocuy, Palm Beach County  •  Don Gilsson, Jr., Duval County  •  James Holton, Pinellas County  
Tom Lynch, Palm Beach County  •  Freddie Schinz, Okaloosa County  •  John Wortman, St. Johns County  
Barry Gilway, President/CEO and Executive Director
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Executive Summary

The Office of the Internal Auditor (OIA) is pleased to present the 2013 Annual Report for Citizens Property Insurance Corporation.

Florida Statutes require the Chief of Internal Audit to submit an annual report on or before February 15, summarizing the activities of the OIA during the preceding fiscal year. The report should include, but not be limited to, the following:

- An evaluation of the effectiveness of Citizens’ internal controls;
- Recommendations for corrective action, if necessary; and
- Summaries of the audits, reviews and investigations conducted by the office.

This report is presented to Citizens’ Board of Governors, the Executive Director, the members of the Financial Services Commission, the President of the Senate and the Speaker of the House of Representatives to comply with Florida Statutes and to provide information on how the OIA accomplishes its’ mission.

Annual Report

The OIA has been committed to developing a credible, sustainable and value added internal audit program to meet the statutory requirements as defined in the Citizens statute and the expectations of the Board of Governors, Audit Committee and Citizens management. In order to ensure that the OIA remains appropriately focused we develop an annual audit plan (approved by the Board of Governors) that adequately addresses risks independently assessed by OIA and confirmed with Citizens management.

The OIA has worked to build a sustainable internal audit program for Citizens by focusing on developing a strong audit foundation; establishing an audit methodology, policies and procedures; participating in corporate compliance initiatives; formalizing the audit process; and conducting internal audits, management advisory services and internal investigations.

Overall, the results of our audits indicate that the Citizens internal control environment is adequate and generally operating as intended. Our work has, however, shown some areas needing improvement in controls, none of which raises a major concern. Agreed improvement actions are being monitored and are on track for completion within a reasonable timeframe. The work performed against the 2013 audit plan indicated the rating impacts (high, medium, or low) and root causes of the issues remain relatively consistent year over year. Accordingly, results thus far do not give rise to concerns regarding audit findings and impact on the overall control environment. The results of the individual audits and reviews performed during the year are summarized within this report. (See Appendices 1& 2)

We welcome your comments and suggestions regarding the 2013 Annual Report. The OIA looks forward to serving and supporting the Board of Governors, the State of Florida and contributing to Citizens’ efforts to achieve its goals and objectives. Thank you for your continued support as we move into 2014.
Introduction

Background
Citizens Property Insurance Corporation (Citizens) operates according to statutory requirements created by the Florida Legislature and a Plan of Operation approved by the Florida Financial Services Commission. The corporation is subject to operational reviews and examinations by the Florida Office of Insurance Regulation and the Florida Auditor General, and its financial statements are a major component unit of the Florida Comprehensive Annual Financial Report. Three types of insurance coverage accounts were established when Citizens was created: personal lines account (PLA); commercial lines account (CLA) and coastal account (Coastal). Citizens has offices in Tallahassee, Jacksonville and Tampa. Tallahassee is the corporate headquarters for the organization. The Jacksonville and Tampa offices provide policy services and underwriting, claims and customer support as well as other administrative and organizational support functions.

Citizens’ management continues to focus on process improvement and strengthening the control infrastructure which supports changes to build the needed infrastructure and operational processes to support the corporation. There are a number of ongoing projects and operational changes that are at various stages of completion to ensure Citizens has the ability to continue to support its policyholders and catastrophe readiness, among these are the development and implementation of the Citizens Insurance Suite (CIS) and the Citizens Clearinghouse.

During the year the organization continued with its depopulation program. Recent takeout efforts, legislative initiatives and an improving private market have combined to push Citizens’ exposure to the lowest level in more than seven years, reducing the risk on all Florida policyholders. Established by the 2013 Legislature, the Citizens clearinghouse program is part of an overall effort to return Citizens to its role as an insurer of last resort by helping homeowners find coverage in a voluntary insurance market that is growing stronger. Policy counts released Monday February 10, 2014 show Citizens with 942,321 policies in force, a drop of 36 percent from a high of nearly 1.48 million policies in October 2012. The latest figure represents the first time Citizens has gone below 1 million policies since August 2006. Total exposure has reduced from a high of $515 billion in November 2011 to $302 billion (more than 41 percent reduction).

OIA Duties and Responsibilities
The purpose, authority and responsibility of the OIA are formally defined in the internal audit charter. This charter is consistent with the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing as defined by the Institute of Internal Auditors. The charter further reflects authority and responsibilities assigned to the OIA under the Citizens' enabling statute, Section 627.351(6).

In May 2006, Senate Bill 1980 was signed into law requiring Citizens to establish the Office of the Internal Auditor (OIA). The OIA was established to provide a central point of coordination of and responsibility for activities promoting accountability, integrity and efficiency to Citizens’ policyholders and Florida’s taxpayers.

In accordance with Section 627.351(6)(i), Florida Statutes, it is the duty and responsibility of the Chief of Internal Audit to:

• Provide direction for the OIA including supervising, conducting and coordinating audits, investigations and management reviews relating to Citizens’ programs and operations.
Introduction

- Conduct, supervise or coordinate other activities carried out or financed by Citizens for the purpose of promoting efficiency in the administration of, or prevention and detection of, fraud, abuse and mismanagement in its programs and operations.
- Submit final audit reports, reviews or investigative reports to the Board, the Executive Director, the members of the Financial Services Commission, the President of the Senate and the Speaker of the House of Representatives.
- Keep the Board informed concerning fraud, abuses and internal control deficiencies relating to programs and operations administered or financed by Citizens; make recommendations for corrective action; and report on the progress made in implementing corrective action.
- Report expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the Chief of Internal Audit has reasonable grounds to believe there has been a violation of criminal law.

Additionally, the OIA works collaboratively with the external auditors to provide assistance and support for the financial statement audit. Consideration is given to other external audits to minimize the duplication of audit coverage for Citizens.

OIA’s primary objective related to the 2013 Audit Plan was to complete the scheduled audits while providing additional coverage to Citizens through Management Advisory Services (MAS) and other direct audit support activities (executive and senior management team participation, key project meetings, etc.) as a secondary objective. In executing the plan, the OIA used the following audit methods and resource allocation to maximize independent, objective assurance and consulting services that are designed to add value and improve Citizens’ operations:

**2013 Allocation of Resources**

Several noteworthy accomplishments have been completed and can be summarized into the following categories:
- 2013 Audit Plan Execution and Management Advisory Services (MAS),
- Embedding a Forensic Audit capability within OIA,
- On-boarding a data analytics capability to support continuous auditing,
Introduction

- Staff training and development program, and
- Realignment of the OIA methodology and supporting processes with changes to acceptable audit standards and practices.

**Standards of Audit Practice**

Citizens operates according to Section 627.351(6)(i), Florida Statutes, and the *Plan of Operation* approved by the Florida Financial Services Commission. Given that the OIA statute does not include a specific requirement for auditing standards to govern the Citizens OIA program, OIA elected to follow the *International Standards for the Professional Practice of Internal Auditing* for all engagements. The Standards are principles-focused, mandatory requirements, consisting of statements of basic requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance, which are internationally applicable at organizational and individual levels and include:

- **Attribute Standards**
  1000 – Purpose, Authority, and Responsibility
  1100 – Independence and Objectivity
  1130 – Impairment to Independence or Objectivity
  1200 – Proficiency and Due Professional Care
  1300 – Quality Assurance and Improvement Program Performance Standards

- **Performance Standards**
  2100 – Nature of Work
  2200 – Engagement Planning
  2300 – Performing the Engagement
  2400 – Communicating Results
  2500 – Monitoring Progress
  2600 – Communicating the Acceptance of Risks

The OIA also uses the following accepted industry frameworks for guidance when conducting audits: the Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control framework for financial/operations/compliance audits; the Control Objectives for Information and related Technology (COBIT), the Information Technology Governance Institute (ITG), the National Institute of Standards and Technology (NIST) and Information Technology Infrastructure Library (ITIL) when conducting technology audits.
Organization and Administration

Organization Structure
The Chief of Internal Audit is appointed by the Board of Governors, reports to and is under the general supervision of the Board, and is not subject to supervision by any Citizens employee. The Chief of Internal Audit reports to the Board through the Audit Committee. The following chart shows the OIA departmental structure.

During 2013 the OIA established and staffed a Forensic Audit capability, supported by a data analyst, with the purpose to not only reactively, through investigations, focus on the management of fraud and abuse but also develop a proactive approach towards the identification of fraud, abuse and mismanagement within Citizens. This approach directly supports one of the OIA’s responsibilities defined under Section 627.351(6)(i)1.c of Florida Statutes which states:

“b. Conduct, supervise, or coordinate other activities carried out or financed by the corporation for the purpose of promoting efficiency in the administration of, or preventing and detecting fraud, abuse, and mismanagement in, its programs and operations.”

This function has completed a comprehensive fraud risk assessment for the organization which was used in the development of the forensic audit plan as well as the fraud prevention program for 2014.
Training
In alignment with the *International Standards for the Professional Practice of Internal Auditing* the OIA staff is required to maintain their professional proficiency through continuing education and training. Each certified auditor is required to receive at least 80 hours of continuing education every two years. This is accomplished by having the professional staff attend courses and/or conferences during the year.

Likewise, the OIA has an internal standard of 80 hours of training during each calendar year. This is achieved by attending Citizens’ internal training and external courses and/or conferences during the year.

Certifications and Advanced Degrees
The OIA brings various backgrounds of expertise to Citizens. Certifications and advanced degrees held by the Chief of Internal Audit and/or staff during the reporting period includes:

- Certified Internal Auditor
- Certification in Risk Management Assurance
- Certified Financial Services Auditor
- Certified Information Systems Auditor
- Certified Public Accountant
- Certified in Risk and Information Systems Control
- Certified Information Security Manager
- Certified Fraud Examiner
- Master of Business Administration
- Masters of Accountancy
- Master of Science in Information Assurance
- Master of Science in Computer Information Systems

Affiliations
The OIA participated in various affiliations during the reporting period, in support of the internal auditing profession, and gained insurance industry knowledge through attendance at chapter meetings or industry focused training:

- The Institute of Internal Auditors (IIA) & affiliates
- Insurance Internal Auditing Group (IIAG)
- Insurance Accounting and Systems Association (IASA)
- Information Systems Audit and Control Association (ISACA)
- Association of Certified Fraud Examiners (ACFE)
- The American Institute of Certified Public Accountants (AICPA) & affiliates
- Financial Executives International (FEI)
The OIA has continued to develop a credible and sustainable internal audit program for the organization. During 2013, the OIA achieved several key accomplishments.

**Audit Plan Execution**

The following reports were issued:
- Assessments - General Accounting
- Claims Organization, CAT Plan testing
- Clearinghouse
- Clearinghouse Project Audit
- Compliance with Inspection Management Program Procedures and Controls
- Follow-up Report, Inspection Management Program
- Core Commercial Claims Testing
- Core Commercial Claims Organizational Change Management
- Core Commercial Lines Renewal Policy
- Depopulation
- Ethics Program
- Executive Expenses
- Forensic Audit (Named Vendor)
- General Computer Controls
- Interim Review of Core Risk Management
- Long Term Data Center Facility
- External Audit Assistance – Cash Disbursements and Underwriting Premium
- Payroll
- Penetration Testing/Intrusion Detection Audit
- Procurement & Contract Management
- Sinkhole Data Analysis
- Spreadsheet Template Review

**Internal Complaint Handling**

During 2012 the complaint intake process was analyzed and reorganized to enhance efficiency and consistency of assignments and to ensure that there remains segregation between the intake, investigation and disposition of complaints. With the implementation of the revised policy the Ethics and Compliance Officer manages Citizens’ complaint management system (Integrilink), the intake of complaints as reported and initiates a triage process. During 2013 this procedure was solidified and not only improved the management of complaints received but also improved oversight and the quality of investigations resulting from the complaints.

For 2013 OIA received and where appropriate completed investigations for 27 concerns/complaints raised through the Ethics Hotline. It is foreseen that in future the Citizens Inspector General will fulfill an oversight role in this process.
Accomplishments

Audit Committee and OIA Administration
- Annual review of the OIA and Audit Committee charters
- Annual review of the OIA Handbook, Internal Audit Policy and Open Items Policy
- Conducted an independent risk assessment to develop annual audit plan

Quality Assurance and Improvement Program
As outlined within the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing, the chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity, including internal and external assessments. In order to meet this requirement the OIA developed an internal peer review process which is designed to comply to standards during the audit process and improve overall product quality. The OIA has further developed productivity measures and continues to develop further metrics to measure the efficiency and effectiveness of the department. As of December 31, 2013, the OIA department meets established productivity targets as indicated below:

<table>
<thead>
<tr>
<th>Type</th>
<th>Budgeted Hours</th>
<th>Percentage of Total Budgeted Hours</th>
<th>Actual YTD</th>
<th>Percentage of Total Actual Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>OIA Performance</td>
<td>Actual</td>
<td>Target *</td>
<td>Caution</td>
<td>Urgent</td>
</tr>
<tr>
<td>OIA Productivity Percentage</td>
<td>77%</td>
<td>70-75%</td>
<td>60-70%</td>
<td>&lt; 60%</td>
</tr>
</tbody>
</table>

*Based on Institute of the Internal Auditors-recommended productivity ratios (average of government sector and all other sectors).

External Quality Assessment Review (QAR)
As part of the quality assurance and improvement program, the department is required to have a QAR every five years. Crowe Horwath LLP (Crowe) conducted the independent validation of the Citizens self-assessment, completed by the OIA during 2010.

As the function has changed its methodology and increased its capability since 2010 it was decided it would be prudent to have an external QAR performed in 2014. The primary objective of the QAR will be to evaluate the OIA’s activities to assess efficiency and effectiveness in carrying out its mission. The QAR will further assess OIA’s conformity to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (“Standards”); evaluate where OIA is compared to its long term vision and how it is supporting Citizens business needs; and identify opportunities to enhance the OIA’s management of resources and work processes, as well as its value to Citizens.
Audit Process

The OIA continues to refine its internal audit methodologies and process for Citizens. The audit plan is based on a risk-based methodology, and execution of this plan is in accordance with Florida Statutes and in compliance with the IIA’s *International Professional Practices Framework (IPPF)*, which provides standards that delineate basic principles representing the practice of internal auditing.

Annual Planning Process

The OIA conducts an independent risk assessment of Citizens’ business units each year. The process begins with interviewing clients (Citizens’ Board, senior management and external auditors), reviewing prior internal and external audit reports, and analyzing financial statements. In developing its 2014 audit plan the OIA aligned the Company’s objectives and goals into its’ audit strategy utilizing information derived from OIA’s Annual Enterprise Risk Assessment and consultation with Management. Additionally, OIA assessed risk at operational levels and performed detailed risk assessments on specific risks (i.e. Occupational Fraud, Information Technology, Finance/Operations) to understand their likelihood and impact on the Company and the effected business units. This information was aggregated, allowing OIA to identify the risks that have the highest impact and likelihood to adversely affect the Company from achieving its’ strategic goals and objectives. This “Top Down” approach allowed for the proper alignment of audit activities to provide assurance and mitigate risk within the organization at the enterprise and process levels.

Citizens is best served by an audit plan that is dynamic in nature – continually adjusting to meet the needs of the corporation. Therefore, the audit plan is reviewed continuously and adjusted as needed. Key events that may impact the audit plan include, but are not limited to, operational changes, legislative decisions and/or storm season impacts. During 2013, OIA’s primary objective related to the 2013 Audit Plan was to complete the scheduled audits while providing additional coverage to Citizens through Management Advisory Services (MAS), and other direct audit support (executive and senior management team participation, key project meetings, etc) as a secondary objective.

Given the maturity of the OIA department and current staffing levels, not all high and medium processes have been reviewed through a formal audit process. The OIA continues to utilize a risk based approach to balance audit coverage through formalized audit and management advisory services.

During 2014, the Audit Universe (i.e., number of total processes) will be further analyzed and enhanced as the OIA program matures. The 2014 Audit Plan was approved by the Citizens Audit Committee and is available upon request.

Internal Audits

The three phases of the internal audit process are engagement notification and planning; fieldwork; and wrap-up and reporting. The activities performed during each phase include, but are not limited to, the following examples:

**Engagement Notification and Planning**
Audit Process

During information gathering the auditor obtains sufficient information to facilitate the efficient execution of the audit. Fact-Find activity will typically consist of interviews/discussions with key individuals and reviews of background information/associated documentation. Thereafter, the auditor performs an analysis of the risks identified at engagement level. This enables the auditor to confirm whether the risks are sufficient for the engagement to proceed (i.e. “Go”), and if so, determine the objectives and scope of the review. This risk assessment process will establish the primary focus, objectives and scope of the audit. Prior to commencing with the audit the auditor communicates and agrees the defined audit objectives and scope to key stakeholders or customers in the relevant business area.

Fieldwork

Audit engagement fieldwork is carried out to provide sufficient, reliable and relevant evidence which provides the auditor the basis for an opinion on control design and operational effectiveness. Fieldwork steps are documented in accordance with the OIA’s Workpaper Standards.

Wrap-up & Reporting

Control issues identified during and following completion of engagement fieldwork are documented and communicated to stakeholders/customers. Our principal product is the final report in which we express our opinions, present the audit findings, and discuss recommendations for improvement. For this reason alone, wrap-up and reporting are perhaps the most important parts of the audit process. It is important because the report is typically the only product of our work that management and the Audit Committee receive.

Every issue identified and documented in the course of an audit is rated either high, medium or low depending on the assessed impact of the issue upon the efficiency and effectiveness of the control structure being assessed. The audit issue ratings help determine the audit report rating, which is either unsatisfactory, needs improvement or satisfactory. Final audit reports are issued to management, the Audit Committee and as required by s. 627.351(6)(i).c., F.S. After the conclusion of each audit, the OIA monitors the implementation of management’s action plans, using the open-items process described in the Open Items Process section.

Management Advisory Services (MAS)

In addition to internal audits, the OIA also performs MAS, which are generally consultative and less comprehensive than audits and usually conducted at management’s request. During a MAS, the OIA reviews specific aspects of a function, system or activity and provides expertise, opinions and/or suggestions for courses of action. The time required to complete a MAS can vary from a few hours to
Audit Process

several days or weeks, depending on the project scope. The nature of the MAS will determine the final results, which may range from oral presentations or discussions to memos summarizing the project or formal reports with conclusions and recommendations. An audit opinion is not rendered on the adequacy of the control environment, due to limited test work and scope of project. A MAS that results in a written report requires a management response and the final MAS report will be issued to management, the Audit Committee and as required by s.627.351(6)(i)1.c., F.S.

Internal Investigation Process

The OIA developed the OIA Inquiries and Investigations Policy and Procedures to document its standardized methodology for evaluating, investigating, documenting and reporting findings related to complaints received by the OIA directly or via the Tell Citizens reporting program. Where there is sufficient cause or predication, the OIA reviews the allegations listed below to determine potential materiality of item reported:

- Abuse
- Internal control deficiencies
- Financial reporting concerns
- Misappropriation of assets
- Fraud
- Mismanagement

The OIA performs due diligence in its evaluation of each complaint identified as a complaint to be assessed by OIA. A preliminary inquiry verifies whether there is sufficient evidence to justify continued investigation or immediate action. If necessary, the OIA or a qualified professional conducts an investigation with due care. The final OIA investigation report is issued as required by s. 627.351(6)(i)1.c., F.S., and sent to the appropriate members of management. See the “Complaint Reporting Process” section for further details on complaint and investigation processes.

Open Items Process

The OIA developed the Open Items Process, Corporate Policy 802. The Open Items Policy addresses the process administered by OIA for follow-up, escalation, and resolution of audit observations & 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 taking action on audit results. This process was established in accordance with the International Standards for the Professional Practice of Internal Auditing Standards 2500.

Exhibit 2: Open Audit Issues

Open Items statistics and those that are rated high or past due are provided to the Audit Committee on a quarterly basis. Management is taking appropriate action on the issues reported and the OIA monitors progress on the implementation of corrective action.
Appendix 1

During the course of the year, the OIA’s risk-based approach covers many elements of the corporation’s internal control systems; it is not intended to cover all areas of the corporation, nor all possible areas of risk. Instead, we focus our resources on those areas that were evaluated as the highest priority in terms of greatest risks and where our work could be most valuable, either by providing assurances through information or by effecting positive change.

Citizens’ management is responsible for establishing and maintaining an effective internal control structure. The OIA evaluates and reports on the design and effectiveness of that internal control structure. Areas of audit coverage include internal audits, management advisory services (MAS) and financial statement audit support.

Internal Audits
Internal audits are designed to provide reasonable assurance to the Board of Governors and senior management that the controls designed and implemented by management can be relied upon to mitigate the risk within the organization to an acceptable level. There are various types of audits including operational, financial, forensic, compliance and information technology.

Management Advisory Services (MAS)
Management Advisory Services are generally consultative and less comprehensive than an audit, and as a result, an opinion is not being expressed as to the effectiveness of the controls and an audit rating is not applied. However, due consideration should be given by management to adoption on the internal control recommendations, both to enhance the efficiency and effectiveness of the existing’ internal control environment under review.

External Audit Support (a.k.a. Client Assistance)
External Audit support time allocation includes the time the OIA has dedicated to support Citizens appointed external auditors in their annual financial statement audit. Approximately 4% of total hours were committed to the external audit group.

Audit Engagement Summaries
The following internal audit summaries reflect the audit reporting ratings of those areas reviewed during 2013. All executive reports were issued to the Citizens Board of Governors (Audit Committee) and, in accordance with Florida Statutes, to the Financial Services Commission, Speaker of the House and President of the Senate. Detailed management reports are provided directly to the applicable management group.

- **Assessments (Satisfactory)** - Citizens is currently impacted by three different assessments: the Florida Insurance Guarantee Association (FIGA), the Florida Hurricane Catastrophe Fund (FHCF), and the Citizens Emergency Assessment. The objective of this audit was to evaluate the effectiveness and adequacy of key business processes and control functions as well as to ensure compliance with company policy related to the assessments.
  For FHCF and FIGA we found that the controls implemented and managed to ensure that transactions relevant to these two assessments are processed and accounted for appropriately, are effective and efficient and support accurate and timely remittance of funds and where appropriate full recoupment from policyholders. In respect of the Citizens Emergency Assessment, the audit highlighted that there is a need to develop comprehensive reconciliations of carrier assessment submissions and payments.
Citizens Emergency Assessment payments, made by the insurance carriers, are not adequately reconciled across periods to determine if any given carrier underpaid assessment. The process does accurately monitor the total amount collected and the total balance remaining to be collected relative to the original assessment levy. Therefore, this issue does not increase the risk of misstatement of Citizens’ financial statements or jeopardize collecting all assessments due to Citizens. Management is aware of this issue and is in the process of building a database to maintain and track the individual insurance carrier balances appropriately.

- **Claims Organization, CAT Plan testing (Satisfactory)** - Citizens conducts a series of CAT Exercises on an annual basis in preparation for the upcoming hurricane season. The objective of the audit was to observe the 2013 Claims Catastrophe Mock Exercises for selected high-risk business functions and to deliver independent observations and recommendations to the management team. Over the last few years, the Catastrophe Claims Management Team has successfully focused on building and increasing the comprehensiveness and intensity of CAT testing. Results from the audit highlighted that although a well-defined operational CAT program is in place, the catastrophe readiness planning risk should also be holistically assessed annually by Senior Management across Insurance Operations, Finance and Information Technology. This should include an analysis, agreed upon determination of CAT event testing size, and projected planned liquidity needs, which will ensure that all facets of the organization are planning for a similar type/size event.

- **Clearing House: Governance and Project Management (Satisfactory)** - The implementation of the clearinghouse has been identified as the highest priority project for Citizens. OIA’s primary focus is to actively participate in the planning, development and implementation phases of the Clearinghouse Project in order to provide independent project assurance and support. The objective of the audit is to assess the efficiency and effectiveness of the project methodology and the project's implementation on an ongoing basis. We found the project roles and governance structure, planning, and contract solicitation processes and procedures to be designed well and operating effectively. In addition, OIA performed a review of contract terms and conditions during the invitation to negotiate phase to ensure best practice contract elements were included to reduce risk associated with outsourcing contracts. Results from the audit highlighted an opportunity for process improvement. We noted that while project resources actual hours will be tracked going forward, there is no process in place to capture actual and forecast total hours and total resource costs (e.g. internal costs). A project of this size and importance to Citizens should forecast and track internal and external costs to identify budget variations and address potential resource constraints, especially in an environment where there is ongoing daily production to support and another major project competing for key corporate resources. Project management is developing the process to forecast and track total project costs.

- **Clearinghouse – Project Progress (Satisfactory)** Our primary focus on this project is to actively participate in the planning, development and implementation phases in order to provide independent project assurance and support. Our objective is to assess the efficiency and effectiveness of the project methodology and the project’s implementation on an ongoing basis. The result of our work to date is based upon interviews performed with management, direct observation, and review of applicable documents and testing of certain controls.
Appendix 1

Our work to date has confirmed that the Clearinghouse Project has no major issues for implementation and that the project is managed well given the delivery date and associated time constraints. It is worth noting that OIA finds it difficult to ascertain, with complete certainty, if the Project is operationally ready to proceed with the required 'Go Live' date of January 2, 2014, as the project’s overall status is ‘Yellow’ which means that some critical delivery tasks may not be completed. Due to the fast speed of development and the simultaneous work stream development methodology used to meet the regulatory implementation deadline, project management has not produced a fully developed project plan to address all items overdue. We continue to monitor progress and highlight concerns or issues as they arise to management.

• **Compliance with Inspection Management Program Procedures and Controls** - Buttner Hammock and Company had been engaged by OIA to evaluate and report on Citizens’ compliance with its Re-Inspection Program. Results from the engagement provide an objective independent analysis, evaluation, and assessment of a random sample of five hundred properties inspected under the Re-Inspection Program.

• **Follow-up Report, Inspection Management Program** – Buttner Hammock and Company had been engaged by OIA to evaluate and report on Citizens’ compliance with its Re-Inspection Program. As a follow-up to the initial review Buttner Hammock and Company selected a sample of 75 insured properties inspected as part of the Re-Inspection Program and coordinated a follow-up inspection of the insured property. Thereafter they evaluated the results of that follow-up inspection in comparison to the original inspection performed as part of the Re-Inspection Program.

• **Core Commercial Claims Testing (Satisfactory)** - The Core Insurance Solution Implementation Program is a significant undertaking for the replacement of Citizens’ policy, claims and billing systems. During the development phase of the Core Commercial Claims Center release, the focus was on user story validation and included unit, functional and user story acceptance testing performed by the development teams. Stabilization testing focused on system release acceptance and consisted of three sprints inclusive of multiple test phases. The application test phases included end-to-end, regression, complex scenario, performance, user acceptance, and production readiness testing. Application and infrastructure issues noted during the testing phases were formally tracked and followed up using a formalized Defect Management process. Stabilization test progress was tracked and recorded in a weekly status report and associated metrics.

The objective of this audit was to evaluate and provide assurance related to overarching application and system test strategies, plans and the execution of test results to ensure readiness for the Commercial Claims implementation. We found that components included in the Commercial Claims Strategy and Plan documents reflected those required by leading practices. The strategy test phases were well documented and followed in practice. Results from the audit highlighted a few minor opportunities for improvement including an opportunity to enhance and formalize the oversight of testing documentation as stabilization testing progresses.

• **Core Commercial Claims Organizational Change Management (OCM) (Satisfactory)** - The Organization Change Management (OCM) portion of the Core project focuses on dealing with the people components including Training, Communications, Enterprise Quality Assurance, Workforce Transition, Benefits Realization, Process Workflows and Standard Operating Procedures.
Appendix 1

The objective of this audit was to evaluate and provide assurance related to overall Commercial Lines Organizational Change Management strategy, detailed project plans and ongoing monitoring of the components. Results from the audit confirmed that the Organizational Change Management process for Commercial Lines appears to be well organized with appropriate levels of planning and oversight. Program Management, the Program Governance Team, and the Steering Committee are regularly apprised of the status of the process. OIA noted some minor issues, which have been discussed with Core Program Management and are being remediated.

- **Core Project (Satisfactory)** – During the period OIA presented deliverables (audit report, MAS and progress memorandums) to management and the Project Steering Committee. The purpose of this audit work was to provide assurance in respect of the overall project governance and management and provide assistance to project management in the identification of specific solutions. Two separate reports were issued. The first focused upon specific procedures followed for ensuring that Commercial Lines renewals are successfully migrated to PolicyCenter, are adequate and generally operating effectively. In general, we found that the migrations processes were appropriately developed and a significant portion of the legacy system data clean up has been completed. Minor issues noted were discussed with management and are being addressed. The second report focused upon the effective management of project risks. Our work confirmed that, apart from a few minor suggestions, the process used to identify, document, monitor and communicate project risks is appropriate.

- **Depopulation (Needs Improvement)** – Citizens Property Insurance Corporation is required by Florida law to create programs to help return Citizens policies to the private property insurance market with the goal of reducing the risk of additional assessments for Floridians. These programs are known as depopulation, assumption or take-outs. The objective of this audit was to evaluate the effectiveness and adequacy of key business processes, control functions and ensure compliance with company policy related to depopulation. We found that the controls implemented for processing the assumption of Citizens’ policies by takeout companies were well developed and sufficient to ensure that the assumptions were efficiently processed and complied with legislative mandates. Additionally, we found well-developed accounting procedures that were adequate to ensure accurate management and financial reporting for traditional assumption activities. Moreover, depopulation management proved to be fully aware of and informed about all aspects of the depopulation process from the day-to-day processes to legislative issues. Further, management exhibited a strong desire for constant improvement of the depopulation process. One significant issue was noted with regards to the need to sufficiently safeguard customer personal identifiable information during specific portions of the depopulation process. Management is addressing this issue as well as some other minor issues identified during the audit.

- **Ethics Program (Satisfactory)** - Citizens Code of Ethics was developed during 2010 and the OIA provided advice and guidance in respect of organizational structure, internal controls and other policy recommendations for consideration. As of March 2012, the organization appointed a new Director of Ethics and Compliance who is, among other duties, monitoring the efficiency of the ethics program. Additionally, management has been in the process of inventorying laws and regulations that may be applicable to Citizens. The objective of the audit was to evaluate the adequacy and effectiveness of key processes and control functions related to the Ethics Program.
The audit confirmed that the awareness and training components of the Ethics Program are well developed. The ethics induction for new employees and the annual ethics attestation are both very mature processes that perform their functions effectively. The induction process includes both classroom activities and online training materials and provides ample opportunity for new employees to ask questions. The annual ethics refresher training and annual ethics attestation are both efficiently administered utilizing online software. In addition, compliance with both requirements is monitored by the ethics officer via computer-generated reports. Annual ethics refresher training and ethics attestation requirements exhibited a 100% rate of compliance by employees.

The audit also highlighted some low rated issues, which were shared with Management.

- **Executive Expenses (Satisfactory)** - During 2012 Citizens came under a high level of scrutiny related to expenses, especially those of company executives. This resulted in significant changes in expense policies in 2013. Because of the potential for ongoing financial and reputational risks, it was decided that executive expenses would be audited on an annual basis. The objective of this audit was to evaluate the effectiveness and adequacy of key business processes and control functions for executive expenses and other selected administrative expense categories and to ensure compliance with the corporation’s expense policy.

  Based on our examination of invoices, expense reports and other supporting documentation, we found that executive expenses were properly documented, approved and within expense policy guidelines and that travel was properly authorized. There were two minor opportunities for improvement including enhancing direct bill reconciliation procedures and providing some clarification to the expense policy. Management has agreed to address both of these issues.

- **Financial Statement Audit Support - General Computer Controls** - The OIA completed General Computer Controls testing to support the 2012 financial statement audit completed by Johnson Lambert LLP (Johnson Lambert), Citizens external auditors. This testing focused primarily on assessing the adequacy and effectiveness of pervasive technology controls for selected key IT areas that support the financial reporting process. The areas selected and scope of work completed were delegated and/or agreed upon by Johnson Lambert and OIA and were provided as a client assistance request. Findings from this audit were presented to Johnson Lambert.

- **Forensic Audit (Named Vendor)** - The objective of this audit was to determine whether or not undue influence was used to secure the Named Vendor contract and how the vendor contract terms and volume of business compares with similar vendors on the agreement.

  Based on the procedures performed by the Office of the Internal Auditor - Forensics, we found that Named Vendor was offered similar contractual terms and conditions, including pricing, to those offered to the other adjusting firms reviewed. The quarterly adjuster performance scorecard indicates that their performance has been at acceptable levels not requiring any corrective action. Additionally, the adjuster firm vendor spends reviewed for the 2008 through August 2013 period indicate relatively low levels of assigned business compared to the remaining adjuster firms. We have not identified any indications that Named Vendor has received any special considerations or preferential treatment over the other contracted adjusting firms.

- **General Computer Controls (Satisfactory)** - OIA has completed General Computer Controls testing to support the 2013 financial statement attestation audit for Johnson Lambert LLP. The objective of this
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Audit was to evaluate the adequacy and effectiveness of the change management process and segregation of duties in the testing and stage environments where application code resides. Results from the audit were reported to Johnson Lambert for inclusion in their work product.

- **Long Term Data Center Facility Migration (Satisfactory)** - In January of 2010, IT management commenced with the Data Center Re-Alignment Program (currently known as the Long Term Data Center Facilities Program - LTDCF) with the purpose of transitioning Citizens’ Data Center Operations from current, at-risk facilities, to a newer more suitable and protected facility with appropriate redundancy required by the business. The objective of this audit was to evaluate the adequacy and effectiveness of the program’s governance structure and controls to ensure that the LDTCF Program is successfully implemented and adequately supports the objectives of the business. Results from the audit confirmed that appropriate project governance processes were deployed and the project is managed within schedule and budget.

- **External Audit Assistance: Cash Disbursements and Underwriting Premium** - The Office of Internal Audit has completed the Underwriting Premium Payments and Cash Disbursement audit work to support the 2013 financial statement attestation audit for Johnson Lambert LLP (Johnson Lambert). The testing focused primarily on assessing the adequacy and effectiveness of key controls related to underwriting premium payments and cash disbursement processes. The areas selected and scope of work completed were delegated and/or agreed upon by Johnson Lambert and OIA and were provided as a client assistance request. The period under review was January 1, 2013 through August 30, 2013. It is the responsibility of the external auditor to determine the materiality level of the issues noted as it relates to financial reporting. Following the completion of the audit OIA concluded that it did not identify any exceptions based on the specified testing and objectives of the review.

- **Payroll (Needs Improvement)** - The Payroll function is a sub-section of Human Resources and their responsibility. Human Resources is responsible for biweekly payroll disbursements and miscellaneous payroll calculations for 1173 Citizens employees amounting to a total annual payroll of $107 million. The objective of this audit was to evaluate the effectiveness and adequacy of key business processes and control functions as well as ensure compliance with company policy and regulatory requirements related to the Payroll process. We found that payroll transactions have effective internal controls over processing new hires and terminations, the processing and reporting of payroll transactions and time reporting. Our work indicated specific areas with opportunities for improvement. These included the need to: develop and implement a thorough contingency in the event of the payroll administrator’s absence; reassess and redesign segregation of duties around payroll processing, generating payroll checks and modifying the payroll master file data; modify user roles and permissions within Kronos (the personnel administration system) to ensure that incompatible duties are adequately separated, and improve the oversight review of the completed payroll to ensure that all payroll transactions are processed correctly.

- **Penetration Testing/Intrusion Detection Governance Audit (Needs Improvement)** - IT management performs penetration testing, vulnerability management and intrusion detection monitoring activities to safeguard data and systems residing in Citizens’ computerized networks. Penetration testing is the process of evaluating the security of Citizens’ computer network by
simulating malicious external/internal attacks. Vulnerability management includes the practice of identifying, classifying, remediating and mitigating vulnerabilities on computer devices. The Information Security Department is responsible for both penetration testing and vulnerability management processes. Intrusion detection monitoring is the process of actively observing Citizens’ computer networks and systems to detect malicious activity. The IT Network Engineering team performs intrusion detection monitoring via a vendor software tool that resides on the firewalls.

The objective of this audit was to evaluate the adequacy and effectiveness of penetration testing, vulnerability management, and intrusion detection monitoring controls implemented to safeguard Citizens’ computer network and ensure that network security and availability adequately support the objectives of the business. We found that external network risks are managed well with ongoing and consistent vulnerability scanning and periodic external penetration tests are performed by a third party. However, there are opportunities for improvement in network security risk mitigation including: the need for periodic penetration tests of the internal network to validate the maturity and effectiveness of vulnerability management controls; the need to improve internal network vulnerability management capabilities, through the establishment of an on-going and comprehensive vulnerability scanning and remediation process; the need to improve intrusion detection processes; and the need for improvement in the security configurations of servers, databases and network devices through the establishment and implementation of security configuration baseline standards.

**Procurement & Contract Administration (Needs Improvement)** - OIA evaluated the adequacy and effectiveness of Procurement & Contract Administration functions and controls to ensure procurement activities were conducted in accordance with internal and regulatory guidelines. Furthermore, our work aimed to determine whether the process successfully and adequately supports the objectives of the business.

During the course of our audit, management provided us with information highlighting several control gaps and process inefficiencies resulting from the CAPS procurement processing application. CAPS was implemented in 2008 with the primary objective of digitizing Purchase Orders and having an approval workflow for requisitions. As such, it has limited capabilities in serving as an end-to-end workflow system for processing (from requisition to account posting and payment) and reporting. These inefficiencies are being addressed.

We found Procurement and Accounting management/staff to be knowledgeable, to embody a strong culture of ethics and control awareness, and maintain a robust document retention system for all elements of the competitive solicitation and contract negotiation process. Our work, however, indicated specific areas requiring additional attention, including:

- There is one system administrator who is experienced in administering all user access requests and approval workflows in CAPs which, given the complexity of the process, raises a people dependency risk;
- There is concentration of services procured under one State-Term Contract (consisting of multiple pre-approved vendors) which may not reflect the purpose, intent, and/or eligible use of the contract;
- Purchase Order’s are not consistently utilized for contracts of similar goods and/or services;
- The organization does not have the system capability of tracking or reporting total vendor spend by individual contract and the current decentralized design and structure of the Contract Management process may be costly and inefficient in light of new statutory requirements. By not identifying or
tracking vendor spend by contract, there is a risk that spend for contract-related services may exceed contract limits and/or terms.

- **Sinkhole Data Analysis (MAS)** - The objective of this advisory work was to provide data mining and data analysis assistance to Claims Special Investigations Unit (SIU) management, thereby delivering a detailed analysis and examination of sinkhole claims transactional data. OIA presented a detailed report, which included the results from our analysis in table and graph format, together with an interpretation of the impact, and supporting materials to SIU that comprised the work effort.

- **Spreadsheet Template Review – Citizens Standard Fee Bill (MAS)** – The OIA completed this review at the request of Citizens management. The objective was to evaluate the control structure related to Citizens Standard Fee Bill (template), which is utilized by third parties as a billing invoice calculation template for services rendered to Citizens. This template is used for an average of 5,162 invoices per month, which represents approximately $3.4 million in fees. These monthly averages exclude CAT claims, which could significantly increase its usage. This review was intended to provide additional levels of reasonable assurance that the Independent Adjuster Firm’s (IA Firm) fee billing is accurate.

  OIA found that the spreadsheet in use is reliable, all cells containing formulas were locked, calculations were complete and accurate, look-up tables were appropriate and input field values were properly restricted where appropriate. Results from our work highlighted some areas where the spreadsheet could be improved. Management is addressing these improvements.
Internal Investigation Summaries

- **Alleged workplace harassment.** During January, an anonymous complaint was received, via TellCitizens. The complaint alleged that a supervisor at one of Citizens Jacksonville facilities was harassing his employees on a daily basis. The complaint indicated that the supervisor treated his staff in a threatening manner, used inappropriate and derogatory comments when addressing members of his staff, and engaged in inappropriate behavior after a departmental celebration during Customer Service Week in October 2012. Based on findings from OIA’s review it was confirmed that the supervisor’s actions resulted in a violation of Citizens’ discrimination or harassment policy as well as a violation of Citizens’ Standard of Conduct. Results from the audit were presented to management. Management instituted disciplinary action and the supervisor was dismissed.

- **Alleged code of ethics violations.** During January, a supervisor invited unregistered Citizens’ employees to listen and view an online training being provided to registered Citizens’ employees by Xactware regarding the “Xactcontents” product. Our review discovered that the supervisor invited others to participate not out of intent to commit an unethical act, but rather as a service to improve the team’s knowledge base. A representative from the supplier was notified that unregistered participants viewed the training by watching on registered participants’ computers. He confirmed that this was not an issue as the contents and audio are provided to the company, for internal use, and only those participants logged onto a web interface during the webinar are charged the training fee. Apart from internal ethics training, no further action was recommended.

- **Alleged misuse of resources** - On February 4, 2013, a verbal submission was received by TellCitizens from a Citizens policyholder alleging attempted abuse by a Citizens staff member. This report was triaged and assigned on February 8 to the OIA who commenced with a review into the complaint raised. The policyholder followed up with an additional complaint on March 3, 2013. The complaints allege that Citizens’ employees attempted to abuse the policyholder because they are elderly and that they requested the policyholder provide false information regarding their insurance claim, submitted to Citizens during 2011, in order to receive a larger settlement for their insurance claim. Based on the results of our inquiries and review of the facts as well as the work done by Citizens SIU, we find no evidence to substantiate the allegation that Citizens employees have abused the complainant or colluded with the complainant in an attempt to secure additional funds for this claim. (Refer to report number CPIC 13-02-0002 / CPIC 13-03-0001)

- **Alleged falsification of information** - On February 28, 2013, an e-mail was received through an anonymous source addressed to the Citizens’ Careers general mailbox. The e-mail stated, “Citizens is knowingly or unknowingly hiring employees who don’t have any real-time experience and are putting out fake profiles to make more money in a shorter period of time.” The email identified a specific individual and OIA-Forensics researched the claim related to this individual. Based upon our review of documentation and other related results from third party service providers, the allegation that the subject provided false information on their resume and did not possess the requisite skills and/or knowledge necessary for their current assignment is unsubstantiated. (Refer to report number CPIC 13-03-0005)

- **Alleged misuse of resources** - On March 27, 2013, OIA-Forensics was notified of a potential conflict of interest concerning a Tampa, FL based Claims Assistant, who is currently on a temporary assignment with Citizens. The concern was that the Claims Assistant has access to confidential Citizens claim information for claims to which the individual may be a party. Based on the results of our inquiries and review of the facts, we found no evidence to substantiate the allegation that the Claims Assistant accessed personal claim information in the Claims Tracking System (CTS). (Refer to report number CPIC 13-04-0003)
• **Alleged inappropriate conduct** - In or around March 2013, SIU became suspicious of a law firm contracted by Citizens to assist in claims defense. SIU had been informed by external contacts that the law firm has “accessed data from the computer system of a plumbing company” inappropriately and used it in its defense of a claim on behalf of Citizens. The law firm owner explained, and later documented in an email dated May 3, 2013, that the former plumbing company employee being questioned accessed plumbing company data on the law firm’s computer; however, this was not at the attorney’s request nor was the information utilized in defense of the claim. The law firm owner informed us that he has issued a subpoena for the records. While we are not attorneys, through discussion with Elaina Paskalakis, Director Assistant General Counsel (Litigation), it is our understanding that the methods employed by the law firm do not violate law. (Refer to report number CPIC 13-04-0005)

• **Alleged conflict of interest** - On April 18, 2013, an informant alerted Citizens’ Ethics & Compliance Officer that two Citizens employees might be involved in unauthorized Secondary Employment. The informant indicated that the individuals are working with a former employee to market a system that has certain similarities to an internal system managed by the former and current employees. OIA-Forensics confirmed that the current employees violated the Secondary Employment and Use of Citizens’ Resources for Business Use provisions of the Code of Ethics. Additionally, the former employee mentioned violated the Conflict of Interest and Financial and Business Interest portions of the Code while employed at Citizens. The employees resigned effective May 17, 2013. Because of the findings to date and concerns over the apparent conflict of interests, OIA-Forensics is performing additional forensic audit procedures. (Refer to report number CPIC 13-04-0007)

• **Alleged conflict of interest** - On May 10, 2013, an informant alerted OIA-Forensics that “an independent adjuster, with a personal sinkhole claim, is working for the same vendor handling the claim”; thus, the adjuster may be able to view claim information. The adjuster along with the adjusting firm have been notified of the potential conflict of interest and the adjuster has been blocked from completing work until Vendor Management questions the individual on this incident. OIA has recommended Vendor Management implement the following to reduce the potential for similar potential conflicts of interest:
  o Development of a communication from Vendor Management to Independent Adjusters and Independent Adjusting Firms detailing the importance of complying with their Ethics requirements and notifying Citizens if an independent adjuster or associated family member has an open claim at Citizens prior to or during their tenure with Citizens.
  o Development of a process by Vendor Management to receive notice, track compliance and monitor any real or potential conflicts of interest associated with independent adjusters, and other contracted third parties working at Citizens, having access to claims information and having an open claim. (refer to report number CPIC 13-05-0002)

• **Alleged sexual harassment** - On February 19, 2013, Citizens Vice President Claims received a letter from an ex-employee wherein the reporter complains of sexual harassment, defamation of character, intentional/negligent infliction of emotional distress leading to constructive discharge. The reporter conveys a sense that those in her workplace were working against her in an uncooperative atmosphere. Upon receipt of the letter, it was copied into Tell Citizens and the matter was assigned to OIA. Given the breadth of the allegations received, OIA appointed outside counsel (Brown, Garganese, Weiss & D’Agresta, PA) to fully investigate the concerns raised. The investigation focused in the first instance on concerns noted which might have affected the reporter and secondly on other concerns, which may have affected the reporter’s peer employees. Two separate reports were presented by the investigating attorneys. Results from the first report concluded that the reporter was not a victim of defamation, was not constructively discharged, nor a
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victim of intentional distress. It was further the investigating attorney’s unqualified conclusion that the reporter was not a victim of unlawful discrimination or harassment in the workplace. In the second report, the investigating attorney concluded that the allegation of inappropriate behavior of a claims consultant was substantiated and he was dismissed. (Refer to report numbers CPIC 13-02-0005&6)

- **Addendum to previous investigation** - Subsequent to our completion of the original investigation, which focused on an allegation of sexual harassment, OIA-Forensics performed a detailed audit verifying the legitimacy of two other claims made by the subject within the original complaint. The first issue required an assessment of the circumstances and validity of an invoice from a law firm wherein we paid $800 for the fuel on a private aircraft. We found that Citizens did reimburse the firm $600 for replenishment of fuel on a private aircraft, used to commute to Jacksonville; however, we confirmed that the fuel reimbursement was in fact less than what would have been incurred had Citizens paid for the attorney’s airline tickets. Secondly, we reviewed the process surrounding legal bill reviews and confirmed that Citizens’ process to review and challenge legal bills is effective. The result from this audit finding contradicts the subject’s broad claim and we found the allegation to be unsubstantiated. (refer to report number CPIC 13-02-0005 / CPIC 13-02-0006)

- **Alleged conflict of interest** - OIA-Forensics was made aware of a potential conflict of interest with an independent adjuster providing mediation services to Citizens while deployed as an adjuster. We requested and reviewed the subject’s deployment dates as well as the claims assigned to the subject as a mediator. We found no evidence that claims assigned to the subject for mediation were assigned simultaneously to the adjusting firm and the allegation was therefore unsubstantiated. However, the opportunity for access exists because Vendor Management has yet to determine if access to claim information is restricted once the assignment is moved from one adjusting firm vendor to another and there were instances wherein the adjusting firm was assigned the claim prior to the subject’s deployment date. In addition to the development of an Ethics communication to adjusters and their firms, regarding conflicts of interest and a conflict of interest tracking and monitoring process, OIA-Forensics asked Vendor Management to develop a process to restrict those rights appropriately upon an assignment change. (refer to report number CPIC 13-05-0001)

- **Alleged misuse of system access** - Citizens received an anonymous phone call alleging that the IT Security Manager had inappropriately used access rights to obtain sensitive information for benefit. OIA-Forensics, along with assistance from an independent contractor, Sunera LLC, performed a security review of Citizens assets in the manager’s possession and utilized other investigative procedures (i.e. interviews, access permissions review) to complete the assignment. Our work provided no evidence of misappropriation or misuse of Citizens’ data and/or information and the allegation was therefore unsubstantiated. (refer to report number CPIC 13-06-0002)

- **Alleged conflict of Interest** - Citizens’ personnel received information regarding a potential conflict of interest. Specifically, it was alleged that an agency is writing and submitting applications for underwriting to affiliated contract personnel working in underwriting. OIA-Forensics reviewed contracts and other documentation regarding both businesses as well as utilized internet resources to confirm whether a conflict existed. We determined that although such a conflict does exist, the contracting company did not violate contract provisions because Citizens’ contract did not adequately address affiliate conflicts. Specifically, the lack of language did not induce a policy violation by the contracting company, as it does not address those relationships. We found no other entities associated with the contracting company that were not already disclosed by them. OIA-Forensics held a meeting with our internal legal function and the business unit to update them with our findings. Management is addressing the issue noted by updating contract wording as well as undertaking a full policy review of the agency’s book of business to ensure
integrity in those files. In addition, while we did not identify any other named affiliates that process business in the state of Florida, we asked vendor management and agency management to complete a thorough review. Management completed the assessment and was able to confirm this finding with us. (refer to report number CPIC 13-07-0001)

- **Alleged destruction of property** - Upon separation with a contract employee, Citizens IT Security function became aware that the employee utilized a method that performed multiple overwrites on a laptop drive, thus making it impossible to recover deleted information. Following a detailed investigation wherein we discussed with external professionals the ability to recover data, the data was found to be unrecoverable and did not allow for Citizens to utilize any legal rights against the contractor. OIA-Forensics reviewed the separation process and made recommendations to enhance the contractor separation process as well as update the IT policy to directly address the issue of destruction or removal of property. These recommendations are currently being implemented. (refer to report number CPIC 13-08-0001)

- **Alleged destruction of property** (An addendum to previous investigation) – Subsequent to our completion of an investigation that found multiple Code of Ethics violations by two employees as well as an executive of a CPIC vendor, OIA-Forensics determined it was necessary and prudent to conduct procedures to understand if assets (e.g. funds, software code) were misappropriated during the timeframe subsequent to the startup of the two employees’ entity, through the end of the employees and vendors relationship with Citizens. Reasons for this included the cost of a start-up, similarity between employees’ product and internal Citizens’ systems, and relationship with certain organizations who may aim products/services at Citizens. The procedures did not uncover any indications of asset misappropriation; however, process improvement opportunities (i.e. turning on audit logging software and updating IT policy to address destruction of Citizens property) were noted.