



Office of the Internal Auditor



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AUDIT REPORT

Acuity System Functionality

October 25, 2017

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Executive Summary

Background

The Acuity system is utilized by the Legal Billing Compliance department to oversee and govern the defense costs of the 116 contracted insurance defense law firms. Defense counsel tracks and submits detailed billable time and activities into the system in order to submit invoices for payment of services rendered. In 2016 Citizens initiated and completed a project to establish an automated link between Acuity and the ClaimCenter system in order to enhance functionality and streamline the approval and payment process. Prior to the project Acuity financial data was manually entered into ClaimCenter.

During 2016 there were 95,991 invoices processed through Acuity totaling \$63.7 Million in legal bills. The integration has resulted in process efficiencies and improving both the legal billing and claims litigation system processes.

Audit Objectives and Scope

The objective of this audit was to evaluate the adequacy and effectiveness of processes and controls and to ensure that the system integration between Acuity and ClaimCenter achieved the expected outcome and that the integrity of the data is maintained. The scope of the audit included an assessment of controls and procedures for the following areas:

- Review and verify all integrated data fields are appropriately and reliably exchanged between Acuity and ClaimCenter.
- Review and evaluate implementation planning and testing procedures performed by the business areas.
- Review and evaluate controls and procedures in place to maintain integration reliability.
- Review Acuity Contract Manager compliance with Vendor Management Office documentation requirements.
- Review and compare 2013 Acuity procurement business requirements and deliverables with Acuity's current state.

Audit Opinion

The overall effectiveness of the processes and controls with regards to the Acuity financial and matter integration with ClaimCenter evaluated during the audit is rated as **Satisfactory**.

Results from the audit indicates the Acuity/ClaimCenter integration was completed with minimal business interruptions or post implementation issues. Our observations of the integration project determined that all data fields exchanged between Acuity and ClaimCenter were included in the regression testing and user acceptance testing plan. Testing activities were effectively coordinated between Citizens ClaimCenter employees and Acuity Product Development staff. The project integration process and subsequent testing results were well developed and documented. In addition, we compared Acuity's current functionality with the original procurement functional business requirements and determined that 89% of the original procurement requirements have been met. Of the remaining requirements, 11% are not critical to processing legal bills and the Legal Billing Compliance department have established compensating system and procedural alternatives.

Executive Summary

During the audit we noted some minor observations regarding post implementation monitoring and management of system generated errors that were not compliant with operating procedure. Management has considered the observation and provided an action plan to address.

We would like to thank management and staff for their cooperation and professional courtesy throughout the course of this audit.

Appendix 1

Definitions

Audit Ratings

Satisfactory:

The control environment is considered appropriate and maintaining risks within acceptable parameters. There may be no or very few minor issues, but their number and severity relative to the size and scope of the operation, entity, or process audited indicate minimal concern.

Needs Minor Improvement:

The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some minor areas of weakness in the control environment that need to be addressed. Once the identified weaknesses are addressed, the control environment will be considered satisfactory.

Needs Improvement:

The audit raises questions regarding the appropriateness of the control environment and its ability to maintain risks within acceptable parameters. The control environment will require meaningful enhancement before it can be considered as fully satisfactory. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some noteworthy areas of weakness.

Unsatisfactory:

The control environment is not considered appropriate, or the management of risks reviewed falls outside acceptable parameters, or both. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate pervasive, systemic, or individually serious weaknesses.

Appendix 2

Issue Classifications

Control Category	High	Medium	Low
<i>Financial Controls (Reliability of financial reporting)</i>	<ul style="list-style-type: none"> Actual or potential financial statement misstatements > \$10 million Control issue that could have a pervasive impact on control effectiveness in business or financial processes at the business unit level A control issue relating to any fraud committed by any member of senior management or any manager who plays a significant role in the financial reporting process 	<ul style="list-style-type: none"> Actual or potential financial statement misstatements > \$5 million Control issue that could have an important impact on control effectiveness in business or financial processes at the business unit level 	<ul style="list-style-type: none"> Actual or potential financial statement misstatements < \$5 million Control issue that does not impact on control effectiveness in business or financial processes at the business unit level
<i>Operational Controls (Effectiveness and efficiency of operations)</i>	<ul style="list-style-type: none"> Actual or potential losses > \$5 million Achievement of principal business objectives in jeopardy Customer service failure (e.g., excessive processing backlogs, unit pricing errors, call center non responsiveness for more than a day) impacting 10,000 policyholders or more or negatively impacting a number of key corporate accounts Actual or potential prolonged IT service failure impacts one or more applications and/or one or more business units Actual or potential negative publicity related to an operational control issue An operational control issue relating to any fraud committed by any member of senior management or any manager who plays a significant role in operations Any operational issue leading to death of an employee or customer 	<ul style="list-style-type: none"> Actual or potential losses > \$2.5 million Achievement of principal business objectives may be affected Customer service failure (e.g., processing backlogs, unit pricing errors, call center non responsiveness) impacting 1,000 policyholders to 10,000 or negatively impacting a key corporate account Actual or potential IT service failure impacts more than one application for a short period of time Any operational issue leading to injury of an employee or customer 	<ul style="list-style-type: none"> Actual or potential losses < \$2.5 million Achievement of principal business objectives not in doubt Customer service failure (e.g., processing backlogs, unit pricing errors, call center non responsiveness) impacting less than 1,000 policyholders Actual or potential IT service failure impacts one application for a short period of time
<i>Compliance Controls (Compliance with applicable laws and regulations)</i>	<ul style="list-style-type: none"> Actual or potential for public censure, fines or enforcement action (including requirement to take corrective actions) by 	<ul style="list-style-type: none"> Actual or potential for public censure, fines or enforcement action (including requirement to 	<ul style="list-style-type: none"> Actual or potential for non-public action (including routine fines) by any regulatory body

Appendix 2

Control Category	High	Medium	Low
	<p>any regulatory body which could have a significant financial and/or reputational impact on the Group</p> <ul style="list-style-type: none"> • Any risk of loss of license or regulatory approval to do business • Areas of non-compliance identified which could ultimately lead to the above outcomes • A control issue relating to any fraud committed by any member of senior management which could have an important compliance or regulatory impact 	<p>take corrective action) by any regulatory body</p> <ul style="list-style-type: none"> • Areas of non-compliance identified which could ultimately lead to the above outcomes 	<ul style="list-style-type: none"> • Areas of noncompliance identified which could ultimately lead the above outcome
<i>Remediation timeline</i>	<ul style="list-style-type: none"> • Such an issue would be expected to receive immediate attention from senior management, but must not exceed 60 days to remedy 	<ul style="list-style-type: none"> • Such an issue would be expected to receive corrective action from senior management within 1 month, but must be completed within 90 days of final Audit Report date 	<ul style="list-style-type: none"> • Such an issue does not warrant immediate attention but there should be an agreed program for resolution. This would be expected to complete within 3 months, but in every case must not exceed 120 days

Appendix 3

Distribution

Addressee(s) Greg Rowe, Director, Claims Vendor & System Management
Aditya Gavvala, VP IT Services & Delivery

Copies **Business Leaders:**
Barry Gilway, President/CEO/Executive Director
Jay Adams, Chief Claims Officer
Kelly Booten, Chief Systems & Operations Officer
Dan Sumner, Chief Legal Officer & General Counsel
Christine Turner Ashburn, VP-Communications, Legislative & External Affairs
Bruce Meeks, Inspector General
Steven Woods, Director, Assistant General Counsel Claims & Litigation
Robert Borland, Director Application Development

Audit Committee
Bette Brown, Citizens Audit Committee Member

Following Audit Committee Distribution
The Honorable Rick Scott, Governor
The Honorable Pam Bondi, Attorney General
The Honorable Adam Putnam, Commissioner of Agriculture
The Honorable Joe Negron, President of the Senate
The Honorable Richard Corcoran, Speaker of the House of Representatives

The External Auditor

Audit Performed By

Auditor in Charge	Anthony Huebner
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Audit Director	John Fox
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<i>Under the Direction of</i>	<i>Joe Martins Chief of Internal Audit</i>
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