



Assurance Dashboard *December 12, 2017*

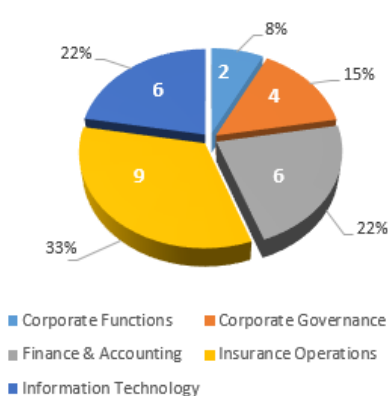
Office of the Internal Auditor

Overview of Audit Plan and Plan Changes

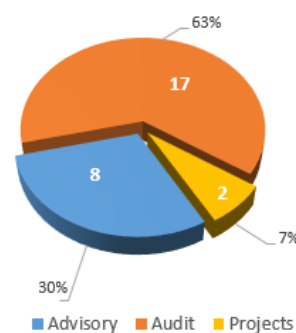
The OIA continually follows development of risk and monitors delivery of projects listed in the Audit Plan. As we reassess our understanding of risk within the organization and consider operational challenges, we re-examine our plan, thereby confirming that it continues to provide the expected assurance 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	8
Completed	15
Draft Issued	0
In Progress	12
Deferred/Cancelled/Combined	18
Total Remaining	0

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 cancel five engagements and combine one engagement. In addition, six audits were added to the plan to review controls related to increased activity due to hurricane Irma.

Changes to Audit Plan			
Engagement	Type	Status	Comments
Shared Storage	Advisory	Cancelled	Client no longer requires project assistance
FMAP	Advisory	Cancelled	FMAP project work was not performed this year
Non-Automated Personal Lined Underwriting	Advisory	Combined	Combined with Automated Underwriting
Call Center	Audit	Cancelled	Moved to 2018 Audit Plan and renamed Voice of Customer Program Audit
Agency Quality Assurance	Advisory	Cancelled	Advisory services are no longer needed by the business unit.
Self-Service Strategy	Advisory	Cancelled	Moved to 2018 Audit Plan
2017 CAT Emergency Procurement	Audit	Added	Audit added to review controls related to increased activity due to hurricane Irma
2017 CAT Travel and Expense	Audit	Added	Audit added to review controls related to increased activity due to hurricane Irma



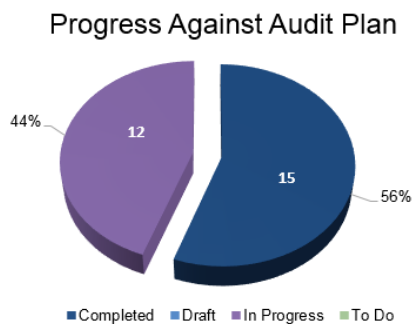
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Changes to Audit Plan			
Engagement	Type	Status	Comments
2017 Emergency Field Check Payments	Audit	Added	Audit added to review controls related to increased activity due to hurricane Irma
2017 CAT Independent Adjuster Pay (Day Rate and Fee Bill)	Audit	Added	Audit added to review controls related to increased activity due to hurricane Irma
2017 CAT Pay Policy and Execution	Audit	Added	Audit added to review controls related to increased activity due to hurricane Irma
IRMA Project Impactt	Audit	Added	Audit added to review controls related to delayed system changes activity due to hurricane Irma

Progress against Plan

The following graph represents progress to date on the Audit Plan and represents 27 engagements scheduled for completion in 2017, of which 15 engagements were completed, and 12 are in progress.

Plan Progress	
Cancelled	18
Completed	15
Draft Report	0
In Progress	12
To Do	0
Total	27



Pending Engagements	
In Progress	
• OFAC	Audit
• Centerpoint Project Monitoring	Project
• Data Retention	Advisory
• Self-Funded Benefit Plan	Audit
• Network Assessment	Audit
• Expense Ratio Analysis Benchmarking	Advisory
• CAT Emergency Procurement	Audit
• CAT Travel and Expense	Audit
• Emergency Field Checks	Audit
• CAT Independent Adjuster Pay	Audit
• CAT Pay Policy and Execution	Audit
• CAT Delayed System Changes	Audit
Draft	
None	

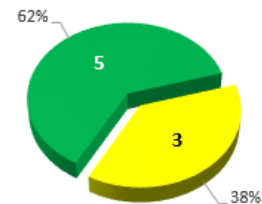
Since the last meeting, we completed 6 audit engagements. Of the twelve engagements currently in progress we foresee that eleven will be completed by December 31, 2017 with one advisory, Data Retention, being completed early in 2018. Provision was made for this project within the 2018 Audit Plan.



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Audit Engagement	Rating	Key Observations
Automated Underwriting		Process Improvement opportunities identified.
Acuity System Functionality		Integration was completed successfully.
Special Payment Programs		Controls designed and operating effectively to ensure compliance with Corporate Policies.

YTD Audit Ratings



Project Progress
End User Computing
LAE Process
Legislative Change Compliance

Legend

- Satisfactory
- Needs Minor Improvement
- Needs Improvement
- Unsatisfactory

Control Deficiency Resolution

As of November 15, we are tracking two open observations. Since the last Committee meeting, one new observation was added, while no observations were 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 plan for the remaining observations are scheduled to be completed by December 31, 2017.

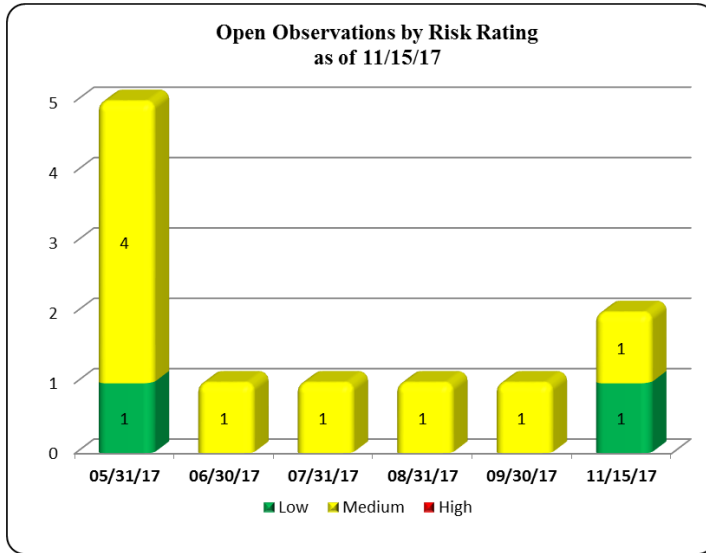
The following table provides an analysis of Open Audit Observations recorded as of November 15, 2017 compared to the previous five quarters.

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



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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.



High	Medium	Low	TOTAL
0	1	1	2

2015	2016	2017	TOTAL
0	0	2	2

OIA	2
External Auditor	0
Market Conduct - OIR	0
Auditor General	0
TOTAL	2

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 CliftonLarsonAllen LLP conducted the QAR and rated the compliance with the IPPF as “Generally Conforms” which is the highest possible rating available. All recommendations from this review were considered and implemented.



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Internal Controls Office

The Citizens Internal Control Framework (ICF) has been divided into two separate projects. The first project focus upon formalizing and monitoring the effective design and operational effectiveness of Citizens' financial and operational controls based upon the COSO 2013 framework. The second project involving Citizens' Information Technology function also uses the COSO 2013 framework for control design in addition to the COBIT 5 framework as the basis for the identification of primary controls and other best practices.

During 2017, OIA, ERO and ICO collaborated to define a single process universe to use in the development of their execution plans. As a result, a total of 76 processes have been identified of which 69 are eligible for inclusion in the ICF.

Process Universe

In the past, the OIA, ERO and ICO have used slightly different assessments of Citizens process universe. During 2017, these groups collaborated to define a single process universe, to use in the development of their execution plans. As a result, a total of 76 processes have been identified of which 69 are eligible for inclusion in the ICF. We are currently working to formalize and publish a policy of our standards for processes entering and exiting scope for the Internal Control Framework. See Exhibit 1 for a detail of all 76 processes and the current status of each with respect to the Framework as of November 2017.

2017 Progress – Process Reviews

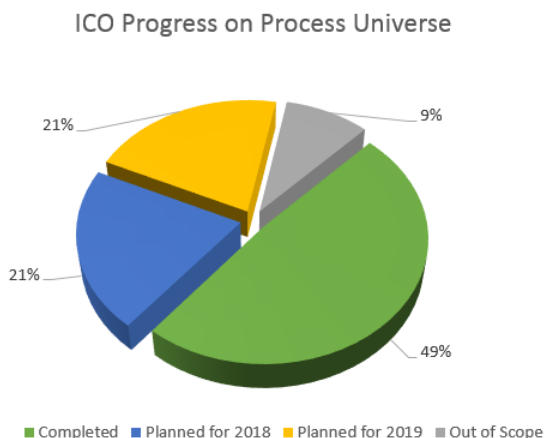
At the end of November 2017, 37 of the 69 (54%) processes reviews have been evaluated (see Exhibit ICO-01 on page 10). Of the remaining 32 process reviews we plan to complete 16 in 2018 with the remaining 16 reviews scheduled for 2019. COBIT 5 benchmarking is ongoing as part of the IT process and control reviews to further identify opportunities for enhancement of the IT control environment. The ICO also facilitated control self-assessments in preparation for a formalized kick-off of the ongoing monitoring program for effective design and operating effectiveness of controls to begin in 2018.

We have documented 88 primary controls among the 37 process reviews completed. A testing program has been developed to evaluate each of these controls and in the initial review an abbreviated form of testing was performed to verify existence and operation of the control. In periods subsequent to the initial review, the owning business units will designate an individual to perform control testing according to these testing programs.



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The chart below graphically depicts progress.



Plan Progress	
Completed	37
Planned for 2018	16
Planned for 2019	16
Out of Scope	7
Total	76

Detail of processes which have been determined out of scope for ICF

Functional Area	Process	Reason for Out of Scope
Assurance	Internal Control Framework	The ICF process will not be documented as part of the Framework; it exists only as an auditable process.
Financial Services	Depopulation Billing, Settlements & Accounting	During ERO's inherent risk assessment, no primary risk(s) were identified.
Systems & Operations	Continuous Improvement	During ERO's inherent risk assessment, no primary risk(s) were identified.
Systems & Operations	Enterprise Strategy & Planning Support	During ERO's inherent risk assessment, no primary risk(s) were identified.
UW & Agency Services	Clearinghouse Operations	During ERO's inherent risk assessment, no primary risk(s) were identified.
UW & Agency Services	Depopulation Operations	During ERO's inherent risk assessment, no primary risk(s) were identified.
UW & Agency Services	FMAP	During ERO's inherent risk assessment, no primary risk(s) were identified.

The ICO will revisit these processes on a three year basis or in light of changing business conditions to re-evaluate these processes' status with respect to the ICF.

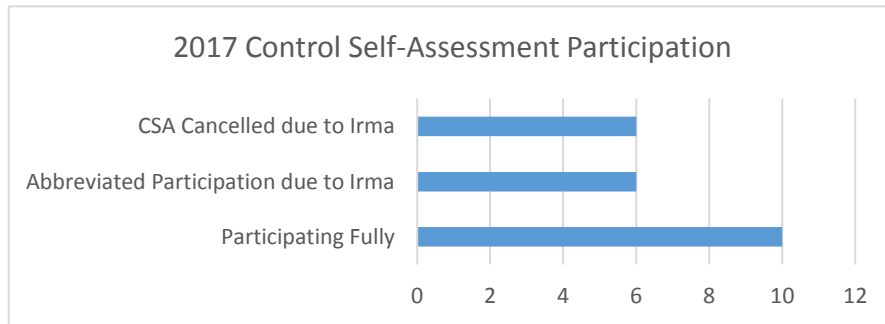
2017 Progress – Control Self-Assessments

As part of the rollout period of the Internal Control Framework, the ICO has administered an annual pilot of control self-assessments in order to introduce the owning business units to the activity, keep documentation from the initial rollout current, and continue to verify the operating effectiveness of primary controls until the end of the initial rollout period. Eligibility for the control self-assessments is determined by all in-scope processes which were completed before the end of the current calendar year. In total, 22 processes were eligible for the 2017 Control Self-



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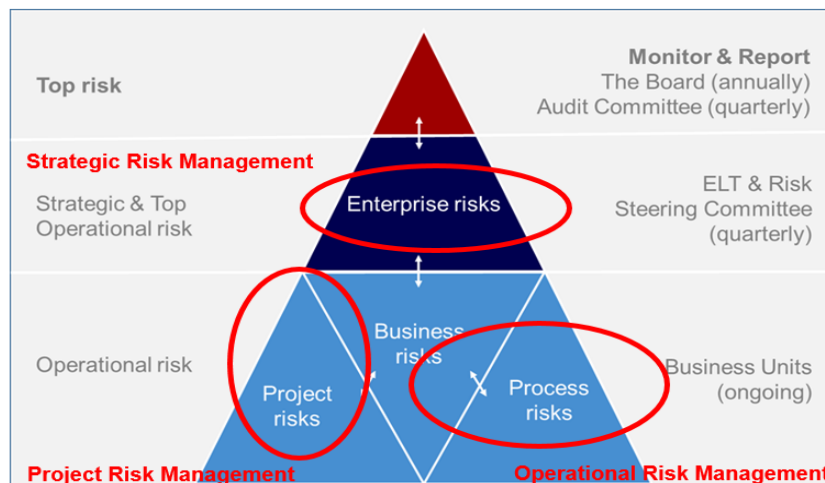
Assessment. Due to Hurricane Irma, six processes were cancelled due to resource constraints of the owning business unit.



The Control Self-Assessments concluded in November. The ICO is currently conducting calibration sessions with the owning business units in addition to soliciting feedback to refine training materials for 2018.

Enterprise Risk Office

In alignment with Citizens Enterprise Risk Management Framework, the ERO facilitates the implementation, development, maintenance and consistent application of the corporate ERM framework across three focus areas – strategic risks, operational risks and project risks.



In addition, the ERO is in the process of procuring an Enterprise Risk Management system to enable documenting and monitoring the organization’s risk exposures and reporting on the significant risks affecting Citizens. This system is scheduled for implementation in the 1st quarter of 2018.



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Operational Risk Assessments

The operational risk assessment initiative is well underway and is aligned and embedded with the Internal Controls Framework project. Both the Internal Controls Office (ICO) and ERO work collaboratively in the operational risk identification and assessment meetings as the key (primary) risks identified impact the focus on key (primary) controls.

In 2017 operational risk assessments were completed for 21 processes – 28% of the 76 defined Citizens processes.

The operational risk assessment plan and schedule that was presented to the Risk Steering Committee and approved by executive leadership will continue implementation through 2018. The plan includes the completion of operational risk assessments for another 50 processes – bringing the total to 71 of the 76, 93% coverage.

Strategic Risk Assessments

The strategic risk assessment implementation plan was presented and approved by the Risk Steering Committee at its meeting on November 21. The revised methodology will be embedded into the Strategic Planning and Annual planning processes. The assessment of strategic risk focus on the identification, assessment, management and reporting of the key risks that may impact Citizens' ability to achieve its strategic objectives and key strategic initiatives.

The monitoring and reporting process will be aligned with the annual Board calendar.

Resources Update

The ERO team has an opening for a Senior Risk Analyst and is currently recruiting to fill this position.

[Staffing Update](#)

Since the last meeting we filled the open Audit Manager position. Patrick Lynch joined OIA on November 6, 2017 and is responsible for performing various types of audit engagements and data analytics mainly focused towards strengthening Citizens awareness and mitigation of occupational fraud. Patrick brings more than 12 years of Fortune 25 and "Big 4" accounting, auditing, and forensic accounting experience to the team. Most recently he has worked as a Risk Advisory Services Manager with RSM managing various projects including co-sourced and outsourced internal audits, Sarbanes Oxley compliance, data analytics, fraud investigations, enterprise risk assessments, strategic benchmarking analysis, system implementations and security & privacy. Patrick earned his Bachelor of Science degree from Auburn University and Master of Accountancy from the University of North Florida. He is a State of Florida Certified Public Accountant and Certified Fraud Examiner.



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Kirk Elmore transferred from OIA to ICO to fill the vacant Senior Internal Controls position. The ICO is now fully staffed. We are currently recruiting to fill the two vacancies, one Senior Internal Auditor in OIA and a Senior Risk Management Analyst in ERO.

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 85% of the staff holding at least one professional certification.



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Internal Controls Office – Exhibit 1 – ICO Status on Process Universe

Financial & Operational Processes		
Claims	Assurance	Financial Services
<ul style="list-style-type: none"> Catastrophe Planning, Testing, Coordination Claims Governance Claims Litigation Claims Operations Special Investigations Unit (SIU) Subrogation and Salvage Recovery Vendor Management - Claims 	<ul style="list-style-type: none"> Enterprise Risk Management Internal Control Framework 	<ul style="list-style-type: none"> Accounts Payable Cash Management & Treasury Claims Accounting & Disbursements Commissions Payments & Accounting Corporate Analytics Depopulation Billing, Settlements & Accounting Escheatment Processing & Accounting Financial Close Financial Planning & Analysis Financial Reporting Investment Accounting Investments Management & Compliance Loss Reserve Development/IBNR Pre- & Post-Event Liquidity Bond Financing Premiums Rate Development & Filing Reinsurance Servicing & Accounting Risk Transfer Strategy & Execution
Legal		
<ul style="list-style-type: none"> Claims Legal Compliance Corporate Insurance Corporate Legal Purchasing Records Management 	<ul style="list-style-type: none"> Agency Management Clearinghouse Operations Commercial Lines Underwriting Consumer & Policy Services Depopulation Operations FMAP Personal Lines Underwriting Product & Rate Implementation Product Development -Applications, Forms, Rules Underwriting & Agency Governance 	<ul style="list-style-type: none"> Compensation & Benefits HR Supporting Services Payroll Administration Recruiting & Contingent Staffing
Underwriting & Agency Services		
Human Resources		
Information Technology Functions		
<ul style="list-style-type: none"> Application Delivery Application Development Configuration Management Enterprise Architecture Enterprise Resilience (BCP/DRP) IT Strategy & Planning 	<ul style="list-style-type: none"> Finance Management Incident & Problem Management IT Business Unit Communications IT Change Management IT Governance 	<ul style="list-style-type: none"> IT Infrastructure IT Knowledge Management IT Security & Risk IT Operations Technical Operations Center

Risk Legend

- Low
- Medium
- High
- Severe