



# Assurance Dashboard *April 10, 2018*

## Office of the Internal Auditor

### Overview of Audit Plan and Plan Changes

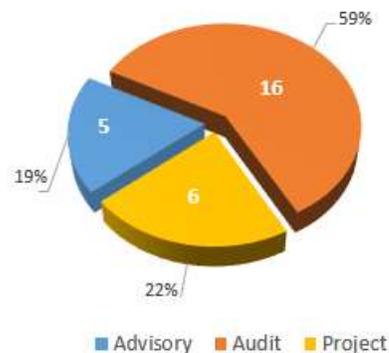
The OIA continually follows development of risk and monitors delivery of projects listed in the Audit Plan. As we reassess our understanding of risk within the organization and consider operational challenges, we re-examine our plan, thereby confirming that it continues to provide the expected assurance 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.

2018 Audit Plan	
2017 Carry Over	9
2018 Audit Plan	27
Added	1
Completed	12
Draft Issued	0
In Progress	12
Cancelled/Deferred	1
Total Remaining	12

2018 Audit Plan by Area



2018 Audit Plan by Engagement Type



Since the previous meeting, we assessed the overall plan coverage for 2018 to remain adequate and opted to add one engagement to the plan and deferred one engagement until 2019.

Changes to Audit Plan			
Engagement	Type	Status	Comments
Field Check Inventory	Audit	Added	Forensic audit added because of observations during the 2017 CAT Field Check audit.



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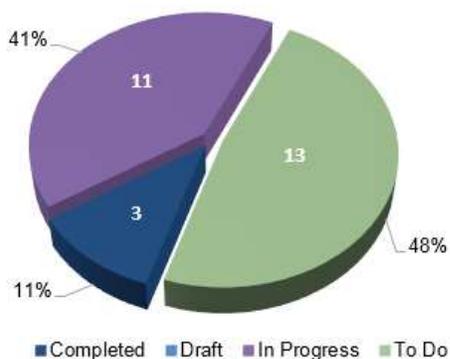
Changes to Audit Plan			
Engagement	Type	Status	Comments
ABC Budgeting	Audit	Deferred	Material changes are planned for this area for 2018. Rescheduled to 2019 as a possible advisory.

### Progress against Plan

The following graph represents progress to date on the 2018 Audit Plan and represents 27 engagements scheduled for completion in 2018, of which 3 engagements were completed, and 11 are in progress.

2018 Plan Progress	
Completed	3
Draft	0
In Progress	11
To Do	13
<b>Total</b>	<b>27</b>

### Progress Against Audit Plan



Pending Engagements		
In Progress		Status
• Financial Ratios Benchmarking	Audit	Fieldwork
• Investment Management	Audit	Planning
• Strategic Workforce Planning	Advisory	Planning
• Social Media	Audit	Planning
• Centerpoint Phase 3 Project Monitoring (Budgeting)	Project	Fieldwork
• Centerpoint Phase 5	Project	Fieldwork
• Citizens Insurance Suite V9 (ClaimCenter)	Project	Fieldwork
• Unclaimed Property Operational Process	Advisory	Planning
• Vendor Management	Audit	Planning
• Tampa Data Center Migration	Project	Fieldwork
• Data Retention	Advisory	Planning
<b>Draft</b>		
None		

Of the 12 engagements that were pending as of the previous Audit Committee, nine engagements are completed. Three engagements, Expense Ratio Analysis Benchmarking, Self-Funded Benefit Plan and Data Retention were deferred to the 2018 Audit Plan. For the 2018 Audit Plan, 3 engagements were completed and 11 are in progress.

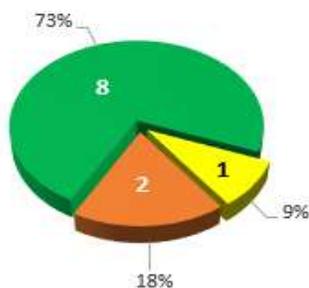
Advisory and Project Status
2017 Centerpoint Monitoring (Completed)
Centerpoint Phase 1 Post-Implementation Review (Interim Memorandum)



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Audit Engagement	Rating	Key Observations
Office of Foreign Asset Control (OFAC)		Improve screening of files and OFAC process monitoring.
CAT Pay Policy and Execution		Controls designed and operating effectively to ensure they are properly approved and processed accurately.
CAT Travel Expenses		CAT Travel Expense review process functioned well through increased volume.
Irma Emergency Procurement		Control over emergency procurements adequate. Minor process improvements identified.
CAT Independent Adjuster Day Rate and Fee Bill		Enhance controls over duplicate payments.
Cat Field Checks		Control activities related to safeguarding field check stock needed to be strengthened
Network Assessment		In conjunction with an independent network assessment vendor, minor opportunities for improvement were identified.
Irma Project Impact		Changes to project target dates and projects temporarily placed on hold have no significant residual effects on the organization.
Field Check Inventory		No missing checks were identified.
Self-Insured Health Plan		Several process improvement suggestions related to vendor monitoring controls and employee education.
Third Party Access		Improvement opportunities were identified associated with Citizens' management of third party access in the areas of governance as well as IT Security standards assignment and implementation

**YTD Audit Ratings**



**Legend**

- Satisfactory
- Needs Minor Improvement
- Needs Improvement
- Unsatisfactory



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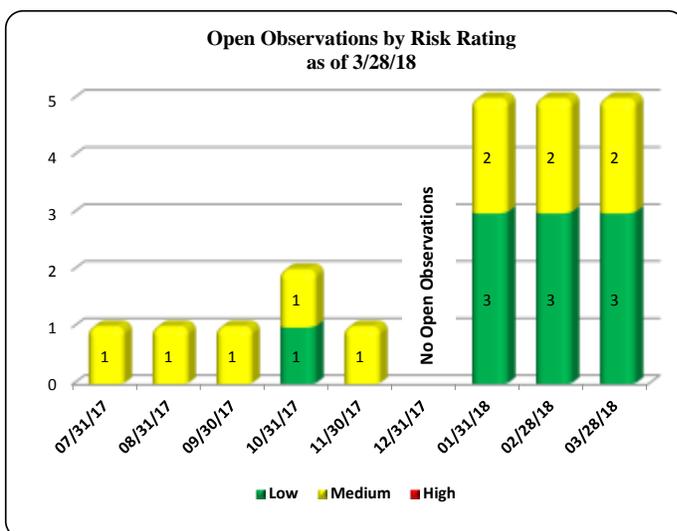
### Control Deficiency Resolution

As of March 28, we are tracking five open observations. Since the last Committee meeting, six new observations were added, and one observation was resolved and closed. Overall, open items receive adequate business focus and implementation of agreed corrective action is well managed. There are currently no high rated observations outstanding. The action plan for the remaining observations are scheduled to be completed by April 30, 2018.

The following table provides an analysis of Open Audit Observations recorded as of March 28, 2018 compared to the previous four quarters.

2017-2018 Open Observations Metrics					
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018 To Date
<b>Open</b>	4	6	5	1	0
<b>New</b>	5	0	0	1	6
<b>Closed</b>	3	1	4	2	1
<b>Risk Acceptance</b>	0	0	0	0	0
<b>Remaining</b>	6	5	1	0	5

The following charts provide additional information related to the number of open observations over the previous nine months including the observation ratings, source of observation and year reported of the currently open observations.



Observations by Rating @ 3/28/18			
High	Medium	Low	TOTAL
0	2	3	5

Observations by Audit Year @ 3/28/18			
2016	2017	2018	TOTAL
0	0	5	5

Observation Source @ 3/28/18	
OIA	5
External Auditor	0
Market Conduct - OIR	0
Auditor General	0
<b>TOTAL</b>	<b>5</b>



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### 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 4.3 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.

### Internal Controls Office

There are two primary initiatives led by the ICO. The first is an initial roll-out of the ICF through ICO led process reviews. These reviews are planned, documented and reported by ICO in collaboration with management. The second initiative is the enablement and monitoring of management Control Self-Assessments (CSAs). CSAs are performed by management after ICO process reviews to ensure ongoing control design and operating effectiveness. Beginning in the 2nd quarter of 2018, management will be responsible for performing annual CSAs. The ICO will monitor CSAs through periodic performance of independent reviews.

#### Update

##### 1st Quarter 2018 Accomplishments

During the first quarter, the ICO made progress on 6 of the 16 ICF process reviews planned to be completed during 2018. For these 6 reviews, the ICO has completed inherent risk assessment workshops with management and is completing process walkthroughs and process documentation. These reviews are planned to be completed during the 2nd quarter of 2018. In addition, the ICO is working on other internal projects including review of the ICO controls software functionality, a plan to refresh inherent risk assessments for previous years’ process reviews and rebalancing ICO business unit assignment.

##### 2<sup>nd</sup> Quarter 2018 Upcoming Key Activities

During the second quarter, the ICO is scheduled to kick-off process reviews for an additional 4 of the 16 process reviews scheduled to be completed during 2018. These process reviews are planned to be completed during the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2018. The ICO will also be working on two other projects including conducting 2018 inherent risk assessment refresher workshops and refining a training approach for management’s completion of CSAs.



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1 <sup>st</sup> Quarter Accomplishments	Upcoming Key Activities
<p>Areas completed or in progress as of March 2018 are:</p> <p><b><u>Process Reviews:</u></b></p> <ul style="list-style-type: none"> <li>• Facilities Management (Operations)</li> <li>• IT Strategy and Planning</li> <li>• IT/Business Unit Communications</li> <li>• IT Change Management</li> <li>• IT Service Request Management</li> <li>• IT Incident and Problem Management</li> </ul> <p><b><u>Additional Projects:</u></b></p> <ul style="list-style-type: none"> <li>• Review and refinement of the framework and control self-assessment setup in ICO's internal control software.</li> <li>• Development of a plan for inherent risk assessment refresher workshops for previous years' process reviews.</li> <li>• Review and rebalance process universe assignments within ICO.</li> </ul>	<p>The following projects are scheduled to commence in the 2<sup>nd</sup> Quarter of 2018:</p> <p><b><u>Process Reviews:</u></b></p> <ul style="list-style-type: none"> <li>• Records Management</li> <li>• Corporate Insurance</li> <li>• IT Enterprise Architecture</li> <li>• IT Application Development</li> </ul> <p><b><u>Additional Projects:</u></b></p> <ul style="list-style-type: none"> <li>• Conduct 2018 inherent risk assessment refresher workshops.</li> <li>• Review and refine management training of ICO's internal control software for management's documentation of 2018 control-self assessments.</li> </ul>

### Enterprise Risk Office

The Enterprise Risk Office (ERO) was created as the custodians of Citizens' Enterprise Risk Management (ERM) Framework and is tasked to facilitate the roll-out of this framework throughout all aspects of Citizens, thereby enabling management across all levels of the organization to self-identify, evaluate, record and manage risks.

With this in mind, the ERO worked with senior management to develop a robust ERM framework and risk management process which simplifies the identification and mitigation of risks across all business platforms. Risk management assessments are being conducted from three different perspectives: top-down (strategic risk); bottom-up (operational risk); and project risk.

The focus for the ERO in 2018 will be to implement the revised Strategic Risk Management process and continue to enhance the on-going Operational Risk Management processes.



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### Strategic Risk Management

The revised Strategic Risk Management process and 2018 implementation plan was presented and approved by the Risk Steering Committee at its November 2017 meeting. During the 1<sup>st</sup> quarter, the ERO introduced the revised approach to senior management. Each member of the Executive Leadership Team (ELT) was interviewed and asked to identify their top 5-7 risks to achieving the key objectives and strategic initiatives. These interviews resulted in the identification of 22 risk elements. These risk elements were further reviewed by senior management and resulted in the identification of 16 key risks. These risks were discussed and prioritized in a facilitated risk assessment workshop attended by all the members of the ELT. Through the use of an anonymous voting tool, the ELT rated the risks on both impact to Citizens and probability of occurrence. Each of the 16 identified risks were assigned an ELT risk owner.

The ERO will be working with these Risk Owners to further develop a summary of current and future mitigation activities. The top strategic risks will be presented to the Audit Committee once this work is completed.

### Operational Risk Management

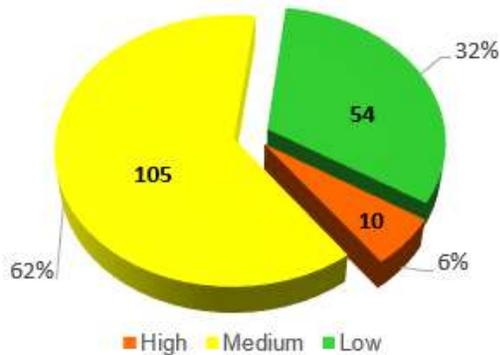
The ERO commenced late last year with the operational risk assessments, mainly in support of the Internal Control Framework roll-out. In 2018 the operational risk assessments will continue to be coordinated and collaborate with the on-going Internal Control Framework (ICF) roll-out. The ICF project has defined 76 functional and operational processes and IT functions. Operational risk assessments are in process for 29 processes / functions with another 15+ to begin this year.

These 29 risk assessments have resulted in the identification of 169 inherent operational risks. Of these 169 inherent operational risks, 10 have been rated as High, 105 as Medium and 54 Low.



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### Operational Risk Assessments Inherent Risk Rankings



Inherent Risk Rankings	
High	10
Medium	105
Low	54
Total	169

In addition to rolling out new processes in 2018, the ERO will be implementing the ERM administrative system in the second quarter of 2018. This system will ensure that everyone in the organization understands their risk and has the ability to self-identify, document, manage and monitor their risks.

#### Resource Update

The ERO team has an opening for one additional team member and is currently recruiting.