

# Executive Summary

Audit Committee Meeting, June 19, 2018  
Board of Governors Meeting, June 20, 2018

## AUDIT COMMITTEE UPDATE

### Office of the Internal Auditor Update

At the meeting, the Chief of Internal Audit presented progress against the 2018 Audit Plan and noted that 56% of the planned engagements were either completed or in progress. Two engagements were completed since the previous meeting.

### Audit Plan Execution

OIA provided an update on key activities completed since the last reporting period. The update also included a review of the latest OIA Dashboard. The following graph represents progress to date on the audit plan and represents 25 engagements scheduled for completion in 2018, of which two engagements were completed since the last meeting with completed while 9 engagements are in progress.



2018 Plan Progress	
Completed	5
Draft	0
In Progress	9
To Do	11
<b>Total</b>	<b>25</b>

Pending Engagements		
In Progress	Status	
• Alternative Work Arrangements	Audit	Planning
• Annual Legislative Changes	Audit	Planning
• Centerpoint Access (HCM-Payroll)	Audit	Fieldwork
• Investment Management	Audit	Fieldwork
• Social Media	Audit	Fieldwork
• Data Retention	Advisory	Fieldwork
• Financial Ratios Benchmarking	Advisory	Fieldwork
• VMO - Responsible Vendor Review (RVR)	Advisory	Planning
• OIG-18-6 Assistance	Project	Fieldwork
Draft		
None		

The following represents brief summaries of the audit work completed and presented to management.

- **Vendor Management (Satisfactory)** – With this audit we evaluated the adequacy and effectiveness of controls related to the Vendor Management Office monitoring of vendor contract compliance, escalation of non-compliance behavior, and compliance with regulatory requirements. Results from our work found that the processes are well managed with effective internal controls. Operational strengths noted include the performance of due diligence to support contract non-compliance decisions, training and educational materials developed for Contract Managers, maintaining and rehabilitating vendor contract relationships, and coordination of departments involved with the process. We identified some process improvement recommendations which were shared with management.

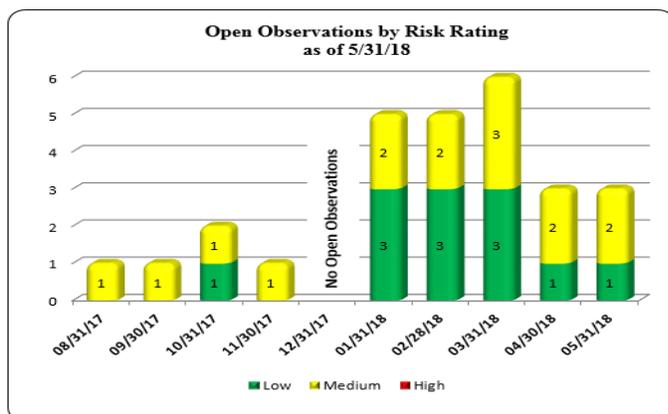
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- Tampa Data Center Migration** – The objective of our participation on this project was to evaluate key project management processes and controls comprising the data center migration efforts. Results from our work confirmed that project governance is operating well. Stakeholders are defined, an escalation process is in place, the policy and process were updated for the migration and team meetings are occurring regularly. A few tasks remain outstanding and the team is working on final plans and documents prior to the expected migration in mid-July. We will continue to monitor the project through the migration phase.

## Control deficiency resolution

As of the end of May we are tracking three open observations. Since the last Committee meeting three observations were closed. There are currently no high rated observations outstanding.



Observations by Rating @ 4/30/18			
High	Medium	Low	TOTAL
0	2	1	3

Observations by Audit Year @ 4/30/18			
2016	2017	2018	TOTAL
0	2	1	3

Observation Source @ 4/30/18	
OIA	3
External Auditor	0
Market Conduct - OIR	0
Auditor General	0
<b>TOTAL</b>	<b>3</b>

## Internal Controls Office (ICO) Update

There are two primary initiatives led by the Internal Control Office (ICO). The first is the 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). Annual CSAs are performed by management after ICO process reviews are completed, to ensure ongoing control design and operating effectiveness. The ICO monitors CSAs progress through periodic performance of independent reviews.

### 2<sup>nd</sup> Quarter 2018 Accomplishments

During the second quarter, the ICO made progress on 6 of the 14 ICF process reviews planned to be completed during 2018 (see “*Projects - Accomplishments and Planned Activities*” for a detailed list of the 6 process reviews). For these reviews, the ICO has completed inherent risk assessment workshops with management and is completing process walkthroughs, documentation and controls evaluation. In addition, the ICO has completed reviews of and is implementing enhancements to the ICO controls software to better enable and monitor management’s annual Control Self-Assessments (CSAs) and related control evaluations.

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## 3<sup>rd</sup> Quarter 2018 Upcoming Key Activities

During the third quarter, the ICO will kick-off an additional 4 process reviews scheduled to be completed during 2018 (see “*Projects - Accomplishments and Planned Activities*” for a detailed list of the 4 process reviews). These process reviews are planned to be completed during the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2018. The ICO will also be working on completing enhancements to the framework and control self-assessment setup in ICO’s internal control software.

2 <sup>nd</sup> Quarter Accomplishments	Upcoming Key Activities
<p><u>Process reviews with milestones completed:</u></p> <ul style="list-style-type: none"> <li>• Enterprise Portfolio Management</li> <li>• Enterprise Strategy &amp; Planning Support</li> <li>• Facilities Management</li> <li>• IT Change Management</li> <li>• IT Enterprise Architecture</li> <li>• IT Service Request Management</li> </ul> <p><u>Other assignments completed:</u></p> <ul style="list-style-type: none"> <li>• Assess the framework setup in the internal control software and identify enhancements.</li> </ul>	<p><u>Process reviews scheduled:</u></p> <ul style="list-style-type: none"> <li>• Corporate Insurance</li> <li>• IT Application Development</li> <li>• IT Problem Management</li> <li>• Purchasing</li> </ul> <p><u>Additional assignments scheduled:</u></p> <ul style="list-style-type: none"> <li>• Complete enhancements to the framework and control self-assessment setup in ICO’s internal control software.</li> </ul>

## Enterprise Risk Office (ERO) Update

The ERO is focusing on delivering three primary objectives in 2018. The first is to complete a strategic risk assessment to define and document Citizens’ top operational risks. Secondly the ERO is facilitating and embedding an operational risk assessment and management process throughout the organization and lastly the ERO is in the process of implementing a risk management administration system and will train the functionality to identified business unit champions.

The following picture highlights the three risk management processes deployed within Citizens:



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## Strategic Risk Management

Following the last Committee meeting the ERO and the Executive Leadership Team (ELT) further reviewed and assessed the 16 key strategic risks identified. ERO is working with these Risk Owners to further develop a summary of current and future mitigation activities. It is our objective to complete this assessment and present the top strategic risks to the Audit Committee at the September meeting.

## Operational Risk Management

We continue to coordinate operational risk assessments with the roll-out of the Internal Control Framework (ICF). The ICF project has defined 72 functional and operational processes for which we have completed 31 operational risk assessments. These risk assessments have resulted in the identification of 196 inherent operational risks of which 15 have been rated as High and a 124 as Medium. These risk assessments are being refreshed as the ICF CSA's are completed.



## Risk Management System

We are in the process of implementing Citizens SaaS based ERM administrative system. This system will help with rolling out a unified operational risk management process throughout Citizens and provide a vehicle through which business unit management could self-identify, document rank and monitor risks and risk mitigation.

## Ethics and Compliance Update

The Director - Ethics & Compliance Officer presented an overview of the draft Lobbyist Registration Corporate Policy.

## Chief Financial Officer Update

Chief Financial Officer, Ms. Montero presented a Financial Summary and Statement of Operations, the Quarterly Financial Update, and the 2017 Statutory and GAAP Financial Statements.

## External Auditors Update

Dixon, Hughes Goodman LLP presented the 2017 Financial Statement Audit Report.