

# Executive Summary

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

## THE OFFICE OF THE INTERNAL AUDITOR

The Office of Internal Audit focuses its attention on areas where it can contribute the most by working with the organization to reduce risk and increase operational efficiencies. Since the last Audit Committee meeting, we focused on providing audit and advisory support to management and the Corporation in alignment with the approved 2018 Audit Strategy and Plan.

### Internal Audit Update

#### Audit Plan Execution

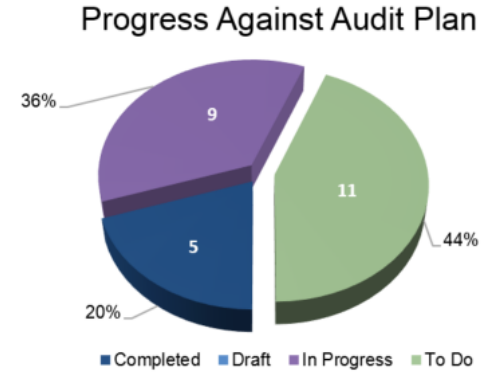
The OIA follows a risk-based approach in developing and monitoring progress for delivery of the audit plan. As we reassess our understanding of risk within the organization and consider operational challenges, we re-examine our plan, thereby confirming that it continues to provide the expected assurance and that audit resources remain appropriately focused.

Since the previous meeting, we assessed the overall plan coverage and opted to add an audit of the Centerpoint Access (HCM-Payroll) management process to determine whether privileged roles are appropriately restricted and confidential data is properly secured. Following a management request we added the VMO-Responsible Vendor Review (RVR) Advisory to provide an assessment against leading state practices.

Following discussion with management and work being conducted by other assurance functions we decided to cancel four engagements planned for this year. These includes an audit of IT Infrastructure Management and Advisories for Strategic Workforce Planning; and Unclaimed Property Operational Process.

#### Progress against Plan

This graph represents the 2018 Audit Plan which includes 25 assurance and advisory engagements. Of these planned engagements 56% (or 14) engagements are either completed or in various stages of completion.



# Executive Summary

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

## Work in Progress

In the execution of our audit engagements we follow a structured process which is divided into three main categories, e.g.: the first step focuses upon engagement planning (including notification, fact finding, process risk and scope and objective setting); the second step focuses on project execution or fieldwork; and the last step in the audit process includes report delivery (agreeing results from fieldwork with management and delivering a written result of the work completed). At the moment we have the following 9 audit engagements in progress:

- **Alternative Work Arrangements (in planning)** To ensure adequate oversight is in place to manage and monitor AWA employee performance, productivity, and compliance with corporate policy.
- **Annual Legislative Changes (in planning)** To assess action taken by Citizens to implement process changes necessary to comply with relevant 2018 legislation changes.
- **CenterPoint Access (HCM Payroll) (in fieldwork)** To provide assurance that adequate and effective user access controls are in place for the CenterPoint Human Capital Module including provisioning and de-provisioning, segregation of duties, monitoring of activities, and security of confidential data.
- **Data Retention (in fieldwork)** Data Retention policies and procedures are required to ensure that documents are retained in accordance with laws and regulations as well as ongoing business needs. OIA will provide advice and guidance relative to implementation of a formal governance process and program components related to application and database data retention.
- **Financial Ratios Benchmarking (in fieldwork)** To identify and understand the components of Citizens' various reported financial ratios, and benchmark components of Citizens financial ratios to others in the industry.
- **Investment Management (in fieldwork)** Citizens has four investments policies which are monitored using a new Investment Performance and Compliance software (Factset). OIA plans to provide assurance that processes and controls to monitor external investment managers are adequately designed and operating effectively. This includes ensuring the investment compliance software is adequately monitoring investment activity.
- **Social Media (in fieldwork)** OIA will provide assurance that adequate and effective controls are in place to support internal clients and protect Citizens against reputational damage through proper use of supporting social media tools, monitoring and reporting (metrics), training, authorizations, administrator and user access, and compliance with corporate policy and procedures.
- **VMO - Responsible Vendor Review (in planning)** With this advisory we will provide assurance that adequate and effective controls are in place to identify, assess, and mitigate vendor risks and satisfactorily manage the vendors in alignment with corporate vendor management governance practices.

# Executive Summary

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

- Office of the Inspector General Assistance (in fieldwork) To provide support to the OIG on one of their projects focused towards providing guidance to Citizens' claims operations in strengthening controls designed to detect and/or prevent fraud.

## Work Completed

We completed 2 engagements since the last Audit Committee meeting:

- Vendor Management Audit
- Tampa Data Center Migration

## Summary of Audit Results

The following represents a brief summary of the audit work completed and presented to management. We presented an interim memorandum focusing on Centerpoint Phase 1 Post-Implementation. Detailed copies of the reports and memorandums have been included in this presentation for your consideration.

- 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.
- 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. Overall, open items receive adequate business focus and implementation of agreed corrective action is well managed. There are currently no high rated observations outstanding.

2017-2018 Open Observations Metrics						
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018
Open	4	6	5	1	0	6
New	5	0	0	1	8	0
Closed	3	1	4	2	2	3
Risk Acceptance	0	0	0	0	0	0
Remaining	6	5	1	0	6	3

# Executive Summary

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

## 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.

### *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>

### Resource Update

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

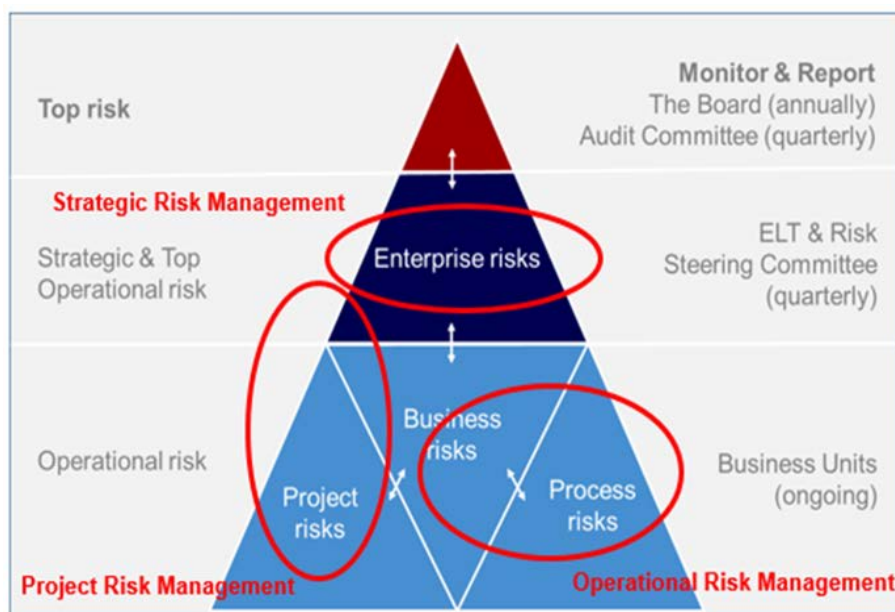
# Executive Summary

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

## 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:



### 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.

# Executive Summary

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

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.

## Resource Update

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