

INTERNAL AUDIT

Annual Legislative Changes
Audit Report

September 6, 2018



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Executive Summary

Background

As a state entity and an insurance provider in the State of Florida, Citizens' operations are primarily governed by state statutes and related rules created by state agencies. The Florida Legislature, during the annual session, initiates numerous bills designed to create new statutes or modify existing ones which could affect Citizens' operations. Citizens Legislative and Cabinet Affairs area has implemented a process to track and report weekly on the progress of bills as they proceed through the legislature during session.

Throughout the 2018 Legislative Session, Legislative and Cabinet Affairs reviewed 3,192 bills filed and approximately 2,721 amendments. There were 199 bills passed during the 2018 session of which four impacted Citizens requiring awareness and/or process revisions. A summary of these bills is outlined below:

- **HB 1127:** The bill creates a narrowly crafted public records exemption requirements for certain data and information held by Citizens relating to information technology security programs; authorizes certain entities or agencies to access such records; provides retroactive application; provides for future legislative review and repeal; and provides statements of public necessity. The bill was filed at Citizens' request, and mirrors public records exemptions currently in place at Florida state agencies and universities. This bill was approved by the Governor and went into effect March 21, 2018.
- **HB 7097:** The bill reenacts current public records exemptions for the Citizens Clearinghouse. When the Legislature created the Clearinghouse program, it also created a public records exemption for proprietary business information provided to the Clearinghouse by insurers with respect to identifying and selecting risks for an offer of coverage. This bill was filed at Citizens' request, and the Governor approved the bill which will go into effect on October 1, 2018.
- **HB 1011:** The bill revises the current notice applicable to homeowner's property insurance policies to require specific, clearer language (dictated by statute) stating that the policy does not contain coverage for flood damage. This bill was approved by the Governor and will go into effect on January 1, 2019.
- **HB 465:** The bill makes changes specific to policies and procedures administered by the Department of Financial Services (DFS). Those sections of the bill most pertinent to Citizens include:
 - An insurer may issue an insurance policy without certain signatures provided that such policy may not be rendered invalid by reason of the lack of execution thereof;



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- Provides that an insurer is not required to participate in a mediation of a property insurance claim requested by an assignee of policy benefits.

This bill was approved by the Governor and went into effect March 30, 2018.

Audit Objectives and Scope

The objective of this audit was to monitor steps taken by Citizens to comply with the 2018 legislation changes that impact the organization. The design and operating effectiveness of controls were evaluated to ensure effective identification, evaluation, and tracking of legislative changes impacting Citizens, in addition to communicating and monitoring the implementation of needed changes to comply with the law.

Audit Opinion

The overall effectiveness of the processes and controls related for identifying, evaluating, tracking and monitoring the implementation of 2018 legislative changes impacting the organization is rated as **Satisfactory**.

We observed the processes and controls related to tracking and implementing changes to Florida statutes that impact Citizens are mature and well organized, allowing for changes to be effectively communicated, assigned, evaluated, and implemented in a timely manner.

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

Distribution

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Senator John McKay, Citizens Audit Committee Member
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The Honorable Jimmy Patronis, Chief Financial Officer
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

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