

Office of the Internal Auditor

Audit Committee Presentation

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July 9, 2024



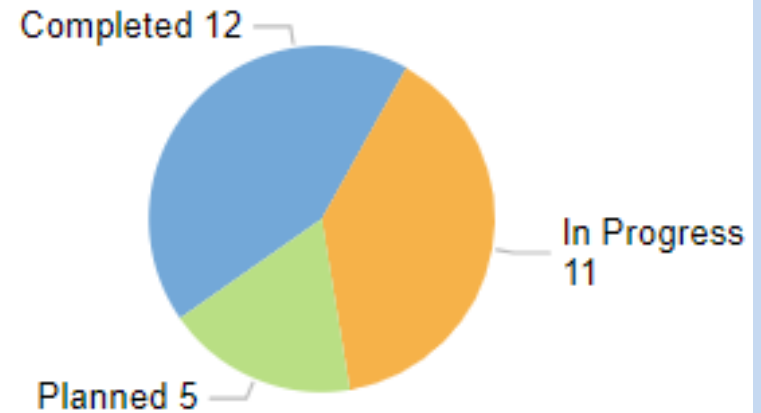
Internal Audit

Completed

Five engagements were completed following the last Committee meeting:

- **Centerpoint Segregation of Duties - HCM**
- **Compliance Program**
- Depopulation Operations
- Investment Portfolio Management & Treasury Operations
- Retirement Benefits

Period Progress 2024-Q1 to 2024-Q4



Planned

The following engagements are scheduled for completion during Q4:

- Asset Management
- Financial Planning and Analysis
- Office of Foreign Assets Control (OFAC)
- **Payroll and Employee Record Management**
- Remittance Processing Engagement

Internal Audit

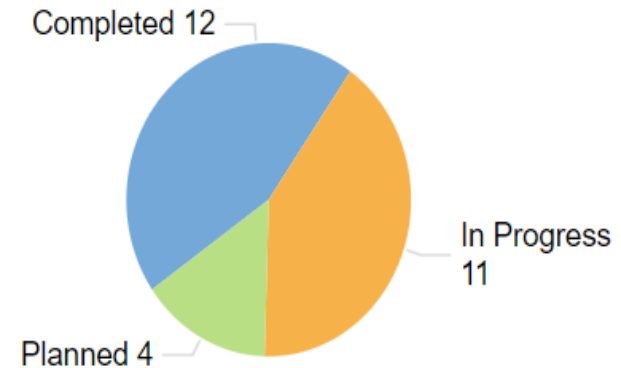
In Progress – Audit Engagements

There are six engagements in progress:

- **Centerpoint Segregation of Duties - Finance/Purchasing**
- Commercial Underwriting
- **FRISS - SIU System**
- Reconciliations
- **Technology Governance**

Regulatory Support (Auditor General)

Period Progress 2024-Q1 to 2024-Q4



In Progress – Project Engagements

We closely follow the development and implementation of strategic projects:

- Citizens Business Insurance Suite Implementation
- CitRe Implementation
- ELMS Implementation
- Identity Governance & Access Management
- Legislative Update Implementation

Internal Audit

IT Service Management

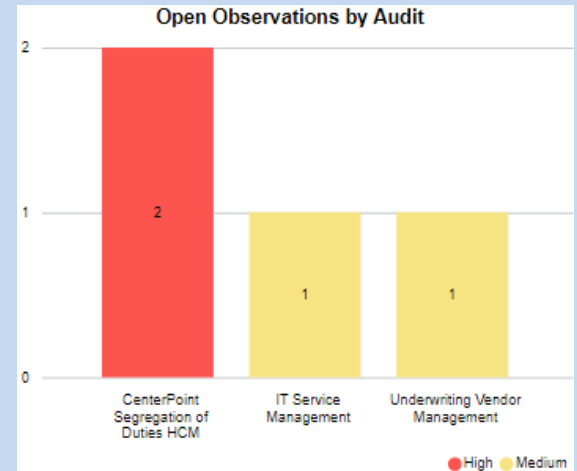
ITSM focuses on delivering IT computing services that meet the needs of Citizens' employees and contractors. Although ITSM practices mostly conform to leading practices, certain documentation should be formalized and made centrally available.

Underwriting Vendor Management

Following a print mail vendor's failure to print and mail, many individual controls needed to be implemented to help prevent and detect future printing failures or backlogs. The resolution of implementing preventive and detective controls is multifaceted, and several control elements have already been put in place to mitigate risk.

Centerpoint HRIM Segregation of Duties

- **Incompatible System Access in HRIM:** Seven (7) HRIM personnel responsible for providing system production support to the HR department have elevated/privileged user access and permissions, resulting in segregation of duties concerns. A remediation action plan is underway.
- **Test Environment:** One HRIM development environment did not meet appropriate access security standards. Management completed the implementation of access security development requirements during the audit. The observation has been remediated and closed.



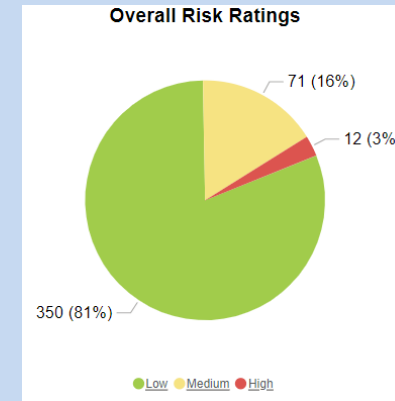
Enterprise Risk

Citizens' Top 5 Strategic Risks

- Rate Differential
- Market Conditions
- Claims Abuse
- Acquisition of Reinsurance
- CAT Response

Risk Mitigation

Top risks are monitored closely. Mitigation plans are in place and executed as appropriate. Detailed risk descriptions are provided in the following slides.



Note: The risk rating is an estimate of the potential impact or severity level the risk event may have to Citizens if the event occurs.

Enterprise Risk

| 2024 Current High Impact Operational Risk | | |
|---|---|--------|
| Risk Title | Risk Description | Rating |
| Rate Differential | As a result of Citizens' current rate making efficiencies and the glide-path application to Citizens' rates, Citizens' competitive position in the market is not aligned with being a residual market. | High |
| Market Conditions | Changing market conditions may adversely impact private carriers continued participation in the Florida insurance market or geographic locations due to or insolvency resulting in fluctuations in Citizens' costs, financial condition, exposure, and number of policies in force. | High |
| Claims Abuse | Failure to identify and stay in front of fraud, and other claims abuse schemes that increase claim costs for Citizens. | High |
| Acquisition of Reinsurance | Citizens' inability to transfer risk through acquiring reinsurance in the global marketplace could lead to significant financial implications for Citizens, the State of Florida, and ultimately on Florida residents. | High |
| CAT Response | Failure to have adequate vendor resources to respond to a catastrophic event to meet customer expectations. | High |
| Strategic Workforce Planning | Citizens' increasing retirement eligible workforce, and business priorities may impact our organization's stability, culture, reputation and high levels of employee engagement as well as the ability to attract, retain and/or develop employees to master critical skills. | High |
| External Influences | Uncertainty related to external events, including storms, new or changing laws and/or regulations, and changing market conditions, that require rapid adjustments impacting Citizens' mission and operations may result in significant financial and operational challenges. | High |
| Cyber Threats | The increasing complexity and variety of cyber incidents may adversely impact organizations' performance and reputation. | High |
| Technical Debt | Technical debt refers to the cost incurred due to short-term technical decisions that prioritize immediacy, simplicity, or budget constraints. These decisions, while convenient initially, can lead to long-term consequences such as operational inefficiencies, increased costs, and heightened risks. Addressing this technical debt promptly is essential to maintain system integrity and efficiency. | Medium |
| Ethics, Integrity, Conflicts of Interest | Violation of Citizens' code of ethics, commitment of illegal and unauthorized acts, management fraud, employee fraud or situations where multiple, conflicting interests could possibly corrupt motivation or decision-making may result in criminal charges, reputational damage, or financial loss. | Low |
| End User Business Applications | Productivity tools/applications developed by business units using non-standard technologies have become indispensable for day-to-day operations. However, they introduce various challenges to the organization, including security, privacy, resilience, supportability, and maintainability. | Low |