

Office of the  
Internal Auditor

# AUDIT REPORT

April 2024

Investment Portfolio Management  
and Treasury Operations



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## Executive Summary

### Background

As part of Citizens' ordinary course of business as an insurance carrier, the Treasury and Investment unit manages the organization's liquidity needs for day-to-day operations and the investment of surplus cash. The Treasury and Investment unit oversees approximately \$9.5 billion in total assets as of December 31, 2023. Approximately \$1.1 billion of these assets are managed internally to meet day-to-day and short-term cash needs, while the remaining \$8.4 billion is distributed between ten (10) external investment managers for longer-term liquidity needs.

To achieve its objectives, the Treasury Operations personnel manage the daily and monthly cash positions by performing short and long-term projections of uses and sources of cash, ensuring bank accounts are adequately funded and investing surplus funds in short-term cash equivalents. Treasury also manages bank relationships and ensures wire transfer payments are properly conducted.

Investment Portfolio Management personnel manage the relationships with the ten (10) external investment managers. The management of these relationships includes monitoring the external investment managers' performance, strategy, and compliance with Citizen's investment policies. Since 2022, the investment portfolio has been monitored utilizing Clearwater Analytics, an investment compliance platform that allows the tracking, assessment, and reporting of the performance of Citizens' investment portfolios that third-party investment managers manage. In addition, Clearwater Analytics also provides compliance exception notifications.

### Objectives and Scope

The objective of this audit was to evaluate the adequacy and effectiveness of the processes, procedures, and controls associated with treasury operations and investment management practices at Citizens. The scope included a review of the following areas:

- Authorization, initiation, and release of wire transfers
- Fraud mitigation procedures for cash disbursements
- Liquidity management practices and procedures
- User access to banking and investment compliance platforms
- Monitoring of external investment managers via the compliance platform

### Audit Results

Internal Audit completed a review of the processes for investment portfolio management and treasury operations and found the following favorable practices in place:

- Wire transfers are subject to systematically enforced segregation of duties rules within the banking websites.
- Positive pay procedures are in place and are executed daily via coordination between the Treasury Department and various business lines to mitigate the risk of paying fraudulent checks.
- The constant intraday monitoring of Citizens' liquidity position combined with the execution of thorough procedures for short and long-term liquidity forecasts ensures no liquidity shortfalls. It also enables liquidity surpluses to be invested at rates of return higher than what is available in the operating account.



## Executive Summary

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- There are strong controls in place for the provisioning of user access to banking websites, the monitoring of the appropriateness of user's roles, and the recertification of user access periodically with the users' supervisors.
- The investment compliance software (Clearwater Analytics) is configured with all the rules from Citizens' investment policies and alerts management when a potential violation needs to be researched and resolved.

While Internal Audit's assessment did not note any exceptions in the positive pay process, management is encouraged to consider the opportunity to enhance the documentation by including the date in the system report that shows there are no check exceptions. Management has worked with staff to add this date to the saved system report.

We thank management and staff for their cooperation and professional courtesy throughout this engagement.



## Distribution

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Andrew Woodward, Vice President – Controller  
Jennifer Montero, Chief Financial Officer

**Audit Committee:**

Jamie Shelton, Citizens Audit Committee Chair  
Carlos Beruff, Citizens Audit Committee Member and Chairman of the Board  
Scott Thomas, Citizens Audit Committee Member

**Following Audit Committee Distribution:**

The Honorable Ron DeSantis, Governor  
The Honorable Jimmy Patronis, Chief Financial Officer  
The Honorable Ashley Moody, Attorney General  
The Honorable Wilton Simpson, Commissioner of Agriculture  
The Honorable Kathleen Passidomo, President of the Senate  
The Honorable Paul Renner, Speaker of the House of Representatives

The External Auditor

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*Under the Direction of Joe Martins, Chief of Internal Audit*