# Office of the Internal Auditor

Committee Presentation
Joe Martins
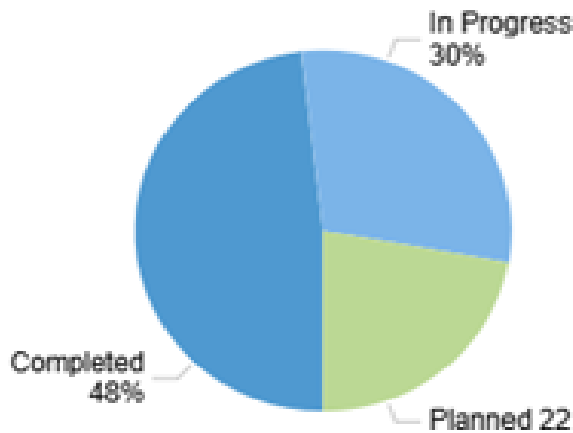March 12, 2025

CITIZENS
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# Internal Audit

## Progress: 2024 Q4 to 2025 Q3

### Engagements by Status



In Progress 30%

Completed 48%

Planned 22

### Q1 Completed Engagements

- Anti-Fraud Activities: Occupational Fraud Program
- CenterPoint Segregation of Duties HCM
- Financial Planning & Analysis Advisory
- Hurricane Claims Closed without Payment Review
- Office of Foreign Assets Control (OFAC)
- Privacy Advisory
- Regulatory Support (OIR Market Conduct Exam)
- Technology Governance

### Q2 Engagements – In progress

- Asset Management
- Claims IA Invoice Management Solution
- IT General Controls
- Office of General Counsel Review
- Procurement/Contracting Process
- System Integrations

### Q3 Planned Engagements

- Agency Compliance
- Backup and Recovery of Critical Applications
- CBIS & ELMS
- Printmail
- Remittance Processing
- Risk Management Framework
- Third Party Risk Management – SOC

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## 2025 Plan Alignment with Risk

The 2025 audit plan follows a risk-based rolling approach, ensuring alignment with Citizens' evolving risk landscape.
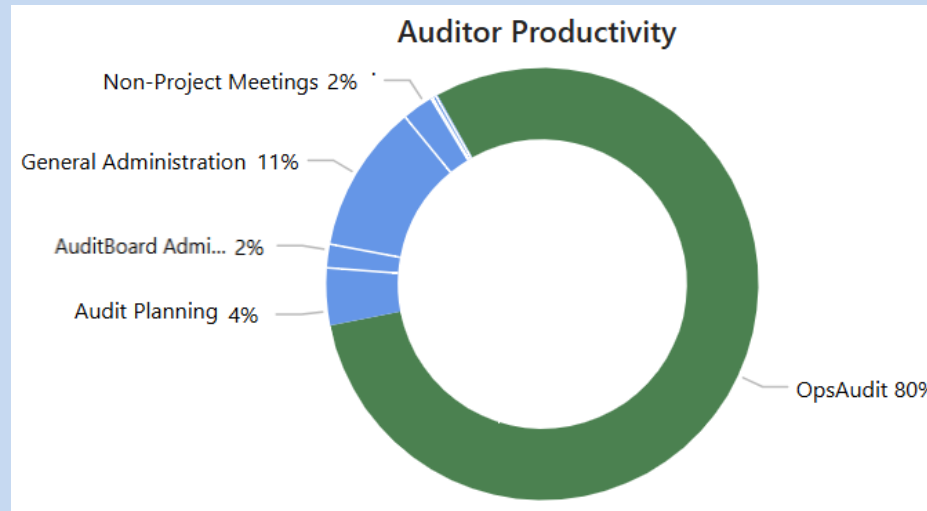
The audit plan aligns with the organization's top risks, ensuring a strategic focus on key practices and processes that enhance risk mitigation.



Synopsis Audit Plan vs Risk

# Internal Audit

## Performance Metrics

To measure the effectiveness of Internal Audit, we track some key performance indicators (KPIs):

**Auditor Productivity**

- Non-Project Meetings 2%
- General Administration 11%
- AuditBoard Admi... 2%
- Audit Planning 4%
- OpsAudit 80%

- **Audit Plan Completion Rate**: 100% of audit engagements for the quarter.

- **Issue Closure Rate**: 100% of observations addressed within the agreed time, the 7 open observations are expected to be addressed within the agreed time.

- **Auditor Productivity**: 80% We monitor productivity and expect auditors to focus a minimum of 80% of their time on the projects they work on.

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# Internal Audit

## Audit Observations

During this reporting period, we identified key risks and opportunities for improvement across several areas.
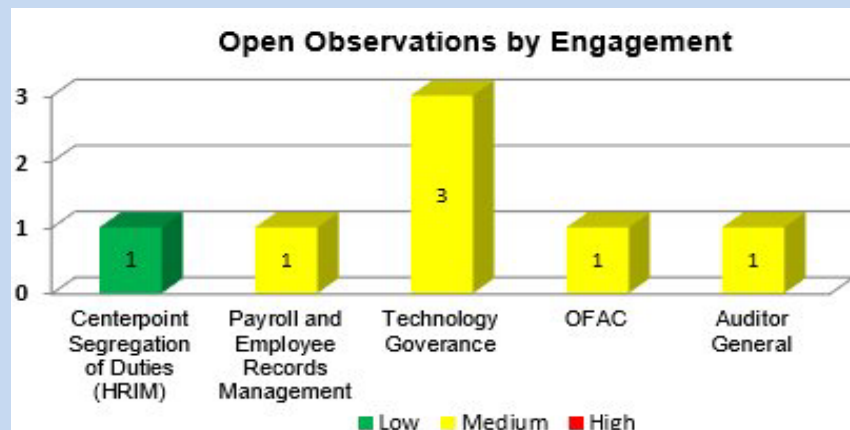


- **No high-impact findings** – All observations are actively monitored, with corrective actions in progress.
- **Key issues addressed**:
  - **OFAC Compliance** - Breaks in automated data transfers led to processing failures, impacting compliance screening. System monitoring and integration improvements are being considered.
  - **Technology Governance** - Governance gaps in IT, Security, and Privacy require enhanced oversight and process improvements for better risk management.
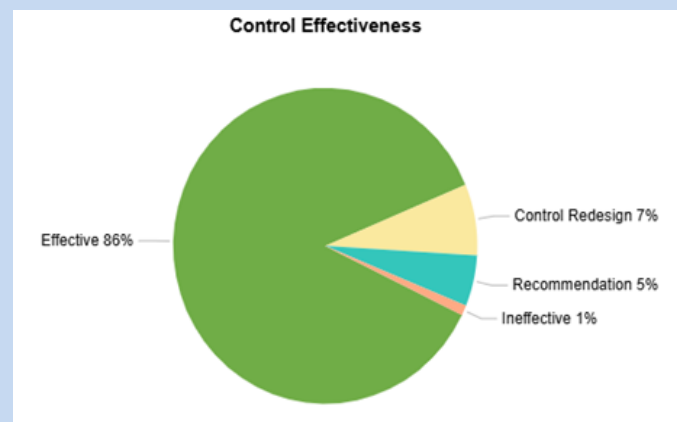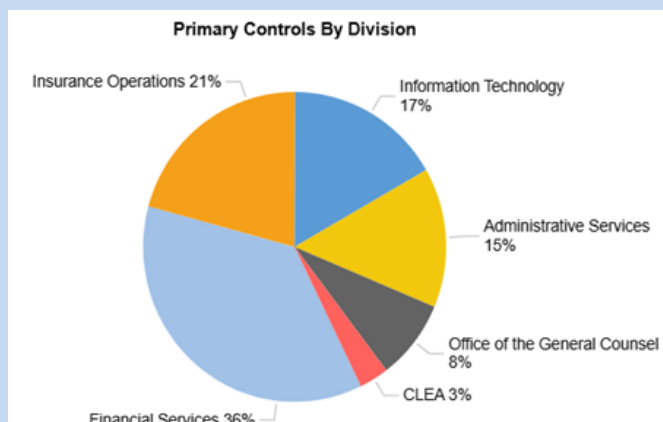
# Strategic Risk Assessment

Conducted in January 2025 with ELT. Identified and assessed ten strategic risks.

- Six of these risks rated as high priority:
  - **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.
  - **CAT Response:** Failure to have adequate vendor resources to respond to a catastrophic event to meet customer expectations.
  - **Claims Abuse:** Failure to timely identify and respond to emerging fraud schemes, and other abuses that increase claim costs for Citizens.
  - **Cyber Threats:** The increasing complexity and variety of cyber incidents may adversely impact organizations' performance and reputation.
  - **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.
  - **Strategic Workforce Planning:** Citizens' increasing retirement eligible workforce, and business priorities may impact on 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.
- Risk mitigation plans are being updated.

# Internal Control Framework

## 2024 Control Self-Assessment Results

**96 primary controls** were identified, recorded, and assessed.



Primary Controls By Division

- Insurance Operations 21%
- Information Technology 17%
- Administrative Services 15%
- Office of the General Counsel 8%
- CLEA 3%
- Financial Services 36%



Control Effectiveness

- Effective 86%
- Control Redesign 7%
- Recommendation 5%
- Ineffective 1%

- Effectiveness of controls:
  - **86% (83 controls)** effectively designed and operated as intended.
  - **5% (5 controls)** require minor improvements (e.g., efficiency enhancements, separation of duties, stronger documentation, and oversight activities).
  - **7% (7 controls)** need redesign due to process changes.
  - **1% (1 control)** rated ineffective, requiring remediation for inadequate separation of duties related to access privileges. While no material issues were detected, corrective actions are underway to address potential risks.

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