

Office of the  
Internal Auditor

# ANNUAL REPORT

2024





February 12, 2025

To: Mr. Carlos Beruff, Citizens Board of Governors Chair & Audit Committee Member  
Mr. Jamie Shelton, Citizens Audit Committee Chair  
Mr. Scott Thomas, Citizens Audit Committee Member  
Mr. Tim Cerio, President/CEO and Executive Director

CC: The Honorable Ron DeSantis, Governor  
The Honorable Jimmy Patronis, Chief Financial Officer  
The Honorable John Guard, Acting Attorney General  
The Honorable Wilton Simpson, Commissioner of Agriculture  
The Honorable Ben Albritton, President of the Senate  
The Honorable Daniel Perez, Speaker of the House of Representatives  
Members of Citizens Property Insurance Corporation Board of Governors

Dear Messrs. Shelton, Beruff, Thomas, and Cerio:

I am pleased to present the 2024 Annual Report of the Office of the Internal Auditor (OIA), in compliance with Section 627.351(6)(i).2. of the Florida Statutes. This report provides an in-depth overview of our departmental activities, including organizational structure, audit methodology, and key outcomes of our work in 2024.

The OIA remains committed to transparency, efficiency, and value-added services. We thank the Board of Governors, the Audit Committee, and Senior Management for their ongoing support. Your feedback on this report is valued, and we welcome any suggestions to enhance its relevance and utility.

Respectively submitted,

A handwritten signature in blue ink, appearing to read "Joe Martins", is written over a light blue circular stamp.

Joe Martins, CIA, CRMA, CFE  
Chief of Internal Audit  
Office of the Internal Auditor



## Detailed Report

### Executive Summary

This report highlights the activities, accomplishments, and strategic objectives of the Office of Internal Auditor (OIA) at Citizens Property Insurance Corporation for the fiscal year 2024. The OIA played a critical role in evaluating internal controls, risk management, and governance processes, ensuring operational efficiency and statutory compliance. Key areas of focus included audit engagements, enterprise risk management, and enhancing internal control frameworks.

### Introduction

By Florida Statutes, the Chief of Internal Audit must submit an annual report summarizing OIA's activities during the preceding fiscal year by February 15. This report encompasses an assessment of internal control effectiveness, recommendations for corrective actions (if needed), and summaries of audits, reviews, and investigations conducted by the office.

The intended recipients of this report include the Citizens' Board of Governors, the Executive Director, members of the Financial Services Commission, the President of the Senate, and the Speaker of the House of Representatives. Its purpose is twofold: to fulfill statutory requirements and to provide insight into how the OIA fulfills its mission.

### Responsibilities

The OIA operates under the direct oversight of the Audit Committee and is responsible for providing assurance, insight, and advice to enhance governance, risk management, and control processes. At the OIA, we are dedicated to developing a credible, sustainable, and value-added internal audit program that meets statutory requirements and aligns with the expectations of the Board of Governors, Audit Committee, and Management. To maintain focus, we annually prepare a risk-based audit plan that aligns with Citizens' strategic themes for the year.

Each year, the OIA develops a Strategy and Plan (Plan) document, which is shared with Executive Management and presented to the Audit Committee for consideration and approval. This Plan is designed to ensure the most timely and comprehensive coverage of audit, risk, and control aspects, utilizing the available resources at the disposal of the OIA.

The results of our work throughout 2024 indicate that Citizens has a well-established and functioning control environment. The Office of the Internal Auditor did not identify any significant concerns regarding audit findings and their overall impact on the control environment.

### Organization and Staffing

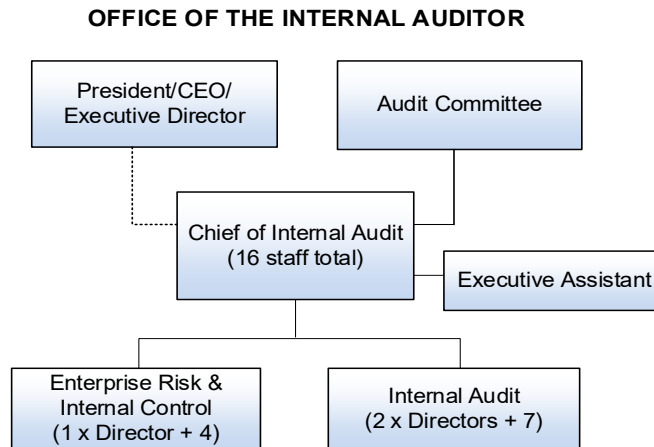
In addition to overseeing Internal Audit, the Chief of Internal Audit holds leadership responsibilities for the Enterprise Risk and Internal Control functions. Staff qualifications include advanced degrees and certifications, ensuring professional excellence in all areas.



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The Enterprise Risk and Internal Control functions operate autonomously, maintaining their distinct staff, processes, and administrative support systems separate from Internal Audit. This separation ensures independent functioning and objective evaluation.

The OIA departmental structure is further outlined in the following chart:



### Internal Audit

The Internal Audit function provides independent, objective assurance through audit and advisory services, aiming to add value and enhance the efficiency of Citizens' operations. Throughout 2024, the Internal Audit team conducted its activities in strict adherence to the International Standards for the Professional Practice of Internal Auditing (Standards).

In addition to these Standards, we rely on recognized industry frameworks to guide our work in conducting audits, risk assessments, and control evaluations. These frameworks include The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Framework for Internal Controls, the COSO Integrated Framework for Enterprise Risk Management, the Control Objectives for Information and Technology, the Information Technology Governance Institute, the National Institute of Standards and Technology, and the Information Technology Infrastructure Library.

### Accomplishments

Internal Audit adeptly managed a flexible audit plan, considering changes in business operations and ensuring a focused approach on areas of utmost importance. The completed audit plan comprised 22 engagements, each aimed at delivering independent assurance and providing tangible value to the organization by enhancing oversight and control.

- Assurance (Audit) Engagements Completed

With audit engagements, we evaluate the strength of internal controls, corporate governance, and accounting processes. We provide reasonable assurance on compliance



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with laws and regulations, accurate and timely financial reporting and data collection, as well as helping to maintain operational efficiency by identifying problems and correcting lapses.

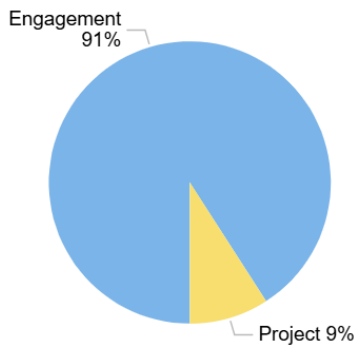
- Anti-Fraud Activities
  - Centerpoint Segregation of Duties
  - Commercial Underwriting
  - Compliance Program
  - Depopulation Operations
  - Enterprise Technology Governance
  - Investment Portfolio Management & Treasury Operations
  - Payroll and Employee Record Management
  - Primary/Non-Primary Underwriting Requirements
  - Purchasing Card, Fuel Card, & Expense Reimbursements
  - Retirement Benefits
  - Vendor Invoicing and Payment
- Consulting (Advisory/Project) Engagements Completed  
 Advisory engagements are usually completed at management’s request and include an assessment of current business practices. Results provide guidance to improve governance, risk management, and control processes.
    - Account Consolidation
    - Reconciliations
    - Regulatory Support (Auditor General)

Project engagements include active participation in new process development, major procurements, or system development projects where we assess project governance, risk management, and the development of control processes and provide guidance and support.

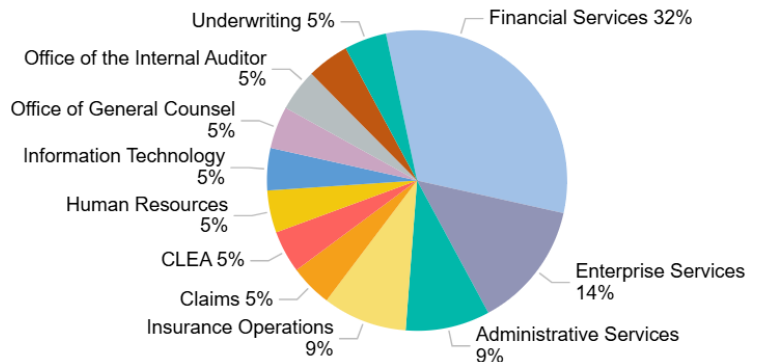
- Citizens Business Insurance Suite Governance
- Citizens Reimagined Implementation
- ELMS Governance
- FRISS - SIU System
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- IIA Standards Review and Update Project
- Legislative Update Implementation

The following diagram provides an overview of resource deployment:

**Engagements by Category**



**Engagements by Business Area**

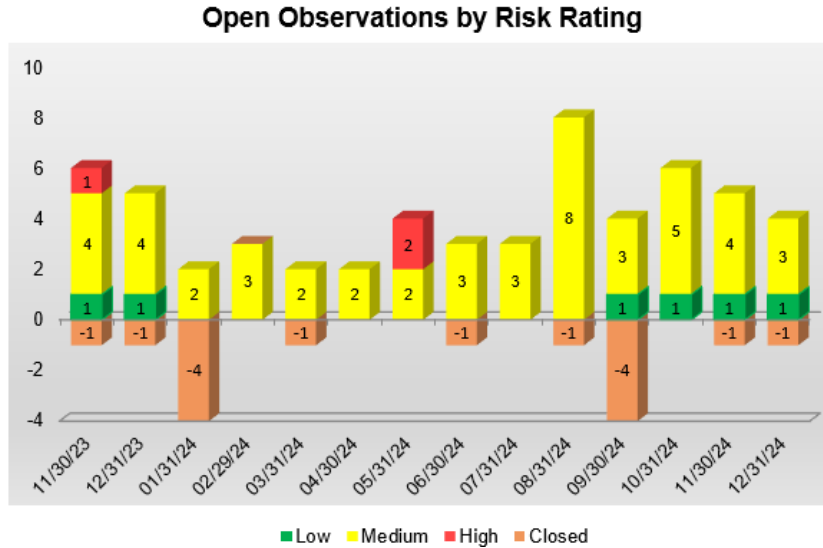




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**Open Audit Observations**

Internal Audit manages open audit observations to ensure timely follow-up, escalation, and resolution of audit observations and recommendations. The process has been established to ensure that management action plans have been effectively implemented or that management has accepted the risk of not acting on audit results. The following graph provides a quick analysis of open observations throughout the year.



Open audit observations statistics for observations rated *high* or *past due* are provided to the Audit Committee every quarter. Management takes appropriate action on the reported issues, and the OIA monitors progress on implementing corrective action.

**Enterprise Risk Management Framework**

Citizens’ Enterprise Risk Management (ERM) Framework is the cornerstone of our enterprise risk program and serves as a comprehensive tool to proactively identify, assess, manage, and mitigate risks that could impede the achievement of strategic imperatives and operational objectives. The framework was recently updated to incorporate a dynamic approach, increasing agility in mitigating risk exposure. By leveraging a dynamic and agile approach, we ensure that the organization is well-positioned to respond to emerging challenges and maintain resilience in an evolving business landscape.

The Enterprise Risk team provides oversight, guidance, and support to business functions. The team facilitates risk identification, assessment, and mitigation while ensuring alignment with corporate risk tolerance and strategy. Management is primarily responsible for mitigating and monitoring the risks within their respective areas.



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In 2024, Enterprise Risk launched targeted risk surveys and a maturity assessment to identify opportunities for process refinement and to enhance collaboration with business areas for effective risk management.

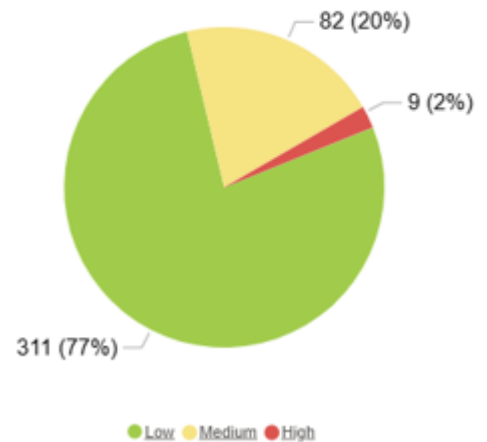
### Citizens' Top Risks

The Enterprise Risk team partners with the Executive Leadership Team (ELT), management, and subject matter experts across the organization to identify and assess risks. The overall risk rating estimates the potential impact or severity level the risk event may have on Citizens if the event occurs.

As of December, Citizens identified and assessed a total of 402 risks from various perspectives, including strategic, operational, project and emerging. Nine high-rated risks are being closely monitored:

- Rate Differential
- Market Conditions
- Claims Abuse
- Acquisition of Reinsurance
- CAT Response
- Strategic Workforce Planning
- External Influences
- Cyber Threats
- Litigation Management Solution

Overall Risk Ratings



Top risks are updated as events change throughout the year. The 2025 strategic risk assessment was completed in mid-January 2025 and operational risks are continually assessed for up to ninety business processes included in the OIA process universe. Management and Enterprise Risk frequently collaborate to identify and assess project and emerging risks that may have significant impacts. Mitigation plans are in place for higher-rated risks and executed as needed.

### Internal Control Framework

Citizens' Internal Control Framework (ICF), aligned with the principles of the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control-Integrated Framework, adopts a dynamic and proactive approach to ensuring a robust internal control environment. The framework integrates a comprehensive management control self-assessment (CSA) process, ensuring operational excellence and financial integrity throughout the organization. Continuous monitoring and improvement of internal controls ensure they remain effective and current with evolving industry standards and regulations.



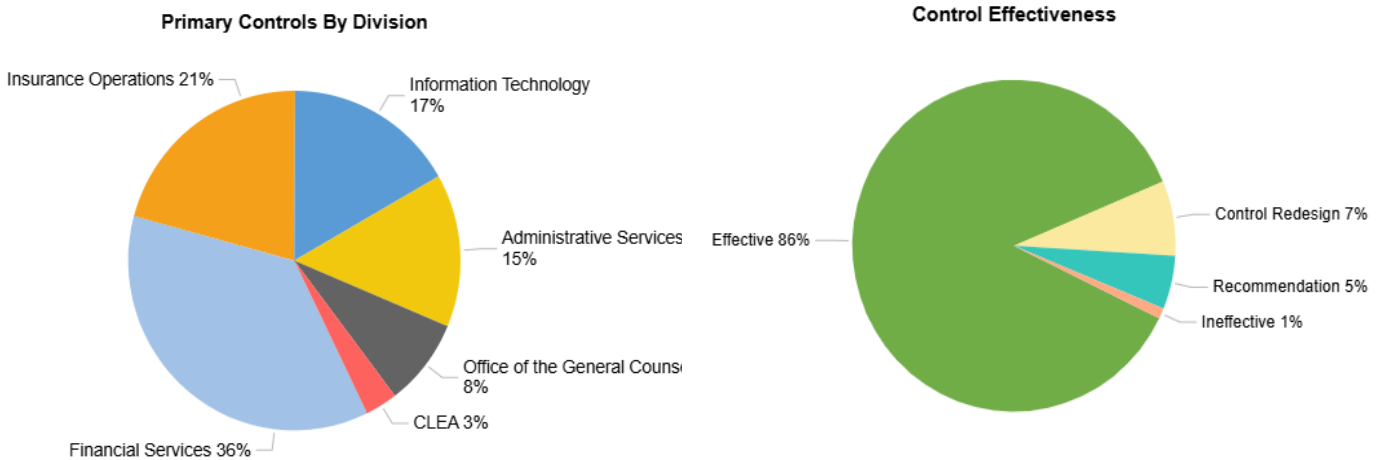


## Detailed Report

Management, in collaboration with the Internal Control team, identifies the organizations' top primary controls or key activities that may significantly impact achieving objectives and mitigating higher-rated risks. The Control Owner or their designee evaluates the design and effectiveness of the primary controls within AuditBoard, OIA's self-service Governance, Risk, and Control (GRC) software solution. This proactive approach allows management to promptly address any identified issues and strengthen controls. The Internal Control team oversees and facilitates this process, ensuring that management CSAs adhere to Citizens' ICF standards and contribute value. The team offers consultative advice on leading control practices, including user access, separation of duties, monitoring, and documentation to fortify internal governance.

### Control Self-Assessment Results

In 2024, 96 primary controls were identified, recorded, and assessed. The graphs below depict the distribution of primary controls by division and the results of the assessments:



- **Effectiveness:** 86% (83 controls) of primary controls are effectively designed and operating as intended.
- **Minor Improvements:** 5% (5 controls) present opportunities for minor enhancements. Management identified recommendations to strengthen controls by implementing process improvements to increase efficiency, ensure separation of duties, establish consistent and robust documentation practices, and provide comprehensive oversight activities.
- **Redesign Needed:** 7% (7 controls) require redesign due to process changes.
- **Ineffective:** 1% (1 control) is rated ineffective, with management self-identifying a few individuals with inadequate separation of duties related to access privileges. While no material issues were detected, this deficiency could negatively impact the organization if not addressed. Management has initiated remediation plans to modify the user roles.





### Audit Engagement Summaries

OIA's risk-based approach covers many elements of the corporation's internal control environment. However, it is not intended to cover all areas of the corporation or all risk areas. Instead, we focus our resources on those areas that were evaluated as the highest priority in terms of greatest risks and where our work could be most valuable, either by providing assurances through information or by affecting positive changes.

The OIA completed 22 engagements, focusing on operational efficiency, risk management, and compliance. Highlights include evaluations of Centerpoint segregation of duties, compliance program, depopulation activities, and technology governance. Detailed summaries of each engagement are provided below:

- **Account Consolidation** - Internal Audit provided advisory support on the account consolidation project, ensuring adherence to project management fundamentals, risk identification, effective communication, and timely issue resolution. The project was well-executed with sound governance.
- **Anti-Fraud Activities** - Internal Audit's anti-fraud program focuses on preventing and detecting occupational fraud through awareness campaigns, data analytics, and targeted audits. During this period, two anomalies in expenses were identified and incorporated into the purchase card audit. No fraudulent behavior was detected.
- **Centerpoint Segregation of Duties** - Internal Audit, with the assistance of a third-party, assessed user roles and permissions in the Finance, Human Resources and Procurement modules to identify segregation of duties conflicts. For the Finance and Procurement modules, controls were found to be adequate. Two control enhancement opportunities for the Human Resources module were identified involving incompatible system access and the HR test/troubleshooting environments. Corrective actions were taken to remove or modify privileged access, and security protocols were enhanced. Internal Audit continues to monitor remediation efforts. Additional recommendations to further improve the Centerpoint user access control environment have been discussed with management.
- **Citizens Business Insurance Suite Governance** - This audit assessed governance structures and stakeholder involvement in the Citizens Business Insurance Suite project. The project framework aligns with leading practices, and management's governance approach was validated.
- **Citizens Reimagined Implementation** - Internal Audit provided consulting support to ensure proper risk and control measures during project implementation. Compliance with governance, stakeholder inclusion, and process alignment were confirmed, and invoice reviews were conducted to validate vendor charges.



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- **Commercial Underwriting** - Internal Audit reviewed commercial underwriting processes for risk eligibility and compliance. Controls were found to be effective, with one issue identified regarding PolicyCenter configuration, which management addressed.
- **Compliance Program** - A review of Citizens' compliance program benchmarked its alignment with industry-leading practices. Favorable practices and improvement opportunities were noted, which management is addressing to enhance effectiveness.
- **Depopulation Operations** - Internal Audit evaluated depopulation program processes, ensuring adequate management, accuracy, and policyholder security. Key areas, including ceded premium calculations and complaint resolution, were found to be effectively controlled.
- **ELMS Governance** - The governance structure for implementing the Enterprise Litigation Management System (ELMS) was reviewed and found to align with best practices. One improvement opportunity was identified and discussed with management.
- **Enterprise Technology Governance** - Technology governance is the process of ensuring the effective and efficient use of technology to enable an organization to achieve its goals. Technology governance is a critical foundation for realizing Citizens' strategic imperatives, as each of these depends on technology. This engagement comprehensively compared current Citizens' technology governance processes, capabilities, tools, structure, and controls with leading practices to identify opportunities for improvement.
- **FRISS SIU System** - This audit aimed to assess the FRISS SIU System's functionality and controls. However, management requested a deferral until system enhancements are fully integrated. Some improvement opportunities were discussed with management.
- **Investment Portfolio Management & Treasury Operations** - Internal Audit reviewed investment and treasury operations, confirming alignment with Citizens' corporate policies. In addition, Internal Audit validated that there were effective internal controls for asset management, liquidity, and compliance with investment guidelines.
- **Legislative Update Implementation** - Following the 2024 legislative session, Internal Audit monitored the implementation of new regulations affecting Citizens. A cross-functional workgroup effectively integrated these requirements into business processes.
- **Payroll and Employee Record Management** - Internal Audit assessed payroll processes for compliance and accuracy. While controls were effective, one issue regarding Personally Identifiable Information (PII) security was identified, and additional improvement opportunities were discussed with and implemented by management.
- **Primary/Non-Primary Underwriting Requirements** - Internal Audit reviewed revised underwriting processes following the enactment of Senate Bill 2A. Controls were found to be well-designed and implemented to ensure eligibility verification for primary residences.
- **Purchasing Card, Fuel Card and Expense Reimbursements** - Internal controls over PCard and Fuel Card programs were found to be robust. One segregation of duty issue and some



## Appendix

process improvement opportunities were noted, all of which were discussed with management and addressed.

- **Reconciliations** - Internal Audit reviewed Citizens' account reconciliation processes and identified enhancement opportunities. Recommendations were shared with management to improve efficiency and effectiveness.
- **Regulatory Support (Auditor General)** - This AG's operational audit assessed multiple areas, including claims handling, underwriting, procurement, and IT controls. A few deficiencies were identified in coverage limits, clearinghouse operations, and IT security, all of which management is addressing.
- **Retirement Benefits Audit** - Internal Audit reviewed a crediting rate error for Empower managed retirement benefits product (the MassMutual SAGIC Diversified II fund). The vendor acknowledged the issue and credited affected employees. Corrective measures were implemented to prevent recurrence.
- **Vendor Invoicing and Payments** - A review of vendor invoicing processes confirmed compliance with best practices. No exceptions were noted, and improvement opportunities were discussed with management.