



Office of the Internal Auditor



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AUDIT REPORT

Irma Project Impact

December 18, 2017

Table of Contents:	Page
Executive Summary	
Background	1
Audit Objectives and Scope	1
Audit Opinion	1
Appendices	
Definitions	2
Distribution	3
Audit Performed By	3

Executive Summary

Background

In preparation for the potential impact of Hurricane Irma in September 2017, Citizens activated its Catastrophe Response Plan prior to storm landfall to prepare to meet the needs of policyholders. As part of the planning and response efforts, the project portfolio was reviewed with a focus on policyholder needs, legislative mandates, organizational priorities and resources.

The Systems and Operations Project Portfolio Management and Standards Department is responsible for proactively monitoring and managing overall portfolio timelines, budgets, risks, issues and interdependencies. The Enterprise Rhythm program is the planning and delivery methodology that combines business and IT managers with a goal of prioritizing, resourcing and carrying out enterprise projects. Enterprise Rhythm and other corporate leadership meetings were used to discuss priorities, facilitate the injection or escalation of higher priority enterprise initiatives, determine self-imposed delays and adjust project target dates where needed to align resources with the storm response.

Suggested scheduling changes were reviewed with the Enterprise Rhythm Steering Committee and the Executive Leadership Team, followed by implementation within corresponding project plans. Two of the more significant decisions included the expedited approval and procurement of the new Customer Portal as part of the Self-Service Strategy in order to improve the customer claims experience as well as other future phase self-service capabilities. As well, the Office of Insurance Regulation (OIR) Emergency Order temporarily paused the rate approval process and potential downstream product changes until early in 2018. Other project timelines were also revised or redirected to departmental level projects to ensure that policyholders and the company were best served during the response period.

Audit Objectives and Scope

The objective of this audit was to assess whether decisions to delay enterprise projects following the Irma catastrophe response initiatives were appropriately reviewed with IT and business managers and that any potential significant residual effects on the organization resulting from project date changes were escalated to ensure alignment with executive management's expectations. The audit scope included the following:

- Determine the initiatives that were impacted by the Irma catastrophe response.
- Assess the process utilized to review potential new projects, accelerations, delays or cancellations with IT and business management for feedback or revisions.
- Evaluate any significant residual effects on the organization due to project changes and validate that they were reviewed by executive management.

Audit Opinion

Based upon the audit work performed, we noted that decision making and communications processes associated with project changes executed during the Irma catastrophe response period were effective and are rated as **Satisfactory** and there are no significant residual effects on the organization due to initiated project changes.

Project escalations, delays and potential impacts were discussed and agreed in "Enterprise Rhythm" (enterprise portfolio management), senior management and/or executive leadership meetings over the course of several weeks. Changes to project target dates and projects temporarily placed on hold were formally documented and approved where required. As well, our testing surfaced no downstream residual effects that would potentially cause a significant impact to Citizens' future business operations.

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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