A Message from the Acting Inspector General

On behalf of the Office of Inspector General (OIG) for Citizens Property Insurance Corporation (Citizens), I am pleased to submit this annual report which summarizes the OIG’s major activities for calendar year 2018.

The OIG’s mission is to protect the integrity of Citizens and its public purpose to provide property insurance products and services to eligible Floridians. The OIG accomplishes its goals by serving as an independent, investigative entity, which is administratively housed within Citizens. Our job is to help Citizens operate with accountability, integrity, and efficiency. We do this by conducting objective, fact-based analyses, and developing impartial reports.

In February 2014, starting with just a statute and an office, Citizens’ first Inspector General, Bruce Meeks, formed the building blocks of the OIG. Mr. Meeks identified the role of the OIG and highlighted not just “what” the OIG would do, but “how” we would do it. Mr. Meeks set the stage for the OIG, developing a firm and fair approach and establishing an independent yet professional and respectful relationship between the OIG and Citizens. Mr. Meeks selected staff with a wide range of experience and expertise, that has remained dedicated to this day.

Having spent four years building the OIG, Meeks ultimately retired in 2018 to pursue other personal goals. Mr. Meeks was a “hands-on IG.” His contributions were significant, and accounting for his absence takes considerable effort, shared by all staff. Since his departure, I have been tasked with driving the OIG into the future.

Currently in our sixth year of operation, the OIG has successfully transitioned from the “building phase” into a fully formed office. This year, the OIG has experienced an increase in the number of inbound complaints and projects performed. As the OIG ages and its purpose becomes clearer to Citizens’ staff, vendors, and policyholders, increases in projects and complaints are to be expected.
As you will see in this report, the OIG has spent significant time responding to complaints and requests for assistance or investigations. Although investigative projects are the cornerstone of OIG work, having a proactive approach can often resolve matters before an investigation is necessary. As such, we have made considerable efforts to establish the OIG presence at Citizens and build a professional rapport with individual Citizens’ divisions. The OIG has developed an internal web-portal page as a valuable resource for Citizens staff and vendor employees. The OIG has assisted in the improvement of Citizens’ Code of Ethics, outlined an arrest and conviction notification requirement for staff, conducted Fraud Awareness forums, and provided educational presentations on OIG operations.

In closing, I would personally like to express my thanks and appreciation to the Financial Services Commission, the Chair of Citizens Board of Governors, and to the Chief Inspector General for their support in our operations. I appreciate the efforts of the OIG staff as they have each greatly assisted in filling the gaps felt by Mr. Meeks’ retirement. I look forward to the future and I am excited to see the continued successes of this office.

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Section 627.351(6), Florida Statutes, establishes Citizens Property Insurance Corporation (Citizens) as a government entity that is an integral part of the state. Citizens is responsible for providing insurance protection to Florida policyholders who are entitled to but are unable to obtain insurance in the private market. Citizens operates pursuant to a plan of operation approved by order of the Financial Services Commission.

Citizens’ Office of Inspector General (OIG) was established to “provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency.” Citizens’ first Inspector General, Bruce Meeks, retired in 2018 and beginning February 1, 2018, Director of Investigations Mark Kagy has served as Acting Inspector General. The OIG has just completed its fifth year of existence and has assembled this Annual Report highlighting the accomplishments and activities of the office.

In 2018, the OIG:

- Received 43 correspondence (defined as inbound communications – these include complaints, referrals, requests for investigation or review, or any other tracked communications)
  This resulted in the initiation of:
  - 12 Cases (four Investigations, seven Investigative Inquiries and one Process Review)
  - 31 Administrative Projects (Consultations, Referrals, Opinions, and Administrative Closures)
- Closed 8 cases (two cases carried over from 2017)
- Ensured updates to Citizens’ Standard Contract language mandating vendor cooperation with OIG projects and providing the OIG has the right to review and have reasonable access to vendor facilities as well as access to records
- Inspected and observed hurricane response activities
- Assisted in leading and conducting multiple Citizens training activities, events, and seminars aimed at identifying and enhancing leadership qualities within the corporation
• Refined internal standard operational procedures for investigations and other projects
• Participated on Citizens' Executive Leadership Team (ELT) and Senior Leadership Team (SLT)
• Enhanced a fully functional Case Management and Tracking System (CMTS) which provides management and reporting data for all OIG projects
• Instituted formal and informal outreach efforts to Citizens managers in an effort to exchange information regarding OIG and business unit roles, responsibilities, and expectations
• Developed a mandated arrest and conviction process for all staff
• Assisted in implementing revisions to Citizens' Code of Ethics
• Developed an internal web page providing staff and vendors information on OIG functions and processes
Citizens Property Insurance Corporation was created by the Florida Legislature in August 2002 as a not-for-profit, tax-exempt, government entity. Its mission is to provide insurance protection to Florida policyholders who are entitled to but are unable to find property insurance coverage in the private market.

Citizens' customers include Florida home, business and condominium owners, as well as Florida property owners who come to Citizens seeking coverage. Citizens is funded by policyholder premiums and, additionally, if its surplus is depleted in the wake of a particularly devastating storm or series of storms, Florida law requires Citizens to levy assessments on most Florida property-casualty insurance policyholders until any deficit is eliminated. These financial responsibilities drive Citizens' commitment to quality customer service and rigorously sound financial management.

Citizens operates according to statutory requirements created by the Florida Legislature and a Plan of Operation approved by the Florida Financial Services Commission. The corporation is governed by a Board of Governors that administers its Plan of Operation. Florida's Governor, President of the Florida Senate, Speaker of the Florida House and the state's Chief Financial Officer each appoint two members.

Citizens has offices in Tallahassee, Jacksonville and Tampa. Tallahassee is the corporate headquarters for the organization. The Jacksonville office provides policy services and underwriting, claims, and customer support. The Tampa office provides limited office and meeting space for locally based and remote employees.¹

Creation of the OIG

On May 29, 2013, Senate Bill 1770 was signed into law, modifying section 627.351(6)(gg), Florida Statutes. The bill required several modifications to Citizens’ structure and operations. Most notably, for purposes here, the bill established the Office of Inspector General (OIG) to “provide a central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency.”

Purpose and Mission

The OIG is an integral part of Citizens. The OIG is authorized by Section 627.351(6)(gg), Florida Statutes. The office’s mission is to promote accountability, transparency, integrity, and efficiency in Citizens’ operations through independent and objective oversight.

Differentiating the Role

Offices of inspector general are common throughout Florida. All state agencies maintain an office of inspector general and many local and county government entities and school districts have begun implementing inspector general offices in their jurisdictions.

State government offices of inspector general are housed within each state agency and operate under the authority of Section 20.055, Florida Statutes. Although not a state agency, Citizens is a government entity and the Citizens OIG is housed administratively within the corporation. Citizens’ OIG does not operate under the same authority as state agency offices of inspector general; Citizens’ OIG is authorized by Section 627.351(6)(gg), Florida Statutes.

Citizens’ OIG is unique in its function and authority as compared to state agency offices of inspector general. Although, the reporting structure and responsibility of Citizens’ OIG differs from that of state agency OIGs, Citizens’ OIG maintains an independent structure and broad authority.

State agency OIGs have authority to conduct audits, investigations, and management reviews, as does Citizens’ OIG. With respect to state agency OIGs, the staff and resources required to carry out these functions are housed under a singular OIG unit. Unlike state agencies, Citizens has a separate, independent OIG, and a separate, independent Office of the Internal Auditor (OIA).

Citizens’ Chief of Internal Audit is appointed by, reports to, and is under the general supervision of the Board of Governors, while reporting functionally to the Audit Committee of the Board of Governors.

Similar to Citizens’ OIG, Citizens’ OIA has audit, investigation and management review responsibilities in its enabling statute. Consequently, due to the duality of the OIG and OIA functions, Citizens’ Inspector General and Citizens’ Chief of Internal Audit have agreed that the OIG will be responsible primarily for investigative activities while the OIA will be responsible primarily for audit functions, and will collaborate on projects as necessary and mutually
agreed upon. Both offices are required statutorily to cooperate and coordinate activities to maximize efficiencies and avoid duplication of effort.

In addition to investigative, audit, and management review functions, Citizens’ OIG also has responsibilities not assigned to state agency OIGs. For example, Citizens’ OIG has multiple responsibilities related to Citizens’ ethics program, compliance, and security.
Citizens’ Inspector General Responsibilities

In accordance with Section 627.351(6)(gg)2, Florida Statutes, the inspector general shall initiate, direct, coordinate, participate in, and perform audits, reviews, evaluations, studies, and investigations designed to assess management practices; compliance with laws, rules, and policies; and program effectiveness and efficiency. This includes:

a. Conducting internal examinations; investigating allegations of fraud, waste, abuse, malfeasance, mismanagement, employee misconduct, or violations of corporation policies; and conducting any other investigations as directed by the Financial Services Commission or as independently determined
b. Evaluating and recommending actions regarding security, the ethical behavior of personnel and vendors, and compliance with rules, laws, policies, and personnel matters; and rendering ethics opinions
c. Evaluating personnel and administrative policy compliance, management and operational matters, and human resources-related matters
d. Evaluating the application of a corporation code of ethics, providing reviews and recommendations on the design and content of ethics-related policy training courses, educating employees on the code and on appropriate conduct, and checking for compliance
e. Evaluating the activities of the senior management team and management’s compliance with recommended solutions
f. Cooperating and coordinating activities with the chief of internal audit
g. Maintaining records of investigations and discipline in accordance with established policies, or as otherwise required
h. Supervising and directing the tasks and assignments of the staff assigned to assist with the inspector general’s projects, including regular review and feedback regarding work in progress and providing recommendations regarding relevant training and staff development activities
i. Directing, planning, preparing, and presenting interim and final reports and oral briefings which communicate the results of studies, reviews, and investigations
j. Providing the executive director with independent and objective assessments of programs and activities
k. Completing special projects, assignments, and other duties as requested by the Financial Services Commission
l. Reporting expeditiously to the Department of Law Enforcement or other law enforcement agencies, as appropriate, whenever the inspector general has reasonable grounds to believe there has been a violation of criminal law
Organizational Structure

Citizens' Inspector General is appointed by the Financial Services Commission and may be removed from office only by the commission. The Inspector General reports to, and is under the supervision of, the Chairman of Citizens' Board of Governors.

Beginning February 1, 2018, Citizens first Inspector General, Bruce Meeks, took a leave of absence and ultimately retired. Since that time, Director of Investigations Mark Kagy has served as Acting Inspector General and the office has continued to operate with an open position. The OIG currently consists of four employees:

- Acting Inspector General/Director of Investigations
- Two Senior Investigators
- Project Administrator

The OIG staff functions as a team with each member contributing through their unique background, professional experiences, education, knowledge, and skills.

OIG staff members hold the following specialty certifications and credentials:

- Certified Inspector General
- Certified Inspector General Investigators (2)
- Certified Fraud Examiners (2)
- Notaries Public (1)
- Graduate or professional degrees (1)
- All staff minimally possess a bachelor's degree
Professional Standards

The OIG is committed to operating in conformity with the Principles and Standards for Offices of Inspector General as established by the national Association of Inspectors General (AIG). These professional ideals promote standardization of practices, policies and ethics; encouragement of professional development and education; and generation of work products of the highest quality. AIG standards are:

Independence – The inspector general and OIG staff involved in performing or supervising any assignment should be free from personal or external impairments to independence and should constantly maintain an independent attitude and appearance.

Planning – The OIG should maintain a planning system for assessing the nature, scope, trends, vulnerabilities, special problems, and inherent risks of organizational programs and operations and for use in establishing the goals, objectives, and tasks to be accomplished by the OIG within a specific time period.

Organizing – The inspector general is responsible for organizing the OIG to assure efficient and effective deployment of the OIG’s resources.

Staff Qualifications – OIG staff should collectively possess the variety of knowledge, skills, and experience needed to accomplish the OIG mission.

Direction and Control – The inspector general should direct and control OIG operations to ensure that (1) all activities are adequately supervised, (2) performance is consistent with professional standards, and (3) periodic internal assessments are made of OIG activities and accomplishments.

Coordination – The OIG should coordinate its activities internally and with other components of government to assure effective and efficient use of available resources.

Reporting – The OIG should keep appropriate officials and the public properly informed of the OIG’s activities, findings, recommendations, and accomplishments as consistent with the OIG’s mission, legal authority, organizational placement, and confidentiality requirements.

Confidentiality – The OIG should establish and follow procedures for safeguarding the identity of confidential sources and for protecting privileged and confidential information.

Quality Assurance – The OIG should establish and maintain a quality assurance program to ensure that work performed adheres to established OIG policies and procedures, meets established standards of performance, and is carried out economically, efficiently, and effectively.
OIG Investigations Procedures Manual

The OIG has developed a comprehensive internal investigations manual. This manual outlines standard operating procedures and provides the OIG staff with guidance to ensure activities are conducted in a consistent, fair, thorough, transparent, and objective manner. Procedures include detailed and specific standards and expectations within the OIG to include the following subject areas:

- Analysis
- Case Management
- Case Planning
- Code of Ethics
- Complaint Handling
- Confidentiality
- Continuing Education
- Document Gathering
- Evidence Review
- File Organization
- Independence
- Interviewing
- Mission Statement
- Organization
- Performance Evaluation
- Position Responsibilities
- Post Investigative Activities
- Proper Notification of Findings
- Public Records Requests
- Qualifications
- Record Retention
- Reporting
- Report Distribution
- Security of Records
- Teamwork
- Training
- Whistle-blower Requirements

Continuing Professional Education and Training

In an effort to ensure staff remain abreast of ever-changing investigative practices and to ensure compliance with professional standards, OIG investigative staff are required to obtain 40 hours of continuing education at least every two years and maintain professional competence for all investigative staff.

Complaint Triage Process

Citizens’ Inspector General convenes meetings to triage complaints received through Citizens’ complaint reporting hotline, Tell Citizens (or other mechanisms), to discuss the merits of the complaint and collaboratively assign the complaint for handling as appropriate. The vast majority of complaints received are retained by the OIG for investigative projects. However, complaints involving performance issues, grievance matters, and the like, generally are referred to Human Resources (HR) or the appropriate business unit for handling. Offices in receipt of a referral have 30 days to provide a written response to the OIG of actions taken in response to the complaint.

The triage team may include any persons who are in a position to add value to the triage process. Typically though, the triage team consists of the:

- Inspector General
- Chief of Internal Audit
- Ethics and Compliance Officer
- Director of HR Strategic Services

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2 Prior to any triage activities, the Inspector General conducts a Whistle-blower analysis to determine if the complaint could meet the requirements of Florida’s Whistle-blower Act.
Complaints determined by the Inspector General to meet the requirements of Florida’s Whistleblower Act are not subject to triage. Additionally, OIG investigations, inquiries, or reviews requested by the Chair of Citizens’ Board of Governors, the Financial Services Commission, Citizens’ President/CEO and Executive Director, an Executive Leadership Team member, or initiated independently by the Inspector General are not subject to triage. The Chief of Internal Audit is informed of non-triaged investigative projects.

Claims-Based Complaints

On occasion, Citizens policyholders will contact the OIG in an effort to resolve a claim or dispute an indemnity. Likewise, on occasion, claims-related matters are referred to the OIG by external parties, such as the Office of the Chief Inspector General for the Governor, or the Inspector General for the Office of Insurance Regulation. Again, these referrals usually arise from policyholders seeking to resolve claim disputes.

The OIG does not serve in a claims dispute resolution or mediation role. However, Citizens maintains a statutorily required office dedicated to this function. Consequently, upon receipt of claim-focused complaints or referrals, the OIG generally will refer such matters to Citizens’ Customer Correspondence Team. The Customer Correspondence Team will review the matter and provide the OIG with an update on its findings within 30 days. The OIG will track and monitor all referrals to the Customer Correspondence Team to ensure matters are addressed and customer concerns are reviewed and resolved promptly and objectively.

Utilization of Independent Legal Services

On occasion, the OIG is presented with situations, investigations, or other matters that require the assistance of independent, external legal counsel. As an independent office housed within Citizens, it is sometimes most prudent for the OIG to consult external, independent legal counsel for assistance. Notwithstanding, Citizens’ internal general counsel’s office staff have been very helpful when assistance has been requested as appropriate.

As a matter of routine procedure, the OIG engages outside counsel on all discrimination, harassment, and whistle-blower investigations. The OIG also may engage outside counsel to assist with other complex issues where the potential consequence of error warrants specific legal expertise and prudence.
Education and Outreach Efforts

Offices of inspectors general have existed in most state executive branch organizations for decades; however, the inspector general concept is relatively new to Citizens. Many staff with private sector insurance backgrounds are unfamiliar with the role of the inspector general and related functions. A primary and ongoing goal of the OIG is to impart related knowledge through formal and informal meetings rather than when contact and interaction becomes necessary during an active investigation.

Acting Inspector General Mark Kagy regularly conducts scheduled, in-person meetings with select corporate vice-presidents, senior directors, and directors. These meetings are designed as information exchange sessions outlining OIG functions while simultaneously gaining an understanding of individual business unit roles. He also addresses individual business units through their team meetings or general "town hall" meetings. These meetings and information exchanges are critical to the OIG function and visibility and will continue throughout 2019.

Workshop and Seminar Participation

Acting Inspector General Mark Kagy directly participated in multiple Citizens training activities, events, and/or seminars. These events provided an opportunity for Citizens' staff and managers to meet formally and interact with OIG leadership.

Special Investigations Unit Team Meeting

Citizens' Special Investigations Unit (SIU) is the Claims team responsible for conducting investigations into fraudulent insurance activity while the OIG maintains responsibility for conducting investigations involving internal/occupational fraud. Acting Inspector General Mark Kagy met with the SIU team to discuss roles and responsibilities, how the two offices can work together to fight fraud, and processes for involving law enforcement.

Lead 365

Acting Inspector General Mark Kagy provided leadership remarks to the graduates of Citizens' Lead 365 program. Rising leaders within Citizens' ranks were identified and participated in this six-month program. Program topics included leadership and team building, managerial foundations, and mentoring.

Leadership Forum – Assistant Directors and Above

Acting Inspector General Mark Kagy participated in the corporate-wide leadership forum involving the top 80 leaders at Citizens. This forum provides participants with Citizens' strategic and division specific priorities and is concluded with a lengthy question and answer session for Executive Leadership Team members.
Fraud Awareness – Dine and Development
Acting Inspector General Mark Kagy served as a panelist for a corporate-wide "Dine and Development" educational series. This national Fraud Awareness Week training opportunity provided participants with an understanding of the effects of insurance fraud as well as occupational fraud here at Citizens. Participants were encouraged to bring their lunch for this presentation and ask questions of him as well as representatives from the Office of Internal Audit and the Special Investigations Unit regarding fraud investigation, detection, and deterrence.

Managers and Supervisors
Acting Inspector General Mark Kagy participated in the corporate-wide leadership forum involving over 180 of Citizens' mid-level managers and supervisors. This forum provides participants with Citizens' strategic and division specific priorities and is concluded with a lengthy question and answer session for Executive Leadership Team members.

Leadership Teams
Citizens' Executive Leadership Team (ELT) consists of the top nine leaders within the corporation and is led by Barry Gilway. Citizens' President/CEO and Executive Director. Upon Mr. Gilway's invitation and encouragement, Acting Inspector General Kagy has been accorded full membership on Citizens' ELT where he has the opportunity to provide perspective and information from his role as Acting Inspector General during regular and periodic meetings.

Citizens' Senior Leadership Team (SLT) consists of nine key vice presidents, senior directors, and directors throughout the corporation. Acting Inspector General/Director of Investigations Mark Kagy is an SLT member and attends the group's monthly meetings, as well as participates in SLT projects.

Committee Involvement
Risk Steering Committee
Citizens' Risk Steering Committee (RSC) is responsible for overseeing the risk management processes for the corporation. Acting Inspector General Mark Kagy participates in these meetings and assists the RSC in its responsibilities to provide leadership through the alignment of risk mitigation activities, prioritize risk exposures, ensure optimal risk management, and open communication across functional units.
Safety and Security Committee

Acting Inspector General Kagy attends Citizens' Safety and Security Committee meetings and provides advice to the committee’s chairperson as needed. The committee is responsible for promoting a safe and secure working environment. The committee meets regularly and identifies potential unsafe or unsecure work practices and conditions, provides recommendations for resolution, and analyzes historical trends. The committee also assists in the development of safety and security awareness programs, as well as loss prevention and loss control programs, and promotion of a culture of safety and security.

Employee Well-Being Advisory Committee

Acting Inspector General Kagy is a member of the Employee Well-Being Advisory Committee which partners with Human Resources to provide direction and guidance for program development and recommendations to the Employee Well-Being Council. The committee’s responsibilities include:

- Communicating and sharing the vision of the employee well-being programs
- Educating and engaging management
- Championing programs that promote a healthy organizational culture where employees are highly engaged
- Promoting program initiatives and encouraging employee involvement
- Encouraging cross departmental collaboration within each city to enhance a culture of employee well-being
- Rewarding success through recognition and celebratory activities

Florida Chapter of AIG Board of Directors

The Florida Chapter of the Association of Inspectors General (FCAIG) is a civic, educational, charitable, and benevolent organization for the exchange of ideas, information, education, knowledge, and training among municipal, local, state, national and international inspectors general. The FCAIG fosters and promotes public accountability and integrity in the general areas of the prevention, examination, investigation, audit, detection, elimination, and prosecution of fraud, waste and abuse through policy research and analysis; standardization of practices, policies, conduct and ethics and encouragement of professional development by providing and sponsoring educational programs. In fall 2018, Acting Inspector General Mark Kagy was honored to be selected to serve on the FCAIG Executive Board.
Occasionally, the OIG will select special projects which are extensive in nature and involve a significant aspect of Citizens’ process. These projects could involve significant staff-hours and typically are the result of a proactive OIG effort, rather than reactionary to a complaint, to review an issue or matter of critical importance to Citizens, policyholders, and/or the public.

Observation of Citizens’ Catastrophe Response

On October 10, 2018, Hurricane Michael made landfall near Mexico Beach, Florida. The Category Four hurricane was the third most powerful hurricane on record in terms of barometric pressure and had a maximum wind speed of 155 miles per hour. Michael resulted in 72 fatalities, and was estimated to have resulted in $25 billion in losses making it the eighth costliest hurricane in U.S. history.

Hurricane response is a critical component of Citizens. Corporate staff work year-round preparing and planning for emergency response to catastrophes. Prior to Michael’s landfall, Citizens’ managers and staff engaged emergency response plans, strategically placed mobile response centers, and attempted to identify the most probable impact points and possible damage.

Catastrophe Response Centers

Immediately after impact, Citizens activated four Catastrophe Response Centers (CRCs). Acting Inspector General Mark Kagy visited each CRC to observe and inspect Citizens’ critical response. He found the onsite operations to be well planned, fully functional, and highly-capable of meeting the needs of policyholders. He observed the following:

CRCs are large and sophisticated travel-trailers carrying generators, satellite capabilities, lighting, portable shelters, computers, and everything necessary to receive, document, and process claims. Once located, CRCs have 24-hour security personnel assigned and take less than 30 minutes to become completely operational. CRCs are highly mobile and are moved throughout the impacted area.

Advance teams located areas of highest need with consideration for accessibility due to debris and road availability. These teams met with local authorities and business owners identifying resources and permissible locations to establish operations. The teams also placed temporary signage throughout the area to direct people towards the nearest Citizens’ CRC.
CRCs were placed at multiple locations including Panama City, Port St. Joe, Apalachicola, and Tallahassee. With the permission of Walmart executives, the advance team in Panama City identified the Sam’s Club parking lot on 23rd Street to establish one of the CRCs. Other insurance companies, community service providers, state and federal emergency providers, and banking institutions followed suit and ultimately established an emergency response center in the adjacent parking lot once used by Tinseltown movie theater.

Policyholder Experience

Policyholders approaching a CRC were greeted by a Citizens staff member who distributed critical care items such as bottled water and sunscreen. A policyholder completed a one-page document with any information they had about their policy. Citizens staff recognized that policyholders may not have their insurance documents or even their identification as some policyholders had nothing left.

A Citizens staff member would then locate the policy using a laptop and satellite connection. Staff advised the policyholder of coverage details and learned specifics of the claim. A Citizens staff adjuster was also present which gave policyholders an opportunity to meet directly with an adjuster and also allowed the policyholder to learn about possible “additional living expense” (ALE) coverage.

Some homeowners’ policies provide ALE coverage, which helps pay for expenses incurred because the home has been deemed unlivable due to a covered loss. ALE provides coverage for the increase in costs over normal expenses if a covered loss makes the home unlivable. This can include expenses for food, a place to live or other costs associated with maintaining the household. For policyholders with ALE coverage, Citizens can issue a check on-site to help cover immediate needs. Many banks deployed mobile ATM vehicles to emergency locations giving policyholders a place to cash their Citizens check promptly.

Policyholder and Staff Feedback

At each CRC, Acting Inspector General Mark Kagy interviewed multiple policyholders as well as Citizens staff. Policyholders reported being greeted by highly helpful and professional staff. Policyholders specifically mentioned the relief of receiving an ALE check to assist with immediate needs and the ability to discuss the overall claims process with staff.

Citizens staff working at CRCs have volunteered to be a part of the deployment. As part of catastrophe planning, Citizens identifies staff who are willing
and who have the necessary skill set to serve up to 21 straight days for CRC deployment. Staff members are bussed into each CRC daily from outskirt communities with available hotel space. As would be expected with volunteers, staff were eager to help, polite, and welcoming. Staff reported having all the necessary tools and resources to do their jobs and indicated they received 100% support from senior Citizens leaders.

Hurricane response is a difficult matter to plan. There are logistical difficulties such as impassable roads, shortages of food and water, mandated curfews, security and looting concerns, lack of fuel to run generators, flat tires from debris, and limited hotel space. When logistical concerns are coupled with a tired and scared population, long working hours in the sun for staff, non-existent cell phone services, and limited access to restrooms, there are many opportunities for an emergency deployment to not go as planned. Acting Inspector General Kagy reported that despite all the negative factors at play, the Citizens’ emergency response was exceptionally well executed and consistently maintained policyholder service at the forefront. He also noted that all Citizens Executive Leadership Team members took an active role in participating in the emergency response. Most notably, Citizens President/CEO and Executive Director Barry Gilway made house calls to multiple Citizens policyholders in some of the hardest hit areas to gauge their experience in filing a claim and to seek input on ways Citizens could improve its emergency response.

Updates to Citizens’ Standard Contract Language

Prior to OIG existence, Citizens’ standard contract language for all vendors included requirements upon the vendor to allow Citizens a right to audit vendor records. As this requirement did not specifically require vendors to cooperate in OIG activities, Acting Inspector General Mark Kagy worked in consultation with Citizens’ Vendor Management Office to update standard contract language.

Updated language (Section 14.2 Right to Audit and Inquire) now requires that vendors must “reasonably cooperate with any independent inquiries made by Citizens’ Office of Internal Audit and Office of the Inspector General.” Standard contract language also provides that OIG has the right to review and have reasonable access to vendor facilities as well as access to records. These updates allow greater OIG access to information and documentation necessary to conduct our core functions.
Ethics Program Evaluation

A major goal for 2017 was the evaluation of Citizens’ Ethics Program. The OIG provision in Citizens’ enacting statute (627.351(6)(gg)2., F.S.), requires:

“The inspector general shall initiate, direct, coordinate, participate in, and perform audits, reviews, evaluations, studies, and investigations designed to assess management practices; compliance with laws, rules, and policies; and program effectiveness and efficiency. This includes, among other things, [e]valuating the application of a corporation code of ethics, providing reviews and recommendations on the design and content of ethics-related policy training courses, educating employees on the code and on appropriate conduct, and checking for compliance.”

In addition to the above statutory mandate, management and governance bodies expect validated achievement of high ethical standards (as embodied in Citizens’ stated values and strategic goals). Further, the Federal Sentencing Guidelines\(^3\) state “(5) The organization shall take reasonable steps ... to evaluate the effectiveness of the organization’s compliance and ethics program.

The purpose of the Ethics Program Evaluation was to:

- Identify the elements comprising Citizens’ ethics program and describe the program infrastructure
- Compare Citizens’ ethics program with state-of-art programs, benchmarks, and leading practices (realizing one size does not fit all)
- Assess results of ethics training and other applicable activities
- Provide an overall view of strengths of the Ethics Program and potential weaknesses that should be addressed to enhance its effectiveness

This project entailed a detailed analysis of the Ethics Program, relevant Citizens documentation, and select interviews with key leadership and staff. The observations were then compared to Citizens’ ethics related governing authorities, corporate policies, state and federal laws and rules, and leading practices within the ethics industry to determine opportunities for improvement.

After a competitive solicitation process, the Office of Inspector General engaged Aegis Compliance and Ethics Center for assistance.

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\(^3\) USSC §8B2.1, Effective Compliance and Ethics Program.
OIG concluded through the interviews and document review that Citizens has met the intent of its ethics related governing directives. While Citizens met or exceeded its ethics-related statutory requirements, as expected with ever-evolving ethics programs, OIG found discretionary improvement opportunities for consideration by Citizens management. OIG shared those opportunities with Citizens’ leadership who implemented the recommendations as appropriate.

Arrest/Conviction Notifications

18 U.S. Code § 1033 prohibits Citizens from knowingly employing any individual who has been convicted of specific felonies. In an effort to fully comply with this provision, Citizens elected to institute a periodic background check of all employees.

Citizens began by instituting a change to its Code of Ethics requiring an employee self-reporting process for all arrests and convictions within seven days of occurrence. The OIG assisted in implementing corresponding processes and procedures necessary to receive, review, and conduct inquiries related to the reported events.

Citizens is currently implementing a competitive solicitation process seeking a responsible and capable vendor of providing these background checks. Vendor selection should occur prior to the end of 2019. Background check “hits,” as well as those events self-reported, will be directly forwarded to the OIG for review and inquiry.

Events determined to pose a significant impact or a job impact to Citizens will be forwarded to Citizens’ leaders for handling as deemed appropriate.

Lobbyist Registration

Section 112.3215, Florida Statutes, requires that a person may not lobby an agency without first becoming registered publicly. Since Citizens is not an “agency” as defined by this statute, a statutory lobbyist registration requirement does not exist.

In an effort to mirror the lobbyist requirement, Citizens elected to create a corporate policy requiring any individual attempting to lobby Citizens, to first complete a registration process through Citizens’ website, www.Citizensfla.com.

The OIG participated in the creation of Citizens’ Lobbyist Registration Required (Policy No. 103). This policy outlines registration requirements as well as repercussions for failure to register, including investigation by the OIG to determine if a knowing violation has occurred. It should be noted, the OIG did not receive any complaints involving alleged violations of this policy in 2018.
Inspector General Intranet Website

Citizens is embarking on an effort to redesign and improve the corporate intranet, the Citizens Central portal. This measure will improve and standardize the communication, web functionality, and application features across the enterprise. As part of this project, the Office of Inspector General has designed an OIG-specific portal page that serves Citizens' employees, contingent staff, and vendors by providing an understanding of the OIG role and responsibilities, outlining the OIG process for investigations and projects, and providing details on submitting complaints or communicating concerns with OIG staff.

Former Employee Fraud

In mid-2018, Citizens received information regarding a former employee's arrest. The employee formerly served as an adjuster and was ultimately arrested in 2015 for seeking bribes and kickbacks from various contractors and policyholders. The arresting entities did not disclose the arrest to Citizens or the OIG in an effort to determine if a more pervasive scheme existed. Following their investigation additional arrests of contractors and policyholders occurred.

Upon receiving information in mid-2018 of the employee's 2015 arrest, Citizens conducted an internal review of processes to identify and prevent similar scenarios utilized by the former employee. Additionally, the OIG embarked on a comprehensive oversight project designed to learn all that was possible from the arrests and identify any program weaknesses. Ultimately, the project seeks to establish early detection methods and red-flag indicators of possible fraudulent activities. This project is being led by the OIG and incorporates expertise from the Office of Internal Audit, Special Investigations Unit, Claims Department, and the fraud and claims expertise of an outside vendor. The project is scheduled to conclude in the first quarter 2019.
Types of OIG Projects and Activities

The OIG investigates allegations of fraud, waste, abuse, malfeasance, mismanagement, employee misconduct, and violations of corporate policies. The OIG handles and manages several types of activities including investigations, investigative inquiries, reviews, and referrals.

Correspondences

The large majority of OIG activities begin with a correspondence. Correspondences are inbound communications by any individual or entity to the OIG that subsequently is entered into and tracked by OIG's Case Management and Tracking System. Correspondences include complaints, referrals, requests for investigation or review, or any other tracked communication. However, not all correspondences result in cases or substantive projects.

Cases

An Investigation is conducted when the Inspector General has determined that the highest level of review by the OIG is necessary. Investigations typically consist of multiple interviews of the complainant, witnesses, and other subjects, as well as detailed analysis of Citizens and non-Citizens documents, communications, data, and business processes and systems. Investigations often stem from complaints involving alleged employee or vendor employee misconduct, which if proved, could result in significant action against the employee or vendor employee. Investigations may result in disciplinary action up to and including terminations or criminal prosecutions.

An Investigative Inquiry is a lower level of review conducted by the OIG. An investigative inquiry is conducted when circumstances dictate that an alternative to a full investigation is prudent. For example, an employee may file a complaint and subsequently withdraw the complaint. This scenario would require inquiry and documentation by the OIG with a memorandum of activities and results; however, the scenario likely would not lead to a full investigation proving or disproving the original allegation. The purpose of an investigative inquiry is to provide an appropriate level of review in situations where a full, detailed analysis and conclusion typically associated with an investigation is unwarranted or impractical. Additionally, memoranda of Investigative Inquiries do not contain conclusions of fact such as Supported or Not Supported.
Substantive Projects

A Process Review analyzes a particular Citizens business unit’s processes and attempts to determine if the actual or outlined processes are effective and efficient, or in need of improvement.

A Compliance Review attempts to determine if a specific Citizens business unit, function, action, or process is compliant with applicable laws, rules, policies, and procedures.

Administrative Projects

Consultation Services are provided to any Citizens individual or business unit upon request. This is an OIG engagement whereby leading practices, appropriate responses, or necessary actions to ongoing corporate issues are discussed and analyzed. Care is taken to ensure that any OIG input is provided in a discretionary, advisory manner so as not to impair OIG independence.

Opinions are proactive determinations provided by the Inspector General to inquiries made by Citizens staff or business partners. Opinions promote assurance that inquiries or concerns have been received and documented by the Office of Inspector General and appropriate guidance is provided to facilitate compliance. The most common form of opinion is an ethics opinion; rendering of ethics opinions always are coordinated and confirmed with the Ethics and Compliance Office.

Referrals can be made to internal Citizens business units or external parties. A referral is a request from the OIG for the recipient to review the matter, address the matter as appropriate, and advise the OIG of the intended response prior to the matter being closed. The most common referrals are job performance or grievance complaints, which are typically referred to Human Resources for handling.

Administrative Closures occur on occasion when no additional investigative activity is warranted for a particular matter or the matter falls outside of the OIG’s jurisdiction to handle or refer.
2018 Projects Overview

The OIG received 43 correspondences/matters throughout the year, of which 26 were categorized as complaints. The OIG addressed 43 correspondences/matters, with the following projects initiated.

![Diagram showing correspondences/matters received in 2018]
The 43 received correspondences involved matters throughout the corporation with some correspondences relating to multiple divisions. The distribution of correspondence subject matters can be viewed by division within the corporation:

CORRESPONDENCES/MATTERS RECEIVED BY AFFECTED DIVISION 2018

- Claims: 39%, [n=17]
- Communications: 5%, [n=2]
- Human Resources: 7%, [n=3]
- Information Technology: 16%, [n=7]
- Legal Services and Purchasing: 7%, [n=3]
- Office of Internal Audit: 5%, [n=2]
- Underwriting and Agency Services: 12%, [n=5]
- Unspecified: 9%, [n=4]
2014-2018 Trends by Category

Since its inception in 2014, the OIG has received correspondences categorized under the following primary issues/allegations:

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discrimination/Harassment</td>
<td>2</td>
<td>4</td>
<td>6</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Ethics</td>
<td>4</td>
<td>6</td>
<td>0</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Misconduct</td>
<td>3</td>
<td>15</td>
<td>16</td>
<td>23</td>
<td>21</td>
</tr>
<tr>
<td>Mismanagement</td>
<td>1</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Other</td>
<td>5</td>
<td>4</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Vendor Improprieties</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15</td>
<td>37</td>
<td>31</td>
<td>38</td>
<td>43</td>
</tr>
</tbody>
</table>

**CORRESPONDENCES/MATTERS RECEIVED 2014-2018 BY CATEGORY**

- Discrimination/Harassment
- Ethics
- Misconduct
- Mismanagement
- Other
- Vendor Improprieties

- 2014
- 2015
- 2016
- 2017
- 2018
Since its inception, the OIG has investigated 52 allegations (exclusive of Investigative Inquiries). Thirty-six of the allegations were Not Supported, fifteen allegations were Supported, and one allegation was Administratively Closed.
2018 Closed Project Summaries

In 2018, the OIG closed three Investigations, four Investigative Inquiries, and one Process Review.

17-14 Process Review – Independent Adjusters Release Dispute

The OIG received two complaints from former Independent Adjusters (IAs) who believed they were unjustly released from their working relationship with Citizens. The first complaint alleged that a Citizens Desk Adjuster made false statements accusing the IA of using general contractors to inspect and complete the required estimates of repair and scope of loss reports. The second complaint was submitted to Tell Citizens, Citizens’ anonymous complaint hotline, alleging an IA was released after being threatened by another individual at work.

In response to these allegations, OIG opened a project aimed at identifying whether Citizens’ Claims Department had a process for releasing IAs and determining if that process was being followed. All management personnel interviewed confirmed that there is currently no complete and comprehensive process in place for the release of IAs. However, several referenced related documents were in use at the time, such as the Adjuster Corrective Action form, Performance Management form, and Deactivation form.

Claims Vendor management acknowledged the need to implement a uniform process for the release of IAs, noting that while the vendor contract provided no guarantee of work, a formalized process with a focus on allowing the vendor firms to handle all communication would likely alleviate confusion. Additionally, one witness submitted documentation which established a pattern of performance issues by the first IA, and three separate witnesses provided similar explanations for the release of the second. The OIG’s review found no indication that either IA was released unfairly.
17-13 Investigative Inquiry – Disclosure of Information

The OIG received information regarding the potential improper disclosure of Citizens information by "a mole". It was determined that the concept of a "Citizens mole" was exaggerated and the document in question referenced a former independent adjuster providing process level information. The matter was administratively closed.

18-1 Investigative Inquiry – Workplace Environment

A former employee described difficulties she experienced with the HR team in her Exit Survey. The employee was interviewed by the IG and Director of Investigations, and a Senior Investigator made multiple attempts to contact the employee by phone and email. The former employee expressed limited interest in following through with the OIG inquiry process. The matter was administratively closed.

18-2 Investigative Inquiry – Potential Conflict of Interest

A Citizens claims adjuster noted that another employee had referred several matters to a Citizens' legal defense vendor where one of the firm partners possessed the same last name as the Citizens employee. The OIG's review confirmed the employee and firm partner were not related and did not share any outside business associations. As such, a conflict of interest did not exist, and further investigation was unwarranted.
18-3 Investigation – Discrimination / Sexual Harassment

The OIG received two anonymous complaints alleging a Senior Claims Adjuster made racially inappropriate comments. During the course of the investigation, a third anonymous complaint alleging similar actions was received as was a fourth complaint alleging the employee made an inappropriate comment of a sexual nature to a female. OIG interviewed 11 personnel and independent adjusters familiar with the employee and five witnesses reported hearing the subject make statements that closely mirrored the allegations as presented in the anonymous complaints. Further, three witnesses indicated they personally observed the subject making unwelcome sexually suggestive comments and described the employee’s behavior as offensive. The allegations of inappropriate racial comments and unwelcome sexually suggestive comments were both Supported.

18-4 Investigation – Sexual Harassment

A policyholder reported allegations of sexual harassment and inappropriate conduct by a Senior Claims Adjuster while at the policyholder’s property for onsite inspections. The investigation found that the Senior Claims Adjuster handled the claim properly and the actions attributed to him did not constitute sexual harassment. This allegation was Not Supported. However, the Senior Claims Adjuster’s conduct during the onsite inspections violated Citizens’ Standards of Conduct. This allegation was Supported.
18-7 Investigative Inquiry – Discrimination

The OIG received two complaints alleging unfair hiring practices within the Information Technology (IT) Services & Delivery business unit. Specifically, it was alleged that Asian males receive preferential treatment pertaining to recognition, access to training, and promotional opportunities in comparison with female employees and those of other races or nationalities. OIG conducted an inquiry using data and analysis related to hiring statistics, promotions, terminations, training opportunities, conference attendance, exit surveys, data from an Employee Satisfaction Survey, and employee interviews. Overall, the IT Services & Delivery workforce trends Asian and male. This overrepresentation ultimately impacts resulting promotions, training opportunities, recognitions, and awards. However, these trends could be representative of a multitude of factors. Similar overrepresentations have been noted nationally by the Bureau of Labor Statistics and could have an impact on the diversity of Citizens’ applicant pool. It should be also be noted that OIG found no specific acts of discriminatory behavior or decisions.

18-8 Investigation – False Statements

An anonymous complainant alleged that while serving as a Corporate Representative, an Independent Adjuster (IA) provided false testimony during depositions concerning her educational background and prior work experience. During the OIG investigation, the IA admitted to being untruthful in depositions concerning her educational background, the allegation was Supported. However, the IA maintained she was truthful concerning her prior work experience. The OIG reviewed deposition transcripts and confirmed the IA’s work experience with her previous employer, the allegation was Not Supported.
The three closed investigations (exclusive of Investigative Inquiries) contained 6 individual allegations. Two allegations were *Not Supported* and four allegations were *Supported*.

**2018 Investigations Findings**

- **4, 67%** Supported
- **2, 33%** Not Supported
Independence Impairments

As required by law\(^4\) and as instituted by best professional practices\(^5\) for offices of inspectors general, the inspector general, staff, and projects must be protected from any actual or perceived impairments to independence. In all matters, the OIG and each individual staff member should be free both in fact and appearance from personal, external, and organizational impairments to independence. The OIG is committed to reporting any internal or external effort to negatively impact, reduce, or infringe upon OIG independence.

The purpose of this section is to:

- Identify any instances of possible impairments to OIG independence from internal or external sources.
- Report on any events whereby the independence of the OIG was possibly jeopardized.
- List any mitigation efforts by the OIG to resolve any actual or perceived infringement on OIG independence.

The OIG is pleased to report that at no time during the reporting period did the OIG observe any effort which could be perceived to have negatively impacted our independence.

\(^4\) Section 627.351(6)(gg), Florida Statutes
\(^5\) Principles and Standards for Offices of Inspector General as published by the Association for Inspectors General; Council of the Inspectors General on Integrity and Efficiency