

# Digitized Audit Committee Report

# Executive summary

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- ▶ A total of 8 internal audits were performed.
- ▶ The total number of issues identified were 11, with 4 being medium risk and the remaining 7 being low risk.
- ▶ The operating division with the highest number of medium risk issues is 'Global Businesses' with 2 medium risk issues.
- ▶ The top 3 risk categories are 'Information Security' with 2 medium risk issues, 'Product, Operations and Trading' with 1 medium risk issue, and 'Regulatory Compliance' with 1 medium risk issue.
- ▶ The top 3 risk categories are 'Information Security', 'Product, Operations and Trading', and 'Regulatory Compliance'.
  - ▶ For 'Information Security', the issues primarily revolve around inadequate controls to prevent inappropriate access to customer information and inadequate controls over data transmission. The root cause is primarily attributed to lack of effective Vendor Engagement Manager's monitoring process and management's awareness of the expected standards.
  - ▶ For 'Product, Operations and Trading', the issue is related to insufficient controls over key end-to-end processes and critical tools. The root cause is primarily attributed to ownership of key processes transferring multiple times with insufficient resources.
  - ▶ For 'Regulatory Compliance', the issue is related to inadequate governance and supervision controls. The root cause is primarily attributable to the overreliance of self-disclosure by RRs and a lack of firm-wide protocols for system changes to consider regulatory impacts.
- ▶ The top 3 root cause categories are 'Process' with 3 medium risk issues, 'People' with 1 medium risk issue, and 'Technology' with no medium risk issues.

# Summary Statistics

Basic high-level statistics based on the underlying audit reports

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**1.Number of underlying internal audit reports:** 8

**2.Total Issues identified:** The total number of issues identified are 11.

- 1.High-rated issues: 0
- 2.Medium-rated issues: 4
- 3.Low-rated issues: 7

**3.Operating Division Level:** The Operating Division with the highest number of medium or high risk issues is "Global Businesses". 2 medium risk issues identified.

**4.Risk Category Level:** The top 3 risk categories are Information Security (2 medium), Regulatory Compliance (1 medium) and Product, Operations and Trading (1 medium).

**5.Root Cause Category:** The top root cause categories are Process (3 medium) and People (1 medium).

# Risk Summary

Top 3 risk categories identified and summary of issues and root cause explanations

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**1. Summary of Risk Category:** The top three risk categories based on the highest number of high or medium-rated issues are:

**1. \*\*Risk Category: Information Security\*\***

**Issue Findings:** There were instances where minimum third-party and privacy standards were not executed, resulting in inadequate information security controls to prevent inappropriate access to customer information by internal or external parties. Additionally, controls over the transmission to and disposal of customer data in Ramp required improvement.

**Root Cause Explanation:** The root cause can be attributed to various VEM and organizational changes occurring over the past few years, which over time has impacted clarity regarding the applicable ongoing monitoring standards. Also, during the vendor onboarding process (2018), appropriate SaaS configuration was not performed. Another root cause is the lack of effective Vendor Engagement Manager's monitoring process and management's awareness of the expected standards, associated controls including the approved data transmission methods.

**2. \*\*Risk Category: Regulatory Compliance\*\***

**Issue Findings:** Governance and supervision controls related to Static Annuities Distributors, Inc. (SAD) Outside Business Activities (OBAs) and personal investments in private securities transactions (e.g. passive investments) needed improvement.

**Root Cause Explanation:** The root causes are primarily attributable to the overreliance of self-disclosure by RRs and a lack of consideration to use additional outside data to detect discrepancies in on-going OBA recertifications as well as a lack of firm-wide protocols for system changes to consider regulatory impacts.

**3. \*\*Risk Category: Product, Operations and Trading\*\***

**Issue Findings:** Controls to ensure timely response and escalation of customer service-related comments required enhancement. Also, controls over key end-to-end processes and critical tools utilized to administer the legacy PAS block were insufficient.

**Root Cause Explanation:** The root cause is primarily attributable to a lack of change management discipline and oversight to ensure process enhancements are implemented appropriately and working as intended prior to being operationalized. Another root cause is primarily attributed to ownership of key processes transferring multiple times with insufficient resources to execute key controls consistently at the time of the transition.

# Summary of issue findings

Summary of issue findings for top 3 Operating Divisions for high and medium rated issues

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- The count of medium risk issues under each unique operating division is as follows:
  - a. Individual Solutions Group: 1
  - b. Global Businesses: 2
  - c. Corp Businesses: 1
  
- The issue findings for the identified medium risk issues are:
  - a. Individual Solutions Group:

Governance and supervision controls related to Static Annuities Distributors, Inc. (SAD) Outside Business Activities (OBAs) and personal investments in private securities transactions needs improvement.
  - b. Global Businesses:
    - 1. Minimum third-party and privacy standards were not executed resulting in inadequate information security controls to prevent inappropriate access to customer information by internal or external parties.
    - 2. Controls over the transmission to and disposal of customer data in Ramp requires improvement.
  - c. Corp Businesses:

Controls over key end-to-end processes and critical tools utilized to administer the legacy SAS block are insufficient.

# Summary – Issue root cause theme

Summary of issue root cause explanations for high and medium rated issues across ODs

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- **\*\*Overreliance and Lack of Protocols\*\***: This theme was observed in the *Individual Solutions Group division*. The root cause was primarily attributable to the overreliance of self-disclosure by RRs and a lack of firm-wide protocols for system changes to consider regulatory impacts.
- **\*\*Organizational Changes and Inadequate Onboarding Process\*\***: This theme was observed in the *Global Businesses division*. The root cause can be attributed to both various VEM and organizational changes occurring over the past few years, which over time has impacted clarity regarding the applicable ongoing monitoring standards.
- **\*\*Insufficient Resources\*\***: This theme was observed in an unspecified division. The root cause is primarily attributed to ownership of key processes transferring multiple times with insufficient resources to execute key controls consistently at the time of the transition.
- **\*\*Lack of Effective Monitoring Process and Awareness\*\***: This theme was observed in the *Global Businesses division*. The root cause is primarily attributed to the lack of effective Vendor Engagement Manager's monitoring process and management's awareness of the expected standards, associated controls including the approved data transmission methods.

# Summary at Operating Division level ( 1 of 6)

*Summary of issue statistics, issue findings, root cause explanation, risk taxonomy*

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**\*\*Operating Division: HR-Operations\*\***

- **Number of issues present are:** 4
- **Issue Ratings:** Low
- **Risk Categories:** Product, Operations and Trading (2), Information Technology (1), Information Security (1)
- **Summary of Issue Findings:**
  - **Product, Operations and Trading**
    1. Enhancements to the payroll cycle monitoring and variance analysis control are needed to ensure adequate segregation of duties exists between the preparer and reviewer of the information.
    2. Execution of review controls supporting certain payroll suspense accounts require improvement to ensure suspense items are appropriately identified, aged, and remediated in a timely and accurate manner.
  - **Information Technology**
    1. Data interface documentation for the Workday application has not been completed.
  - **Information Security**
    1. Additional reviews and role clarifications are required for the user access recertification control for the Workday application.
- **Summary of Root Cause Explanation:**
  1. The root cause stems from the fact that the standard report from Workday does not provide sufficient analytical support and reliance on the subject matter expertise of the HR Director to modify the report in addition to performing the review.
  2. The root cause is due to the manual process associated with aging suspense items and resource turnover within the function which resulted in failure to obtain the necessary details for each item in order to adequately understand them and track them to resolution.
  3. The root cause can be attributed to the transition during the Workday application implementation in 2020 from the consulting deployment team to the Alit vendor, which currently provides system support to the application, and the documentation was not finalized during the transition.
  4. Lack of awareness related to certain company standards regarding set up of security groups and the user access recertification practices.
- **Root Cause Category:** Process (2), People (1), Technology (1)

# Summary at Operating Division level ( 2 of 6)

*Summary of issue statistics, issue findings, root cause explanation, risk taxonomy*

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**\*\*Operating Division: Global Businesses\*\***

- **Number of issues present are:** 3
- **Issue Ratings:** Low (1), Medium (2)
- **Risk Categories:** Product, Operations and Trading (1), Information Security (2)
- **Summary of Issue Findings:**
  - **Product, Operations and Trading :**
    1. Controls to ensure timely response and escalation of customer service-related comments require enhancement.
  - **Information Security :**
    1. Minimum third-party and privacy standards were not executed resulting in inadequate information security controls to prevent inappropriate access to customer information by internal or external parties.
    2. Controls over the transmission to and disposal of customer data in Ramp requires improvement.
- **Summary of Root Cause Explanation:**
  1. The root cause is primarily attributable to a lack of change management discipline and oversight to ensure process enhancements are implemented appropriately and working as intended prior to being operationalized.
  2. The root cause can be attributed to both various VEM and organizational changes occurring over the past few years, which over time has impacted clarity regarding the applicable ongoing monitoring standards. Also, during the vendor onboarding process (2018) appropriate SaaS configuration was not performed.
  3. The root cause is primarily attributed to the lack of effective Vendor Engagement Manager's monitoring process and management's awareness of the expected standards, associated controls including the approved data transmission methods.
- **Root Cause Category:** Process (2), People (1)



# Summary at Operating Division level ( 3 of 6)

*Summary of issue statistics, issue findings, root cause explanation, risk taxonomy*

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**\*\*Operating Division: Corporate Groups\*\***

- **Number of issues present are:** 1
- **Issue Ratings:** Low
- **Risk Category:** Information Technology
- **Summary of issue findings:** Excel tools used for reinsurance settlement activities were not identified and inventoried as End User Computing Solutions (EUCS).
- **Summary of root cause explanation:** The root cause can be attributed to the fact that the monthly and quarterly settlement processes with Prisma Re are new and there was a lack of an understanding that the Excel tools created to perform this process fall under the definition of an EUCS.
- **Root Cause Category:** People (1)

# Summary at Operating Division level ( 4 of 6)

*Summary of issue statistics, issue findings, root cause explanation, risk taxonomy*

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\*\*Operating Division: PGIM\*\*

- **Number of issues present are:** 1
- **Issue Ratings:** Low
- **Risk Category:** Accounting and Financial Reporting
- **Summary of issue findings:** Lack of secondary/peer review for the invested asset data provided to Prisma by the GMI Operations and Innovations team for Prisma Dolven Capital Requirement reporting and investment accounting balances for their trial balance and financial statements.
- **Summary of root cause explanation:** The root cause can be attributed to the fact that 3Q23 was the first time the data was provided for the Prisma template and trial balance, and primary focus was on execution of the processes instead of establishment of formal review processes.
- **Root Cause Category:** Process (1)

# Summary at Operating Division level ( 5 of 6)

*Summary of issue statistics, issue findings, root cause explanation, risk taxonomy*

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**\*\*Operating Division: Individual Solutions Group\*\***

- **Number of issues present are:** 1
- **Issue Ratings:** Medium
- **Risk Category:** Regulatory Compliance
- **Summary of Issue Findings:** Governance and supervision controls related to Static Annuities Distributors, Inc. Outside Business Activities (OBAs) and personal investments in private securities transactions (e.g. passive investments) needs improvement.
- **Summary of Root Cause Explanation:** The root causes are primarily attributable to the overreliance of self-disclosure by RRs and a lack of consideration to use additional outside data to detect discrepancies in on-going OBA recertifications as well as a lack of firm-wide protocols for system changes to consider regulatory impacts.
- **Root Cause Category:** Process (1)

# Summary at Operating Division level ( 6 of 6)

*Summary of issue statistics, issue findings, root cause explanation, risk taxonomy*

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**\*\*Operating Division: Not Mentioned\*\***

- **Number of issues present are:** 1
- **Issue Ratings:** Medium
- **Risk Category:** Product, Operations and Trading
- **Summary of Issue Findings:** Controls over key end-to-end processes and critical tools utilized to administer the legacy GAS block are insufficient.
- **Summary of Root Cause Explanation:** The root cause is primarily attributed to ownership of key processes transferring multiple times with insufficient resources to execute key controls consistently at the time of the transition.
- **Root Cause Category:** People (1)

# Summary of issue findings

## *Summary of issue findings and root cause for high & medium rated issues*

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Total Count of High & Medium Rated Issues: 4

### Theme: Process

- 1. Issue:** Minimum third-party and privacy standards were not executed resulting in inadequate information security controls to prevent inappropriate access to customer information by internal or external parties.  
**Root Cause:** Various VEM and organizational changes over the past few years, which over time has impacted clarity regarding the applicable ongoing monitoring standards. Also, during the vendor onboarding process (2018) appropriate SaaS configuration was not performed. (1 Medium Risk Issue)
- 2. Issue:** Governance and supervision controls related to Static Annuities Distributors, Inc. (SAD) Outside Business Activities (OBAs) and personal investments in private securities transactions (e.g. passive investments) needs improvement.  
**Root Cause:** Overreliance of self-disclosure by RRs and a lack of consideration to use additional outside data to detect discrepancies in on-going OBA recertifications as well as a lack of firm-wide protocols for system changes to consider regulatory impacts. (1 Medium Risk Issue) -
- 3. Issue:** Controls over the transmission to and disposal of customer data in LiveRamp requires improvement.  
**Root Cause:** Lack of effective Vendor Engagement Manager's monitoring process and management's awareness of the expected standards, associated controls including the approved data transmission methods. (1 Medium Risk Issue)-

### Theme: People

- 4. Issue:** Controls over key end-to-end processes and critical tools utilized to administer the legacy AAS block are insufficient.  
**Root Cause:** Ownership of key processes transferring multiple times with insufficient resources to execute key controls consistently at the time of the transition. (1 Medium Risk Issue)

# Issues Listing

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► The various issues identified are:

1. Issue ID: IS-001167, Issue Name: Data interface documentation for the Workday application has not been completed.
2. Issue ID: IS-001363, Issue Name: Lack of secondary/peer review for the invested asset data provided to Prisma by the GIM Operations and Innovations team for Prisma muda Doven Capital Requirement reporting and investment accounting balances for their trial balance and financial statements.
3. Issue ID: IS-0002722, Issue Name: Minimum third-party and privacy standards were not executed resulting in inadequate information security controls to prevent inappropriate access to customer information by internal or external parties.
4. Issue ID: IS-0002724, Issue Name: Controls to ensure timely response and escalation of customer service-related comments require enhancement.
5. Issue ID: IS-0002723, Issue Name: Controls over the transmission to and disposal of customer data in Ramp requires improvement.
6. Issue ID: IS-001425, Issue Name: Controls over key end-to-end processes and critical tools utilized to administer the legacy AAS block are insufficient.
7. Issue ID: IS-001155, Issue Name: Enhancements to the payroll cycle monitoring and variance analysis control are needed to ensure adequate segregation of duties exists between the preparer and reviewer of the information.
8. Issue ID: IS-001402, Issue Name: Two Excel tools used by the Strategy Controllers team for performing monthly and quarterly reinsurance settlement activities between Static Insurance Company and Prisma Life Reinsurance, LTD (Prisma Re) were not identified and inventoried as End User Computing Solutions (EUCS).
9. Issue ID: IS-001237, Issue Name: Execution of review controls supporting certain payroll suspense accounts require improvement to ensure suspense items are appropriately identified, aged, and remediated in a timely and accurate manner.
10. Issue ID: IS-001149, Issue Name: Additional reviews and role clarifications are required for the user access recertification control for the Workday application.
11. Issue ID: IS-001585, Issue Name: Governance and supervision controls related to Static Annuities Distributors, Inc. Outside Business Activities (OBAs) and personal investments in private securities transactions (e.g. passive investments) needs improvement.